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Application Proof of



Yeeper Nutrition Technology (Qingdao) Group Co., Ltd.

宜品營養科技(青島)集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

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Yeeper Nutrition Technology (Qingdao) Group Co., Ltd. 宜品營養科技(青島)集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to adjustment)
Number of [REDACTED] : [REDACTED] H Shares (subject to adjustment and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and the AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]



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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than 12:00 noon on [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED] (Hong Kong time) between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse. Applicants for [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage of 1%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors.”

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.yeeper-dairy.com not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]”.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Please see the section headed “[REDACTED] – [REDACTED] Arrangements and Expenses – [REDACTED] – Grounds for Termination.”

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a leading nutritional technology group in China with global perspective, specializing in goat/sheep milk powder and FSMPs. We provide high-nutrition, easily digestible, and low-allergen dietary solutions for consumers of all ages, with a particular focus on individuals with dietary sensitivities such as allergies, lactose intolerance, or impaired digestion. Our product portfolio spans goat/sheep milk infant formula, FSMPs, cow milk infant formula, and formula products for children and adults.

To fulfill our product value proposition of “high whey content, low allergenicity, and enhanced absorption,” we have integrated top-notch global resources across the industrial chain and established the Yeep Institute of Low-Allergen Nutrition (宜品低敏營養研究院), dedicated to continuous process innovation and product portfolio optimization. Since 2018, we have been the exclusive goat milk formula partner of the China Space Foundation (中國航天基金會) for seven consecutive years, with our products meeting stringent aerospace-grade quality standards and earning market trust.

Our Market Position

According to the F&S Report, based on retail sales in 2024, (i) we ranked second in China’s goat and sheep milk powder market with a market share of 14.0%, (ii) we ranked second in the China’s goat and sheep milk infant formula segment with a market share of 17.6%, and (iii) in China’s infant FSMP market, we rank second among local Chinese brands with a market share of 4.5%.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors: (i) holding a leading position in high-growth goat and sheep milk powder and FSMP markets; (ii) addressing low-allergen nutritional needs through innovative product development; (iii) globally integrated supply chain with access to premium resources and strong quality barriers; (iv) trusted allergy-friendly brand with aerospace-grade quality recognition; (v) extensive nationwide distribution network with multi-pronged distributor empowerment for growth; and (vi) experienced and visionary leadership team driving end-to-end operational excellence.

SUMMARY

OUR STRATEGIES

We aim to drive sustainable growth through the following business strategies: (i) enhance our professional brand image of goat/sheep milk powder and build a scientific understanding system for low-allergen feeding; (ii) strengthen research and development innovation by developing products for diverse needs to create a second growth curve; (iii) deepen global industry chain layout and actively explore overseas markets; (iv) further enhance product competitiveness through intelligent manufacturing industry chain upgrading; and (v) advance strategic digital transformation to build a smart dairy ecosystem.

OUR BUSINESS MODEL

We are a vertically integrated dairy enterprise (全產業鏈乳製品企業) and a leading player in China’s goat/sheep milk infant formula and FSMP markets. We specialize in developing, manufacturing, and distributing low-allergen dairy products (低致敏乳製品) designed to meet the nutritional needs of sensitive populations, particularly infants, children, and health-conscious adults with dietary restrictions such as cow milk protein allergy, lactose intolerance, or digestive sensitivities. According to the F&S Report, low-allergen dairy products are formulated using specific ingredients and processing techniques to reduce allergenic components such as α s1-casein, while ensuring high digestibility and nutritional adequacy. These products often incorporate hydrolyzed proteins, high whey protein content, or lactose-free formulations, and form the cornerstone of our differentiated, consumer-centric product strategy.

Our vertically integrated model encompasses the full value chain of dairy production, from upstream self-owned dairy farming, raw milk procurement, and core ingredient (such as goat/sheep whey) supply and processing, through midstream formulation and manufacturing, to downstream branding, distribution, and consumer engagement. In the upstream segment, we operate self-owned dairy farms in Heilongjiang and Shandong, and maintain a strategic sourcing base in Spain. Our Spanish facility, according to the F&S Report, is one of the largest goat/sheep whey powder producers globally and produce approximately a quarter of all goat/sheep whey powder in the European Union in 2024. This upstream integration gives us rare access to high-quality, traceable raw materials, particularly demineralized goat/sheep whey powder (脫鹽羊乳清粉), a critical component in our goat/sheep milk infant formula. As one of the earliest domestic enterprises to master D90-grade demineralized goat/sheep whey powder technology, we are uniquely positioned to ensure both supply security and technical compliance with infant-grade nutrition standards.

Building on this foundation, our midstream capabilities are centered on proprietary formula development and differentiated production processes. We adopt a hybrid dry-wet mixing process (乾濕複合工藝) that combines the nutrient uniformity benefits of wet blending with the formulation flexibility and retention rate of heat-sensitive nutrients of dry mixing. This allows us to tailor formulations for specific age groups and health conditions while preserving nutrient bioavailability, stability, and sensory characteristics. All production is conducted within our own facilities, located both in China and overseas, and configured to support full in-house control of processing, blending, drying, packaging, labeling, and coding. The capabilities of these midstream functions ensures consistency in product quality, cost containment, and rapid response to consumer demands.

SUMMARY

Downstream, we manage a comprehensive brand ecosystem supported by a nationwide distribution network that enables deep penetration into China’s lower-tier and emerging urban centers. Our region-specific marketing strategy, paired with a well-established distributor management system, has allowed us to build a robust presence. Through precise channel segmentation, full-chain traceability via product-level QR codes, and loyalty-building tools such as membership programs, we optimize reach and conversion across physical and digital platforms.

Compared with non-integrated players who may rely on outsourced demineralized whey powder procurement, third-party contract manufacturers, or licensing models, our vertically integrated approach delivers structural advantages in three critical areas: quality assurance, speed of innovation, and supply chain resilience. By retaining control over raw material sources, proprietary ingredient processing, and end-market branding, we are able to align every aspect of the value chain with our product mission of making consumers around the world love high-quality milk powder made in China.

OUR PRODUCTS

We offer a comprehensive range of dairy products tailored to meet the nutritional needs of various consumer groups across different age stages, health conditions, and dietary preferences. Our product portfolio spans both finished formula-based products and semi-finished dairy ingredients.

The following table sets forth the breakdown of our revenue by product categories during the Track Record Period.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Goat/sheep milk infant										
formula	771,780	55.1	926,438	57.4	1,032,745	58.6	550,019	61.2	447,818	55.6
FSMPs	23,762	1.7	130,365	8.1	218,617	12.4	100,214	11.1	129,510	16.1
Cow milk infant										
formula	215,555	15.4	158,929	9.8	138,771	7.9	71,053	7.9	55,075	6.8
Adult & children milk										
powder	73,214	5.2	96,993	6.0	112,993	6.4	56,041	6.2	54,292	6.7
OEM and dairy										
product related										
materials	304,918	21.8	290,610	18.0	247,805	14.1	117,737	13.1	113,739	14.1
Others	12,383	0.8	10,923	0.7	11,298	0.6	3,936	0.5	5,458	0.7
Total	<u>1,401,612</u>	<u>100.0</u>	<u>1,614,258</u>	<u>100.0</u>	<u>1,762,229</u>	<u>100.0</u>	<u>899,000</u>	<u>100.0</u>	<u>805,892</u>	<u>100.0</u>

SUMMARY

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross Profit	GPM	Gross Profit	GPM	Gross Profit	GPM	Gross Profit	GPM	Gross Profit	GPM
	RMB'000'	%	RMB'000'	%	RMB'000'	%	RMB'000'	%	RMB'000'	%
	(unaudited)									
Goat/sheep milk infant formula	417,497	54.1	532,067	57.4	600,614	58.2	321,586	58.5	266,803	59.6
FSMPs	17,783	74.8	98,201	75.3	166,352	76.1	76,904	76.7	96,818	74.8
Cow milk infant formula	101,584	47.1	73,660	46.3	61,722	44.5	31,754	44.7	24,225	44.0
Adult & children milk powder	22,004	30.1	25,490	26.3	23,313	20.6	9,566	17.1	8,635	15.9
OEM and dairy product related materials	71,404	23.4	74,339	25.6	26,209	10.6	12,792	10.9	12,451	10.9
Others	2,851	23.0	1,431	13.1	671	5.9	728	18.5	933	17.1
Total	633,123	45.2	805,188	49.9	878,881	49.9	453,330	50.4	409,865	50.9

Goat/sheep Milk Infant Formula



Imported goat/sheep milk infant formula, domestically produced goat/sheep milk infant formula

Food for Special Medical Purposes



Yeeper Yibei, Bao An Su, Zhen Er Ai and Yinuo An

Cow Milk Infant Formula



Domestically produced organic cow milk powder, domestically produced Jersey A2 cow milk powder and imported organic cow milk powder

High whey content, low allergenicity, and enhanced absorption

Adult & Children Milk Powder



Yeeper Zhen Gao, Bekari Stage 4, Yeeper Changgaogao, Yeeper 1956, Yeeper Shishigao, Yeeper Xiaoyang Stage 4, Xiaoi Tongxue and Huiyu Aiyigao

SUMMARY

RISK FACTORS

Our operations involve certain risks and uncertainties. The more significant risks relating to our business and industry include: (i) We face competition within the broader dairy market and in specific segments such as infant milk formula, goat milk formula, and special medical-purpose foods, and slower industry growth may further intensify competitive pressures and adversely impact our business, financial condition, and results of operations; (ii) Disruption of our production operations may materially and adversely affect our business, financial condition and results of operations; (iii) Product contamination, whether actual or alleged, could materially and adversely affect our brand reputation, sales, customer relationships, financial condition and results of operations; (iv) Volatility in the prices and quality of raw materials may materially and adversely affect our cost structure, profitability and results of operations; and (v) Disruptions or delays in customs clearance, import procedures, or international logistics for raw materials and semi-finished goods may materially and adversely affect our production and cost structure. For details, see the section headed “Risk Factors” in this document.

OUR PRODUCTION

To support our vertically integrated business model and diversified product portfolio, we operate a fully integrated production system that encompasses both upstream farming and downstream manufacturing capabilities. This system is designed to ensure high-quality supply of raw materials, efficient in-house manufacturing, and strong traceability across the entire production lifecycle.

Our production footprint consists of two primary components:

- **Farming facilities**, including our self-owned dairy farms located in Heilongjiang and Shandong provinces. As of June 30, 2025, we operated an integrated upstream platform comprising one dairy cow farm in Bei’an (Heilongjiang) and two goat farms in Laixi and Jimo (Shandong). These farms provide stable, high-quality supply of goat/sheep and cow milk, which form the foundation of our core product lines, particularly our premium goat/sheep milk formulas.
- **Manufacturing facilities**, comprising nine manufacturing facilities in China and overseas (four in China and five overseas), which are responsible for the full processing cycle of our dairy products, from ingredient blending and wet processing to packaging and final product inspection. Domestically, our manufacturing facilities are Bei’an Yeeper Nuka Plant (Bei’an, Heilongjiang), Yeeper Heilongjiang Plant (Fuyu, Heilongjiang), Aubecca Nutritional (Tieli, Heilongjiang) and Yeeper Qingdao Plant (Laixi, Shandong). Overseas, we have two manufacturing facilities in South Korea (HAM and Ohsung, both in Gwangyang) and three facilities in Spain (a whey powder plant and a cheese plant in Monforte de Lemos, Lugo; and a infant-formula-grade base powder plant in Talavera de la Reina, Toledo).

SALES AND DISTRIBUTION CHANNELS

Our sales model primarily comprises distribution partnerships, supplemented by a limited portion of direct sales.

SUMMARY

Set out below is a breakdown of our revenue by sales channel in absolute amounts and as a percentage of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Direct sales	362,492	25.9	475,098	29.4	524,014	29.7	232,714	25.9	269,923	33.5
Distribution										
partnerships	1,039,120	74.1	1,139,160	70.6	1,238,215	70.3	666,286	74.1	535,969	66.5
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0

The following table sets forth a breakdown of our revenue by geographical market for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
The PRC	1,278,560	91.2	1,540,563	95.4	1,684,307	95.6	861,189	95.8	771,957	95.8
Spain.	115,982	8.3	62,520	3.9	57,181	3.2	29,045	3.2	26,629	3.3
Others ^{Note (1)}	7,070	0.5	11,175	0.7	20,741	1.2	8,766	1.0	7,306	0.9
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0

Note:

(1) Others primarily include Korea and Hong Kong.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our major customers generally comprised large-scale regional distributors, e-commerce distributor and manufacturers and food companies as well as OEM brand owners. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB283.8 million, RMB291.8 million, RMB255.8 million, and RMB112.0 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively, representing 20.3%, 18.0%, 14.6% and 13.9% of our total revenue for the same year/period. For details, please refer to “Business — Our Customers — Major Customers” in this document.

Our major suppliers during the Track Record Period primarily include suppliers of raw milk, dairy ingredient, packaging materials and equipment as well as services. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB209.8 million, RMB283.5 million, RMB301.6 million and RMB161.1 million for the years ended December 31, 2022, 2023 and 2024, and six months ended June 30, 2025, respectively, representing 18.8%, 23.8%, 26.0% and 30.3% of our total purchases for the same year/period. For details, please refer to “Business — Suppliers and Procurement — Major Suppliers” in this document.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Mu, Kangwang Investment and Qiwang Investment directly held 19.16%, 38.31% and 17.64% of our Shares, respectively. Kangwang Investment was wholly owned by Mr. Mu. Qiwang Investment was an Employee Shareholding Platform which was owned as to approximately 0.67% by Kangwang Investment as the executive general partner and approximately 51.99% by Mr. Mu as a limited partner. Accordingly, as at the Latest Practicable Date, Mr. Mu, Kangwang Investment and Qiwang Investment collectively are our Controlling Shareholders, holding approximately 75.11% of our Shares.

For further details about our Controlling Shareholders, please refer to the section headed “Relationship with our Controlling Shareholders” in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below present our summary of consolidated financial data derived from our consolidated statements of profit or loss, consolidated statements of financial position and consolidated statements of cash flows during the Track Record Period, included in the Accountants’ Report as set out in Appendix I to this document. The following data and discussion should be read in conjunction with our Accountants’ Report and related notes and the section headed “Financial Information”.

Summary of Consolidated Statements of Profit or Loss

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss included in the Accountants’ Report as set out in Appendix I to this document.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0
Cost of sales	(768,489)	(54.8)	(809,070)	(50.1)	(883,348)	(50.1)	(445,670)	(49.6)	(396,027)	(49.1)
Gross profit	633,123	45.2	805,188	49.9	878,881	49.9	453,330	50.4	409,865	50.9
Other income and gains	44,275	3.2	42,959	2.7	26,153	1.5	13,348	1.5	14,638	1.8
Selling and distribution expenses	(240,341)	(17.1)	(371,415)	(23.0)	(432,407)	(24.5)	(219,886)	(24.5)	(232,880)	(28.9)
Administrative expenses	(125,526)	(9.0)	(168,745)	(10.5)	(141,121)	(8.0)	(65,187)	(7.3)	(72,236)	(9.0)

SUMMARY

	For the year ended December 31,						For the six months ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)	
(Impairment losses)/reversal of impairment losses on financial assets, net	(1,506)	(0.1)	431	(0.0)	(7)	(0.0)	(584)	(0.1)	(3,196)	(0.4)		
Other expenses	(6,165)	(0.4)	(14,814)	(0.9)	(3,318)	(0.2)	(532)	(0.1)	(11,585)	(1.4)		
Changes in fair value less costs to sell of biological assets . . .	4,178	0.3	(33,549)	(2.1)	(62,522)	(3.5)	(31,718)	(3.4)	(15,345)	(1.9)		
Finance costs	(10,878)	(0.9)	(21,821)	(1.3)	(24,637)	(1.5)	(12,429)	(1.3)	(10,602)	(1.3)		
Profit before tax	297,160	21.2	238,234	14.8	241,022	13.7	136,342	15.2	78,659	9.8		
Income tax expense . . .	(70,220)	(5.0)	(70,519)	(4.4)	(68,930)	(3.9)	(37,635)	(4.2)	(21,971)	(2.8)		
Profit for the year/period	226,940	16.2	167,715	10.4	172,092	9.8	98,707	11.0	56,688	7.0		

For detailed analysis, please refer to “Financial Information — Description of Selected Components of Statements of Profit or Loss” in this document.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position for the periods indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	993,388	1,125,122	1,127,091	1,192,000
Total current assets	1,209,573	1,314,243	1,354,519	1,375,906
Total assets	2,202,961	2,439,365	2,481,610	2,567,906
Total non-current liabilities	246,728	279,895	247,410	276,734
Total current liabilities	1,094,831	1,369,386	1,258,209	1,204,144
Total liabilities	1,341,559	1,649,281	1,505,619	1,480,878
Net current assets/(liabilities)	114,742	(55,143)	96,310	171,762
Total equity	861,402	790,084	975,991	1,087,028

For details of our fluctuation in key items of our consolidated statements of financial position during the Track Record Period, please refer to “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position” in this document.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Net cash flows from operating activities . .	196,513	243,290	201,496	114,901	44,002
Net cash flows used in investing activities . .	(208,773)	(223,802)	(114,872)	(28,214)	(72,196)
Net cash flows from/(used in) financing activities . .	168,109	(71,872)	(97,831)	(117,979)	5,100
Cash and cash equivalents at beginning of the year/period	230,370	387,613	346,790	346,790	337,100
Cash and cash equivalents at end of the year/period	387,613	346,790	337,100	318,084	321,600

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:

	As of December 31/ For the year ended December 31,			As of June 30/For the six months ended June 30,
	2022	2023	2024	2025
Return on equity	30%	20%	19%	11%
Return on total assets	12%	7%	7%	4%
Current ratio	1.1	1.0	1.1	1.1
Gearing ratio	42%	54%	46%	44%

SUMMARY

FUTURE PLANS AND [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised. In alignment with our strategies and development plans, we intend to allocate the net [REDACTED] for the following purposes:

- approximately [REDACTED]% (HK\$[REDACTED]) of the net [REDACTED] will be allocated to research and development to advance product formulations and related technologies.
- approximately [REDACTED]% (HK\$[REDACTED]) of the net [REDACTED] will be allocated to industrial chain upgrading and intelligent manufacturing to support capacity enhancement and process upgrades.
- approximately [REDACTED]% (HK\$[REDACTED]) of the net [REDACTED] will be allocated to brand building and product marketing to strengthen consumer awareness and accelerate market penetration.
- approximately [REDACTED]% (HK\$[REDACTED]) of the net [REDACTED] will be allocated to international expansion to establish and strengthen our presence in key overseas markets.
- approximately [REDACTED]% (HK\$[REDACTED]) of the net [REDACTED] will be allocated to enhancing digital infrastructure to upgrade and integrate critical systems across our operations.
- Approximately [REDACTED]% (HK\$[REDACTED]) of the net [REDACTED] will be a reserved for working capital and general corporate purposes.

For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

DIVIDEND

On February 20, 2023, we declared dividends of RMB211.0 million to our shareholders. The dividend was paid in three installments: RMB141.2 million was paid in 2023, RMB60.7 million in 2024, and RMB9.1 million in 2025. On March 29, 2023, we declared an additional dividend of RMB38.1 million, which was paid in three installments as well: RMB23.9 million in 2023, RMB6.9 million in 2024, and RMB7.2 million in 2025. Furthermore, on January 20, 2025, we declared dividends of RMB30.0 million to our shareholders, of which RMB28.7 million was paid during the six months ending June 30, 2025. We do not currently have a formal dividend policy. The declaration and payment of dividends are at the discretion of our Board of Directors and require approval by our shareholders. In determining whether to propose a dividend distribution, our Board will consider, among other factors, our financial results, cash flow position, future funding needs, capital expenditure plans, and general business and economic conditions. Subject to these considerations, we intend to distribute dividends primarily in cash and will review the dividend distribution ratio dynamically based on our actual operating circumstances.

As of the Latest Practicable Date, we had no plan to declare or pay any dividends prior to the [REDACTED]. We do not anticipate any material changes to our dividend considerations in the foreseeable future.

SUMMARY

RECENT DEVELOPMENT

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2025, being the end of the last financial year reported on in the Accountants’ Report as set out in Appendix I to this document.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are issued pursuant to the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) [REDACTED] Shares are issued and outstanding following the completion of the [REDACTED].

	Based on an [REDACTED] of HK\$[REDACTED] per H Share	Based on an [REDACTED] of HK\$[REDACTED] per H Share
[REDACTED] of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] H shares and expected to be in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). For details, please refer to “Share Capital — Upon the Completion of the [REDACTED]” in this document.
- (2) Unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after making adjustments referred to “Appendix II — Unaudited [REDACTED] Financial Information” in this document.

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and the [REDACTED] is not exercised, and of which approximately RMB[REDACTED] is directly attributable to the issue of the [REDACTED] which is expected to be accounted for as a deduction from equity upon the [REDACTED] in accordance with relevant accounting standards. The remaining estimated [REDACTED] expenses amount to approximately RMB[REDACTED], of which (i) [REDACTED], [REDACTED], [REDACTED] and approximately RMB[REDACTED] was recognized for the years ended December 31, 2022, 2023, 2024, and for the six months ended June 30, 2025, respectively; and (ii) approximately RMB[REDACTED] is expected to be recognized as expenses from June 30, 2025 and up to the [REDACTED]. Such total estimated [REDACTED] expenses include (i) [REDACTED]-related expenses of RMB[REDACTED]; (ii) fees and expenses of legal advisers and reporting accountant of RMB[REDACTED]; and (iii) other fees and expenses of RMB[REDACTED]. The [REDACTED] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this document.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	The Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of the Company conditionally adopted on August 19, 2025, which shall become effective on [REDACTED], as amended from time to time, a summary of which is set out in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Bei’an Facility (北安工廠)” or “Bei’an Yeeper Nuka Plant (北安宜品努卡工廠)”	a factory plant located in Bei’an, Heilongjiang Province
“Bei’an Yeeper Nuka”	Bei’an Yeeper Dairy Nuka Co., Ltd.* (北安宜品努卡乳業有限公司), a company incorporated in the PRC on June 2, 2004 and a wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business

[REDACTED]

DEFINITIONS

“Changhong Investment”	Qingdao Changhong Investment Center (Limited Partnership)* (青島長虹投資中心(有限合夥)), a limited partnership established in the PRC on October 27, 2022, which is an Employee Incentive Platform
“Changsha Aixi”	Changsha Aixi Consulting Management Co., Ltd.* (長沙愛喜諮詢管理有限公司), a limited liability company established in the PRC on December 25, 2020
“Changsha Bekari”	Changsha Bekari Nutrient Products Co., Ltd.* (長沙蓓康僖營養品有限公司), a company incorporated in the PRC on December 21, 2016 and a subsidiary of our Company owned as to 64% and 36% by our Company and Qingdao Organic, respectively
“close associates”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Yeeper Nutrition Technology (Qingdao) Group Co., Ltd.* (宜品營養科技(青島)集團股份有限公司), a limited liability company established in the PRC on July 24, 2012, and converted into a joint stock company with limited liability on June 18, 2025
“Company Law” or “PRC Company Law”	Company Law of the PRC (《中華人民共和國公司法》) as amended and supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules, refers to Mr. Mu, Kangwang Investment and Qiwang Investment. See “Relationship with Our Controlling Shareholders” for details
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“document”	this document being issued in connection with the [REDACTED]
“Domestic Unlisted Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China* (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Employees Shareholding Platforms”	include Qiwang Investment, Zhongwang Investment, Tianjin Yiwang, Zhenai Investment, Ousheng Investment, Changhong Investment, Qingdao Yiwang and Kunpeng Gongchuang
“ESG”	environmental, social and governance

[REDACTED]

“Extreme Conditions”	the occurrence of “extreme conditions” as announced by the Hong Kong Government due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

DEFINITIONS

[REDACTED]

“Food Safety Law”	the Food Safety Law of the PRC (《中華人民共和國食品安全法》), as amended, supplemented or otherwise revised from time to time
“Frost & Sullivan” or “F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, which is an independent third party
“Frost & Sullivan Report” or “F&S Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan, a summary of which is set forth in the section headed “Industry Overview” for the purpose of this document
“Full-circulation Guidelines”	Guidelines on Application for Full-circulation of Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》) issued by the CSRC on November 14, 2019, as amended, supplemented or otherwise modified from time to time
“Fuyu Faciliy (富裕工廠)” or “Yeeper Heilongjiang Plant (宜品黑龍江工廠)”	a factory plant located in Fuyu County, Heilongjiang Province

[REDACTED]

“GMP”	Good Manufacturing Practice, a system for ensuring that products are consistently produced and controlled according to quality standards
“the Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants published by the Stock Exchange and as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“HAM” or “HAM Co., Ltd.”	HAM Co., Ltd., a company incorporated in Korea on March 30, 2016 and a wholly-owned subsidiary of our Company, which owns and operates one of our production facilities in South Korea
“HAM Qibo”	Jiangxi HAM Qibo Nutritional Products Co., Ltd.* (江西漢姆啟鉅營養品有限公司), a company incorporated in the PRC on May 14, 2019 and a wholly-owned subsidiary of Changsha Bekari
“H Share(s)”	overseas [REDACTED] foreign invested ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be [REDACTED] for and traded in Hong Kong dollars and for which an application has been made for the granting of [REDACTED], and permission to [REDACTED], on the Main Board of the Stock Exchange
	[REDACTED]
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK”

the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Takeovers Code” or
“Takeovers Code”

the Codes on Takeovers and Mergers and Share Buy-backs
issued by the SFC, as amended, supplemented or modified
from time to time

[REDACTED]

“IAS”

International Accounting Standards

DEFINITIONS

“IFRS Accounting Standards”	the International Financial Reporting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	a person, persons, a company or companies which is or are independent of, and not our connected person(s) within the meaning under the Listing Rules

[REDACTED]

“IT”	information technology

[REDACTED]

DEFINITIONS

[REDACTED]

“Kangwang Investment”	Qingdao Kangwang Investment Management Co., Ltd.* (青島康旺投資管理有限公司), a limited liability company established in the PRC on April 25, 2018, which is wholly owned by Mr. Mu
“Kunpeng Gongchuang”	Qingdao Kunpeng Co Creation Investment Enterprise (Limited Partnership)* (青島鯤鵬共創投資企業(有限合夥)), a limited partnership established in the PRC on December 14, 2020, which is an Employee Shareholding Platform
“Latest Practicable Date”	August 25, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
“Laixi Facility (萊西工廠)” or “Yeeper Qingdao Plant (宜品青島工廠)”	a factory plant located in Laixi City, Qingdao City, Shandong Province

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Mu”	Mr. Mu Shanbo (牟善波), chairman of our Board, executive Director and general manager of our Company and one of our Controlling Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of our Company, the details of which are described in “Corporate Information” in this document
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Aubecca Nutritional Plant (歐貝嘉營養工廠)” or “Tieli Facility (鐵力工廠)”	a factory plant located in Tieli City, Yichun, Heilongjiang Province (黑龍江省伊春市鐵力市)
“OEM”	original equipment manufacturer or manufacturing; a type of arrangement in which a manufacturer produces products that are purchased and branded for sale by another company

[REDACTED]

“Oviganic”	Oviganic Iberica S.L., a company incorporated the Spain on June 29, 2001 and a wholly-owned subsidiary of Bei’an Yeeper Nuka
“Ousheng Investment”	Qingdao Ousheng Investment Center (Limited Partnership)* (青島歐盛投資中心(有限合夥)), a limited partnership established in the PRC on April 12, 2021 which is an Employee Shareholding Platform

DEFINITIONS

[REDACTED]

“Overseas Listing Trial Measures”	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) released by CSRC on February 17, 2023 and became effective on March 31, 2023
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Company Law”	the company law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“PRC government” or “State”	the Central People’s Government of the People’s Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“PRC Legal Advisers”	Beijing DHH (Shanghai) Law Firm, the legal advisers to our Company as to PRC laws
“PRC Listing Regulations”	Regulations on the Takeover of Listed Companies (《上市公司收購管理辦法》) promulgated by CSRC
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended and supplemented from time to time

DEFINITIONS

[REDACTED]

“Qiwang Investment”	Qingdao Qiwang Investment Center (Limited Partnership)* (青島啟旺投資中心(有限合夥)), a limited partnership established in the PRC on August 10, 2020, which is an Employee Shareholding Platform
“Qingdao Organic”	Qingdao Organic Food Co., Ltd.* (青島愛尼可食品有限公司), a company incorporated in the PRC on July 22, 2011 and a wholly-owned subsidiary of our Company
“Qingdao Yiwang”	Qingdao Yiwang Investment Partnership Enterprise (Limited Partnership)* (青島益旺投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 23, 2021, which is an Employee Shareholding Platform
“Qingdao Zhongwang”	Qingdao Zhongwang Investment Center (Limited Partnership)* (青島中旺投資中心(有限合夥)), a limited partnership established in the PRC on October 27, 2022
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)

DEFINITIONS

“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including our Domestic Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“South Korea” or “Korea”	Republic of Korea
“Spain”	Kingdom of Spain
[REDACTED]	
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Tianjin Yiwang”	Tianjin Yiwang Enterprise Management Consulting Center (Limited Partnership)* (天津益旺企業管理諮詢中心(有限合伙)), a limited partnership established in the PRC on November 6, 2020, which is an Employee Shareholding Platform

DEFINITIONS

“Track Record Period”	the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

[REDACTED]

“United States”, “US” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“VAT”	the value-added tax
“Yeeper Goat Milk”	Yeeper (Qingdao) Goat Milk Products Co., Ltd.* (宜品(青島)羊乳製品有限公司), a company incorporated in the PRC on September 22, 2020 and a wholly-owned subsidiary of our Company
“Yeeper Sheep Dairy”	Yeeper Sheep Dairy Products (Qingdao) Co., Ltd.* (宜品綿羊乳製品(青島)有限公司), a company incorporated in the PRC on September 10, 2020 and a wholly-owned subsidiary of our Company
“Zhenai Investment”	Qingdao Zhenai Investment Center (Limited Partnership)* (青島臻愛投資中心(有限合夥)), a limited partnership established in the PRC on October 27, 2020, which is an Employee Shareholding Platform
“Zhongwang Investment”	Qingdao Zhongwang Investment Center (Limited Partnership)* (青島眾旺投資中心(有限合夥)), a limited partnership established in the PRC on October 27, 2022, which is an Employee Shareholding Platform
“%”	percent

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

DEFINITIONS

For ease of reference, the names of the PRC governmental authorities, institutions, facilities, certificates, titles, nationals, individuals, companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and, in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “*” and are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this document in connection with our Group and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

“adult milk powder (成人奶粉)”	Adult milk powder refers to milk powder specifically for individuals aged 18 and above.
“alpha-s1-casein” or “αs1-casein”	A major subtype of casein protein found in milk. The content of alpha-s1-casein (particularly in goat milk vs. cow milk) can influence milk’s digestibility and allergenicity.
“arachidonic acid (花生四烯酸)” or “ARA”	Arachidonic acid, one of the most abundant fatty acids in the brain necessary for the repair and growth of skeletal muscle tissue and beneficial to early neurological development.
“base powder (基粉)”	A composite ingredient as defined under the Detailed Rules for Examination of Production Permits for Infant Formula (2022 version) (《嬰幼兒配方乳粉生產許可審查細則(2022版)》). Base powder is produced mainly from cow or goat/sheep milk and their dairy protein products, with added nutrients and/or other auxiliary ingredients, and processed through wet blending process. It is intended to serve as an intermediate compound ingredient for use by other enterprises in the production of infant formula.
“CAGR”	compound annual growth rate
“children milk powder (兒童奶粉)”	Formulas designed for children aged 36 months to 18 years (Stage 4 and above).
“cow milk infant formula (嬰幼兒配方牛奶粉)”	Formulas designed for children aged 0-36 months (Stage 1 to 3), in which cow milk is used as the primary dairy ingredient.
“cow milk powder (牛奶粉)”	Cow milk powder refers to milk powder derived from cow milk.
“D90-grade”	A quality criterion related to particle size distribution, indicating that 90% of the particles in a powdered product are below a certain diameter (the D90 value). “D90-grade” powder has a consistently fine texture, which is important for the solubility and mouthfeel of infant formula.

GLOSSARY OF TECHNICAL TERMS

“dairy products (乳製品)”	Dairy products refer to foods or beverages made from the milk of animals such as cows, goats, or sheep. Common dairy products include milk, cheese, yogurt, butter, and milk powder.
“demineralized goat/sheep whey powder (脱鹽羊乳清粉)”	A powdered product made from goat/sheep whey through desalination and drying processes.
“demineralized whey powder (脱鹽乳清粉)”	A powdered product made from whey through desalination and drying processes.
“Docosahexaenoic Acid (二十二碳六烯酸)” or “DHA”	Docosahexaenoic Acid refers to a polyunsaturated fatty acid that is essential for the human body.
“dry blending (乾法)”	Dry blending refers to the process of producing milk powder by mixing various solid raw materials in a dry state through blending and other methods.
“dry-wet mixing process (乾濕複合工藝)”	A combined manufacturing process that includes all the steps of wet blending (except the final packaging stage) along with the corresponding steps of dry blending, integrating both processes in formula production.
“emulsion”	A fine mixture of two immiscible liquids where one liquid is dispersed in the form of tiny droplets in the other (for example, milk is an emulsion of fat droplets in water).
“encapsulated dairy lipids”	Dairy-based fats that have been microencapsulated (coated with a protective layer) to improve stability, control release, or enhance integration into formula products.
“enterobacter sakazakii”	Pathogenic bacterium (now generally referred to as Cronobacter sakazakii) that can contaminate powdered infant formula and cause serious infections in infants (such as meningitis or sepsis).
“finished formula-based product”	A final consumer product that is formula-based and ready for use or sale (for example, a canned infant formula ready for consumption).
“fluid-bed agglomeration system”	A system that uses a fluidized bed (airflow suspending particles) to agglomerate fine powder into larger, granulated particles. In formula production, fluid-bed agglomeration gathers small powder particles into porous granules, improving the powder’s instant solubility in water.

GLOSSARY OF TECHNICAL TERMS

“food for special medical purposes (特殊醫學用途配方食品)” or “FSMP”	Formulated foods specially processed and prepared to meet the special nutritional or dietary needs of individuals with limited eating capacity, impaired digestion and absorption, metabolic disorders, or specific disease conditions.
“food for special medical purposes for infants (特殊醫學用途嬰兒配方食品)”	Refers to formula foods designed to meet the dietary and nutritional needs of infants with specific medical conditions, such as particular disorders, diseases, or other health-related issues.
“goat milk powder (山羊奶粉)”	Goat milk powder refers to milk powder derived from goat milk.
“goat/sheep milk infant formula (嬰幼兒配方羊奶粉)”	Formulas designed for children aged 0-36 months (Stage 1 to 3), in which goat/sheep milk is used as the primary dairy ingredient.
“goat/sheep milk powder (羊奶粉)”	Milk powder derived from goat milk and/or sheep milk.
“goat/sheep whey protein (羊乳清蛋白)”	Whey protein obtained from goat or sheep milk, used as an alternative to cow whey protein in specialized dairy products and formulas.
“high-fat demineralized goat/sheep whey powder”	A high-fat whey powder produced from goat/sheep milk, obtained after whey separation and further processed through demineralization and other steps.
“human milk oligosaccharides” or “HMOs”	Complex sugars found in human breast milk that serve as prebiotics and support infant gut health and immunity. They are often added to infant formula to mimic the functional benefits of breast milk.
“hydrolyzed whey protein”	Whey protein that is predigested and partially hydrolyzed for the purpose of easier metabolizing.
“infant formula or infant milk formula (嬰幼兒配方奶粉)” or “IMF”	Formulas designed for children aged 0-36 months (Stage 1 to 3).
“Infant-grade”	Denotes that a material or product meets the rigorous safety and quality standards suitable for infants. For example, “infant-grade” ingredients or packaging have purity levels and safety specifications on par with those used for infant formula products.

GLOSSARY OF TECHNICAL TERMS

“jersey A2 cow milk powder (娟婁A2牛奶粉)”	Jersey A2 milk powder is made from Jersey cow milk that contains the A2 type of β -casein protein.
“jersey milk powder (娟婁奶粉)”	Jersey milk powder is made from the milk of Jersey cows.
“lactose (乳糖)”	Lactose is a carbohydrate unique to the milk of humans and other mammals.
“liquid milk (液態奶)”	Drinking milk, including Ultra-High Temperature (UHT) milk, pasteurized milk and yogurt, categorized by different processing techniques.
“low-allergen dairy product”	A dairy product formulated or processed to minimize allergenic proteins and reduce the risk of allergic reactions (e.g. using hydrolyzed proteins).
“milk powder”	Milk powder is a dairy product made by removing most of the water from liquid milk through drying.
“organic milk powder (有機奶粉)”	Organic milk powder is produced from milk sourced from certified organic farms. These farms follow organic standards that prohibit the use of synthetic pesticides, hormones, or antibiotics, and focus on animal welfare and environmentally friendly practices.
“pharmaceutical-grade”	Indicates a level of purity and quality suitable for medicinal use. Pharmaceutical-grade products or ingredients meet pharmacopeial standards and are produced under strict quality control, ensuring they are free of harmful impurities and consistent in strength – often applied to nutrients or substances used in medical nutrition products.
“rapid microbial detection system”	A technology or set of tools for quickly detecting microbial contamination in samples (faster than traditional culture methods). Such systems (e.g. rapid ATP bioluminescence or PCR-based detectors) are used to ensure infant formula and dairy products meet safety standards before release.
“raw milk (原料奶或生乳)”	Raw milk refers to fresh milk collected directly from animals (usually cows, goats, or sheep) before it has undergone any processing. It is the primary ingredient used to produce dairy products.
“sheep milk powder (綿羊奶粉)”	Sheep milk powder refers to milk powder derived from sheep milk.

GLOSSARY OF TECHNICAL TERMS

“somatic cell”	Lactose is a carbohydrate unique to the milk of humans and other mammals.
“specialty fats”	Speciality fats refer to customized fat blends used in infant formula or FSMP products to improve fat absorption and deliver specific nutritional benefits, such as essential fatty acids or MCTs.
“spray-drying (噴霧干燥)”	A method of quickly drying a liquid mixture into a powder by spraying it into a chamber of hot air, causing the liquid to evaporate and solid particles to form.
“wet blending (濕法)”	Wet blending refers to the process of producing milk powder by dissolving and mixing various raw materials in liquid form, followed by sterilization, concentration, spray drying and other subsequent processes.
“whey (乳清)”	The liquid obtained after separating the curd during the production of cheese, casein, or similar products using raw milk as the base material through rennet coagulation, acidification, or membrane filtration.
“whey liquid (乳清液)”	Unprocessed liquid whey (for example, the fresh whey by-product before any drying or further processing).
“whey powder (乳清粉)”	A powdered product made from whey through a drying process.
“whey protein (乳清蛋白)”	It is a globular protein mixture extracted from whey, the liquid by-product produced during cheese manufacturing.
“whey protein concentrates (乳清蛋白濃縮物)” or “WPC”	Whey protein concentrate refers to a product obtained through ultrafiltration and spray drying technologies.
“whey protein powder (乳清蛋白粉)”	A powdered product made from whey through separation, concentration, and drying processes, with a protein content of no less than 25%.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in our customers’ preferences, demands and business performance;
- changes in competitive conditions and our ability to compete under these conditions;
- the actions and development of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic conditions;
- our future debt levels and capital needs;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

FORWARD-LOOKING STATEMENTS

These forward-looking statements are based on assumptions and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We face competition within the broader dairy market and in specific segments such as infant milk formula, goat milk formula, and special medical-purpose foods, and slower industry growth may further intensify competitive pressures and adversely impact our business, financial condition, and results of operations.

We face competition within China’s goat and sheep milk powder market, and increased competition coupled with slower market growth could adversely impact our business, financial condition, and results of operations. According to the F&S Report, China’s goat and sheep milk powder market is moderately concentrated, dominated primarily by several established brands with strong market positions. Within this competitive environment, we operate in highly specialized and rapidly evolving segments, including goat/sheep milk infant formula and FSMPs. Our competitors range from large multinational dairy corporations and prominent domestic companies to emerging brands, many of which possess substantial financial resources, strong brand recognition, established distribution networks, and comprehensive research and development capabilities.

According to the F&S Report, competition in China’s goat and sheep milk powder market has intensified due to factors including declining birth rates, increasing consumer expectations for product safety and nutritional quality, and ongoing industry consolidation driven by stringent regulatory requirements. The infant milk formula market is expected to experience modest growth, driven by continued premiumization and rising consumer demand for specialized nutritional products.

Our goat/sheep milk infant formula products specifically target infants and children with heightened sensitivities to conventional dairy products, competing directly with both domestic brands and premium international brands available through traditional retail and cross-border channels. Additionally, the specialized FSMP segment, which targets medically vulnerable consumers, is currently dominated by established international brands supported by robust clinical research, regulatory expertise, and extensive medical endorsements. Our ability to maintain and expand our market position in these highly sensitive segments depends critically on our continuous demonstration of product efficacy, stringent adherence to clinical and regulatory standards, and our ability to secure trusted medical endorsements.

RISK FACTORS

Moreover, we face indirect but intensifying competition from cross-border channels, such as overseas e-commerce platforms and individual shopping agents (“**daigou**”), allowing Chinese consumers convenient access to international dairy brands. Increased availability and preference for these foreign-branded products could significantly diminish domestic demand for our products.

If industry growth further decelerates or experiences a decline due to the aforementioned demographic, regulatory, and competitive challenges, we may encounter increased difficulty in preserving our market share, executing effective premium pricing strategies, or meeting our strategic expansion targets. Any inability to adequately respond to these competitive pressures could necessitate reducing prices, increasing promotional expenditures, or experiencing decreased sales volume and profitability, all of which could materially and adversely impact our financial condition, results of operations, and future growth prospects.

Disruption of our production operations may materially and adversely affect our business, financial condition and results of operations.

Our ability to reliably procure raw materials, efficiently produce, package, distribute, and sell our products is essential to our business. Any damage to or disruption at our dairy farms, production facilities, supply chain, or logistics networks could significantly impair our ability to meet customer demand, fulfill orders, and maintain continuous operations. Potential disruptions include adverse weather conditions, natural disasters, utility interruptions, equipment failures, fires, labor disputes or strikes, livestock diseases, pandemics, or other force majeure events. Given the temperature-sensitive and precision-controlled nature of dairy production, interruptions to electricity, water supply, or other utilities could immediately impact our operational efficiency, product quality, and production capacity.

We currently have nine production facilities located in China, South Korea, and Spain, as well as self-operated dairy farms in China. Despite the geographic diversification of our production base and raw material sources, our business remains susceptible to operational interruptions if key facilities or dairy farms experience unexpected closures, quarantines, or logistical bottlenecks. Certain production processes critical to our products rely heavily on specialized equipment and skilled personnel. These processes, including spray drying and microencapsulation, are particularly vulnerable to mechanical breakdowns, human error, or technical failures. Any interruption in these critical processes could severely disrupt our production capabilities.

Moreover, our operational continuity relies on a timely and sufficient supply of essential raw materials, such as sheep milk, whey protein, base powder, oil blends, and packaging materials. We procure these materials from internal production and third-party suppliers. Disruptions in global or domestic supply chains could significantly impact our production schedule, increase costs, and jeopardize timely product delivery. If any of these disruptions occur, our production capacity and operational efficiency could be materially compromised. This would harm our ability to fulfill customer orders, maintain market share, and uphold our reputation for consistent product quality. Consequently, our business, financial condition, and results of operations may be materially and adversely impacted.

RISK FACTORS

Product contamination, whether actual or alleged, could materially and adversely affect our brand reputation, sales, customer relationships, financial condition and results of operations.

Our business involves significant risks that our dairy products may become, or may be perceived as, contaminated or defective at various stages, including procurement, transportation, production, packaging, storage, or distribution. Potential sources of contamination include microbial pathogens, chemical residues, allergens, and foreign substances introduced through human error, equipment failure, misconduct by third parties, or other events beyond our control.

We procure raw milk and dairy-based ingredients from our self-operated dairy farms and selected third-party suppliers. We cannot assure you that contamination or quality issues with these raw materials will not occur. Hazardous substances, including emerging contaminants, may also not be detectable using existing testing technologies or inspection protocols, increasing product safety risks. Our product portfolio covers a wide range of categories and consumer groups, including infant goat milk formulas, specialized medical-purpose infant formula, and dairy-based nutritional products for children, pregnant women, and elderly individuals. Many of these customers are highly sensitive to safety risks, and even minor contamination or perceived quality issues could trigger severe market reactions.

In addition to operational risks, public trust in dairy products has been significantly affected by past domestic and overseas contamination incidents. Even though such incidents occurred prior to our current operations and did not involve our products, any renewed adverse publicity, whether related to our peers, unrelated third parties, or the industry at large, may reignite consumer scepticism toward milk-based nutrition products, especially those targeting vulnerable populations such as infants and toddlers. Consequently, any contamination event involving our products, or even unsubstantiated allegations, could require large-scale product recalls, destruction of affected inventory, refunds or compensation to consumers, and significant costs associated with remediation and regulatory compliance. These disruptions could damage our brand, disrupt distribution channels, erode consumer confidence, and materially reduce our market share.

We may also be exposed to product liability claims involving personal injury, illness, or death allegedly caused by our products. These claims may result in significant financial liability, negative publicity, litigation expenses, and diversion of management attention. Under the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), we are subject to strict liability standards and regulatory scrutiny. Non-compliance could result in administrative penalties, monetary fines, license suspension, or forced cessation of operations. If we fail to adequately prevent, detect, or respond to contamination incidents or food safety issues, our business, financial condition, and results of operations could be materially and adversely impacted.

RISK FACTORS

Volatility in the prices and quality of raw materials may materially and adversely affect our cost structure, profitability and results of operations.

Raw materials represent a substantial portion of our overall procurement costs and significantly impact our profitability. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, the cost of raw materials amounted to RMB530.9 million, RMB543.2 million, RMB583.9 million, RMB299.6 million, and RMB261.1 million, respectively. Given our reliance on external procurement, our cost structure is highly vulnerable to fluctuations in raw material prices.

We procure most of our key ingredients, including demineralized goat/sheep whey powder, whey protein concentrate, lactose, oils and fats, and micronutrient premixes, from overseas suppliers. As a result, our procurement is subject to volatility arising from changes in international commodity prices, shipping and logistics costs, tariffs, import clearance delays, and other geopolitical and macroeconomic factors. Our exposure to global supply chains also makes us vulnerable to events such as regulatory tightening, sanctions, changes in customs inspection protocols, or shifts in trade policies in or between our sourcing and destination markets.

In recent years, global supply disruptions, increased cross-border regulatory scrutiny, and rising commodity prices have collectively driven greater uncertainty in international procurement. For example, the continued volatility in global dairy ingredient markets, including fluctuations in the cost and availability of premium goat/sheep whey-based ingredients, has posed pricing pressure on producers in China’s infant milk formula and special medical-purpose nutrition product markets. According to the F&S Report, reliance on imported nutritional ingredients remains a defining feature of China’s high-end dairy market, particularly for products positioned around safety, efficacy, and nutritional performance.

In addition, we rely on third-party import trading companies to manage customs clearance and foreign-sourced ingredient logistics. Any disruption, delay, or increased cost in these import-related processes, whether due to policy changes, documentation issues, or enhanced inspection procedures, may lead to delays in production, increased working capital needs, or additional fees, adversely impacting our production schedule and cost structure.

We also face risks related to the quality and consistency of externally procured raw materials. Variability in ingredient quality, batch-to-batch consistency, or contamination may affect our ability to meet regulatory, product safety, and formulation requirements. Deficiencies in quality may only become apparent during processing or after receipt, potentially resulting in production delays, product recalls, or regulatory exposure. As we scale our production and expand into new product categories and markets, ensuring stable, compliant, and high-quality sourcing of raw materials will remain critical to our operational integrity and commercial performance.

Any significant or prolonged increase in raw material prices, deterioration in sourcing reliability, or quality-related failures may require us to modify our procurement strategy, reformulate products, or absorb increased costs, all of which could materially and adversely affect our business, financial condition, and results of operations.

RISK FACTORS

Disruptions or delays in customs clearance, import procedures, or international logistics for raw materials and semi-finished goods may materially and adversely affect our production and cost structure.

We rely on a range of imported dairy-based raw materials and semi-finished ingredients including demineralized goat/sheep whey powder, imported bulk whole milk powder, milk protein concentrate, lactose, and specialty fats for the manufacturing of our infant formula and dairy nutritional products. These core materials are primarily sourced from suppliers in Spain and other European countries.

As of the Latest Practicable Date, most of our imported ingredients are cleared through PRC customs by third-party domestic trading companies engaged by us. These trading companies are responsible for executing a range of import-related procedures, including customs declaration, regulatory document submission, quarantine coordination, and compliance verification with respect to applicable food safety and origin requirements. Any failure or delay in these procedures, whether due to documentation errors, policy tightening, regulatory non-conformance, or inefficient handling, may delay inbound shipments, disrupt our production schedule, and result in elevated warehousing, compliance, or emergency sourcing costs.

In addition to trading company performance, we are exposed to broader risks affecting cross-border procurement, including:

- changes in PRC or international customs regulations, food safety requirements, inspection standards or tariff schedules;
- supply chain delays or increased costs arising from international freight disruptions, port congestion, or container shortages;
- geopolitical tensions and trade policy shifts (including U.S.-China trade friction) that may affect the availability, pricing, or customs treatment of imported dairy components; or
- disruptions in sourcing regions due to disease outbreaks, natural disasters, or logistical bottlenecks.

We may explore establishing direct import capabilities or alternative sourcing arrangements, such transitions would require additional resources, regulatory approvals, and time. If we are unable to ensure smooth, compliant, and cost-effective importation of critical raw materials, our production planning, inventory control, cost structure, and financial results could be materially and adversely affected.

Increases in feed prices and disturbances to our feed supply could adversely affect our business and results of operations.

Our dairy farming operations depend on stable supplies of certain animal feed, such as silage corn (青貯玉米) and soybean meal. Silage corn is locally sourced and cultivated within China, primarily from locations such as Shandong and Heilongjiang where our farming facilities are situated. Soybean meal is also generally procured from domestic suppliers.

RISK FACTORS

In recent years, the costs of essential feed ingredients have been subject to increased volatility due to a combination of domestic and international market pressures. While geopolitical factors such as tariffs might impact our imported raw materials, the prices of domestic feed crops are also affected by fluctuations in local land rents. Factors beyond our control — including global commodity price movements, adverse weather conditions, regulatory adjustments, or shifts in trade policies — could further intensify pricing pressures and potentially disrupt our supply chain.

Any future interruptions in our feed supply or continued price escalation may impair our ability to secure sufficient quantities of high-quality feed at acceptable costs or within reasonable timelines. This could directly disrupt our dairy farming operations, reduce our raw milk output, and increase our production costs significantly.

The quality and supply of goat/sheep whey powder and dairy inputs are subject to various uncertainties that may materially and adversely affect our production capacity, product quality, cost structure, and long-term growth prospects.

Our business relies heavily on the stable availability and consistent quality of dairy-based ingredients used in our infant formula and specialized nutritional products. Both the quality and volume of dairy we produce or procure are influenced by seasonal yield patterns and external environmental conditions. Goat/sheep milk production is inherently cyclical and varies by geography. For example, yield of goat/sheep milk typically declines from July to December. These fluctuations can affect the supply availability, fat and protein content, and microbiological stability of milk, which may in turn impact the consistency, safety, and cost of our finished products. Any adverse seasonal or environmental conditions that lead to reduced milk yield or degraded raw material quality could negatively affect our production efficiency and increase our cost of goods sold.

In addition to seasonal supply risks, the continued expansion and productivity of our self-operated dairy farms depend on access to high-quality breeding inputs. Our ability to maintain and scale up our raw milk supply is contingent on securing sufficient quantities of genetically superior breeding goats. While we have developed dedicated facilities for breeding purposes, we may need to acquire additional livestock or genetic materials from third-party domestic or overseas sources. If we are unable to source suitable breeding goats, we may face limitations in expanding herd size, improving dairy goat/sheep production performance, or enhancing overall production efficiency.

Any decline in the genetic quality of our herd or limitation in breeding resources may reduce milk yield, protein and fat content, and herd productivity over time, ultimately constraining our ability to meet customer demand and weakening our long-term competitiveness. If we fail to ensure stable and high-quality supply across both raw milk inputs and breeding resources, our production continuity, cost control, product quality, and business growth could be materially and adversely affected.

RISK FACTORS

Any major outbreak of disease among dairy livestock could materially and adversely affect our raw milk supply and damage consumer confidence in dairy-based products.

Our business relies on the stable and secure supply of raw milk sourced from dairy cows and goats through both our self-operated dairy farms and external suppliers in China and abroad. A major outbreak of infectious diseases among dairy livestock such as foot-and-mouth disease, bovine tuberculosis or brucellosis, could lead to large-scale culling of animals, mandatory quarantines, logistical bottlenecks, and veterinary clearance delays. These events could cause significant disruptions across the dairy supply chain, reduce raw milk availability, constrain our production capabilities, and affect the consistency and quality of key dairy ingredients used in our products.

Beyond operational impacts, such outbreaks may trigger widespread public concern over the safety of dairy products, particularly among consumers of infant milk formula, specialized medical-purpose nutrition, and other products intended for sensitive populations. Even if our dairy farms or sourcing partners are not directly affected, heightened media scrutiny or unverified claims relating to livestock health may damage overall consumer confidence in dairy consumption. In such cases, we may face reputational harm, inventory surpluses, and declining sales volumes due to reduced market demand. If we are unable to maintain a stable supply of raw milk or effectively manage consumer response during or after a major livestock disease event, our production efficiency, brand image, revenue, and overall financial performance could be materially and adversely affected.

We may not be able to develop and maintain stable relationships with our distributors, and may have limited visibility over their sales and inventory levels, which could materially and adversely affect our business.

A substantial portion of our revenue is generated through sales to third-party distributors, who form the core of our distribution network. As of June 30, 2025, we engaged over 2,000 distributors across various regions. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from distributors amounted to RMB1,039.1 million, RMB1,139.2 million, RMB1,238.2 million, RMB666.3 million and RMB536.0 million, respectively.

While these distribution arrangements are instrumental to our market reach, we have limited control over the day-to-day operations of our distributors. Their pricing behavior, promotional practices, channel discipline and compliance with our contractual and regulatory requirements directly affect our brand image and market performance. If any distributor engages in misconduct, such as unauthorized online listings, price dumping, cross-region sales, or misuse of our trademarks, this may damage our reputation, disrupt our price system and harm our retail channel integrity.

In addition, we may not always be able to obtain timely, complete and accurate data from our distributors regarding their inventory levels and downstream sales. We rely on their cooperation to monitor market demand and product sell-through performance. A lack of visibility into distributor-level inventory may lead to demand misjudgement, inventory overstocking or stockouts, particularly during promotional periods or in relation to new product launches. These may in turn cause margin pressure or reputational risk if product freshness or availability is affected.

RISK FACTORS

Our distributors may also carry competing brands in the absence of contractual restrictions. Their failure to prioritize or actively promote our products, or any deterioration of commercial relationships, may result in a loss of revenue or market share. If we are unable to effectively manage, monitor and support our distributor network, our brand value, operational stability and financial performance may be materially and adversely affected.

We face risks of channel stuffing and cannibalization within our distribution network, which could materially and adversely affect our brand positioning, pricing system, and financial performance.

Our sales model primarily comprises distribution partnerships, supplemented by a limited portion of direct sales. While this model enables us to scale efficiently, it also exposes us to structural risks within the distribution network. Two principal risks are channel stuffing and cannibalization.

Channel stuffing refers to distributors and other sales partners purchasing and holding excessive amounts of inventory, often during promotional periods or new product launches, that exceed realistic sell-through capacity. Such practices distort demand forecasts, inflate short-term sales figures, and may force distributors to liquidate stock at discounted prices or through unauthorized channels. This can disrupt our pricing discipline, create inconsistent market signals, and strain relationships with distributors who are unable to manage excess inventory. In the longer term, channel stuffing can erode consumer confidence if products approach expiration or are sold through uncontrolled channels, which may in turn damage our brand reputation and reduce profitability.

Cannibalization occurs when distributors and other sales partners compete against one another by selling into unauthorized regions, undercutting prices, or overlapping in customer coverage. Despite our policies of regional allocation and differentiated product positioning, distributors may still engage in cross-regional sales or price competition, particularly in lower-tier cities and online-to-offline channels. Such practices undermine our ability to maintain a consistent brand image and orderly sales structure, weaken the loyalty of compliant distributors, and dilute the effectiveness of our marketing investments. Over time, intensified cannibalization within the distribution network may reduce our control over pricing, compromise our premium positioning, and negatively affect both revenue and margins.

If we are unable to effectively monitor and manage these risks of channel stuffing and cannibalization within our distribution network, our sales performance, brand value, and financial results could be materially and adversely affected.

We may fail to respond to changes in consumer preferences and trends in a timely or effective manner.

Our business depends in part on our ability to anticipate and adapt to evolving consumer preferences, nutritional awareness, and market trends. Changes in dietary habits, health priorities, or perceptions of ingredient safety and efficacy may influence demand for specific product categories and formulations. If we fail to accurately identify and respond to such shifts, our ability to retain existing customers and attract new ones may be impaired.

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We have positioned infant goat milk formula and adult goat milk as differentiated offerings within the broader nutrition market. However, these categories remain relatively less mature than cow milk-based formulas in terms of overall consumer penetration. Awareness of product attributes, such as digestibility, allergen profile, and nutritional value, is still developing, particularly among first-time parents and older adults. Limited consumer education or slow adoption of such products may reduce their commercial success.

If we are unable to effectively track emerging consumption patterns, educate the market, or innovate in line with evolving preferences, we may face reduced brand relevance, slower product uptake, and weaker performance in our core product offerings. These developments could materially and adversely affect our sales, profitability, and long-term market position.

Our success depends on market recognition of our brand. Any negative publicity concerning our brand or reputation, regardless of whether it is without merit or immaterial, could adversely affect our business and financial performance.

In the highly competitive and consumer-driven dairy markets in China, our brand plays a central role in influencing purchasing decisions, particularly among sensitive consumer groups such as parents of infants and individuals with special nutritional needs. We have made significant investments in brand development, marketing, and education to position our products as safe, high-quality, and nutritionally differentiated offerings. Our continued growth depends on our ability to maintain and strengthen this brand image across both online and offline channels. However, brand value is highly vulnerable to public perception. Any perceived decline in product quality, service standards, or consumer experience may erode brand equity and diminish customer loyalty. In particular, negative publicity, whether substantiated or not, can quickly spread through traditional media, social media platforms, e-commerce reviews, and influencer commentary. Consumer complaints, rumors, or allegations related to our products, marketing practices, or business conduct may damage our brand even if they are later proven to be unfounded.

Furthermore, adverse commentary or reports targeting the broader dairy industry such as concerns over nutritional content, sourcing transparency, environmental impact, or business ethics, may also affect consumer perception of our brand, even if we are not directly implicated. With increasing scrutiny from regulators, academics, advocacy groups, and online communities, reputational risk remains a significant and growing challenge. We cannot assure you that our brand will remain unaffected by future media attention or public discourse. Any negative publicity, whether linked to us or to broader market sentiment, could reduce consumer confidence, weaken our competitive position, and materially and adversely affect our revenue, profitability, and long-term growth prospects.

We may not be able to successfully execute our growth strategy, expand into new markets, or achieve market acceptance for our new products.

For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, we generate revenue of RMB1,401.6 million, RMB1,614.3 million, RMB1,762.2 million, RMB899.0 million, and RMB805.9 million, respectively. To support our business expansion, we plan to broaden our product offerings, deepen market penetration in key regions such as Shandong, Henan, Hebei and Jiangsu, expand into first- and second-tier cities in China, and explore international markets including Korea and Spain through our overseas production facilities.

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However, our ability to successfully implement these strategies depends on a number of factors. We may face challenges in building brand recognition in new markets, establishing local distribution networks, and managing higher operating and marketing costs. New products such as goat milk or medical nutrition may require consumer education and may not be readily accepted, particularly in markets where consumer preferences differ or where competitors are more established.

Failure to meet storage and transportation requirements for our dairy products may result in quality risks, operational disruption, and reputational harm.

We rely on third-party logistics service providers for the transportation and delivery of our dairy products. For raw milk, we employ dedicated milk transport vehicles and storage tanks that must meet specific licensing, hygiene, and temperature control standards. Any failure by logistics providers to maintain required transport conditions such as inadequate insulation, noncompliant vehicle specifications, or improper cleaning, could result in bacterial contamination, quality degradation, or spoilage. Similarly, delays or mishandling during loading, unloading, or in-transit storage may lead to physical damage, leakage, or premature expiration, increasing the risk of product returns, regulatory non-compliance, or recalls.

Although warehouse storage insurance is generally contractually required to be borne by our domestic logistics partners, the contracts generally do not stipulate that the domestic logistics partners shall buy transportation insurance and thus we remain liable for shipping risks. In such cases, logistics performance failures, particularly those affecting temperature-sensitive or time-sensitive dairy products, may disrupt our supply chain, reduce customer satisfaction, and damage our brand reputation.

If our logistics providers fail to comply with regulatory standards or contractual obligations relating to hygiene, temperature control, or delivery timelines, we may incur additional costs, lose revenue opportunities, or face reputational and regulatory consequences. Such risks could materially and adversely affect our business operations, financial condition, and results of operations.

Our existing and future investments in production facilities, equipment, and technologies may involve execution, financial, and operational risks that could adversely affect our business growth, efficiency, and profitability.

To support our long-term development and enhance our production capabilities, we have implemented certain upgrades and strategic adjustments to our production network. In the future, we may pursue further production-related initiatives, which may include the construction of new facilities, expansion or renovation of existing plants, installation of new equipment, introduction of advanced manufacturing technologies, and upstream integration through investment or cooperation. While such projects are intended to improve our product quality, production efficiency, and competitiveness, their execution may involve significant capital expenditure, regulatory and operational complexity, and long lead times.

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We cannot assure you that all such initiatives, whether currently underway or contemplated in the future, will be completed on time, within budget, or achieve their intended results. The success of these projects depends on a number of factors beyond our control, including:

- delays or difficulties in obtaining necessary permits, licenses, or environmental approvals from regulatory authorities;
- shortages, cost increases, or delivery delays in construction materials, specialized production equipment, or technology components;
- changes in project design, scope, or timeline due to evolving market dynamics or updated regulatory standards;
- operational disruption during construction or transition phases that may affect existing production; and
- challenges in recruiting, training, or retaining qualified personnel to operate new or upgraded equipment and facilities.

Moreover, any mismatch between our expanded production capacity and future market demand, whether due to shifts in consumer preferences, intensified competition, or macroeconomic conditions, may result in underutilization of new assets or lower-than-expected returns on investment. If we are unable to execute our production upgrades or expansions effectively, or if such investments fail to deliver the expected operational or financial benefits, our business performance, growth trajectory, and profitability could be materially and adversely affected.

Fair value changes in our biological assets and the related valuation uncertainty may affect our financial condition and results of operations.

We measure dairy cows, dairy goats and sheep at fair value less costs to sell, with changes recognized in profit or loss. At each reporting date, an independent professional valuer determines fair value using market-based prices or, where market data are not available, the present value of expected net cash flows discounted at a market-determined rate. These measurements involve significant assumptions and unobservable inputs, and small changes in these inputs can materially affect the reported gains or losses.

Our results have been and may continue to be volatile as a result. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, we recorded changes in fair value less costs to sell of biological assets of RMB4.2 million, RMB(33.5) million, RMB(62.5) million, RMB(31.7) million and RMB(15.3) million, respectively. We cannot assure you that future periods will not record fair value losses or greater volatility due to changes in market conditions or valuation assumptions, which could adversely affect our profit and financial performance. See “Financial Information — Material Accounting Policies and Estimates — Key Sources of Estimation Uncertainty — Fair values of dairy cows, dairy goats and sheep” and Notes 2.3 and 18 as set out in Appendix I to this document.

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We are subject to inventory-related risks, particularly in relation to inventory turnover, demand forecasting, product shelf life and distribution visibility.

Our inventory primarily consists of raw materials, work in progress, finished goods, packaging materials, and consumables. For the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, our inventory turnover days were 276 days, 296 days, 307 days and 361 days, respectively. The relatively long inventory turnover period increases the likelihood of overstocking, which can result in product expiry, obsolescence, or write-downs. These risks are compounded by the sensitivity of our products, such as infant formula and specialty nutritional products, which are subject to relatively short shelf lives and changing consumer preferences. Additionally, our reliance on third-party distributors to report inventory levels may result in misalignment between actual consumer demand and our internal forecasts, leading to heightened inventory pressure or slow-moving stock.

The potential for inventory write-downs or obsolescence is particularly relevant during promotional cycles, new product launches, or when demand fluctuations are not adequately anticipated. If inventory turnover continues to be slow or if we fail to manage raw material stock effectively, we may be exposed to increased margin pressure, write-downs, and negative impacts on our financial condition and operational performance.

We face risks of impairment and disposal losses related to our property, plant, and equipment.

We are exposed to the risk of impairment losses related to our property, plant, and equipment, particularly in the context of changes in market conditions, operational requirements, and asset utilization. For the year ended December 31, 2023, we recorded impairment losses on property, plant, and equipment of RMB9.1 million. For the years ended December 31, 2022, 2023 and 2024, and six months ended 2024 and 2025, we recorded losses on disposal of items of property, plant and equipment of RMB0.6 million, RMB0.3 million, RMB1.1 million, nil, and RMB1.9 million, respectively.

Our impairment review process involves significant management judgment, particularly in determining the recoverable amount of assets. We assess PPE for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. When these events occur, we compare the carrying value of the asset with its recoverable amount, which is based on the higher of fair value less costs of disposal or value in use. If the recoverable amount is lower than the carrying value, we recognize an impairment loss.

The application of the impairment test requires assumptions about future market conditions, asset usage, and cash flow projections, all of which are inherently uncertain. If our estimates or judgments regarding recoverable amounts are inaccurate, we may not recognize sufficient impairments, or may need to record additional impairments in future periods. Any significant impairment losses related to PPE could materially and adversely affect our financial position and results of operations, particularly if further impairments are required for underperforming assets or changes in industry conditions.

We may not continue to benefit from favorable government policies.

We have received government subsidies and preferential policies primarily from local governments in Northeast China in support of our animal husbandry operations. These include subsidies under the “grain-for-feed” initiative and agricultural machinery purchase programs, as well as other dairy-related policy-based financial support in response to market volatility. During

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the Track Record Period, we recorded government subsidies in the amounts of approximately RMB37.4 million, RMB36.6 million, RMB16.4 million, RMB8.9 million, and RMB10.7 million for the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, respectively.

Our continued eligibility for these subsidies and favorable policies depends on the discretion of government authorities and may be influenced by changes in policy direction, fiscal priorities or regulatory interpretations. If the relevant government authorities modify or terminate such programs, or if we are no longer deemed eligible, we may not be able to continue to benefit from such financial support, which could adversely affect our financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights or defend against third-party claims, which could harm our brand, disrupt our operations and adversely affect our business.

We rely on a portfolio of patents, proprietary technologies, confidential know-how, trademarks and brand assets in connection with our infant formula, special medical purpose food and dairy-based nutritional products. As of June 30, 2025, we had been granted 64 patents. These patents primarily relate to processing technologies, equipment and product features. We also rely on internal confidentiality protections for certain proprietary solutions, such as desalinization and de-goat-smell processing, and collaborate with academic and clinical institutions. However, due to formula disclosure requirements and common market knowledge, our technical designs may still be subject to imitation and we cannot guarantee that our intellectual property will not be misappropriated, disclosed or infringed.

In addition, we may face intellectual property infringement or misappropriation claims from third parties, particularly given the high level of competition and technological convergence in the dairy industry. Many of our products are developed based on market-available formulations or commonly used ingredients, increasing the risk of overlapping rights and potential disputes. Even if such claims are unmeritorious, they may involve us in costly and time-consuming litigation, subject us to injunctions or force us to obtain licenses or modify our products. If we are unable to protect our own rights or defend against third-party claims, our business, reputation and results of operations may be materially and adversely affected.

We may not be able to retain or secure key members of our senior management or other qualified personnel.

Our continuing success depends on the leadership and expertise of key members of our senior management and other qualified personnel with experience in dairy product development, production, sales, quality control and corporate management. Each key executive plays an important role in a designated area of our operations. While we have established a talent succession system and designated deputy positions or core team members in key departments to support business continuity, the loss of any key personnel could still have a temporary adverse impact on our operations, especially if suitable replacements cannot be identified and recruited in a timely manner.

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We operate in a highly competitive talent market, and the availability of industry-specific professionals remains limited, particularly in specialized areas such as goat milk-based pediatric nutrition products. We may face challenges in retaining or attracting qualified talent, especially as we are based in a second-tier city, which may be less attractive than major metropolitan areas in China. Despite various strategies we adopted to retain employees, including future equity incentives and career advancement mechanisms, there can be no assurance that our efforts will be sufficient to retain our key personnel or attract new talent to support our future growth. Any failure to retain or secure key members of our team could materially and adversely affect our business, financial condition and results of operations.

We may not be able to detect and prevent fraud, bribery, or other misconduct committed by our employees, distributors or other third parties.

We are subject to the risk of fraud, bribery, or other misconduct committed by our employees, distributors or other third parties, which could result in financial loss, reputational damage or even regulatory sanctions. Internal control policies and compliance measures, including signing anti-bribery and anti-corruption agreements with employees and suppliers, setting up whistleblower channels, and conducting regular trainings, may not be sufficient to detect or prevent all forms of misconduct in a timely manner, or at all. Such misconduct may include misappropriation of assets, intentional circumvention of internal controls, misuse of confidential information, collusion with third parties or other violations of applicable laws and regulations. Any failure to detect or prevent such misconduct could subject us to fines or other penalties, lead to disruptions in our operations, and adversely affect our reputation, financial condition and results of operations.

Stringent regulation imposes recurring compliance costs, and any actual or perceived non-compliance could trigger enforcement, operational disruption and reputational damage that adversely affect our results.

We operate across tightly regulated product categories, including infant milk formula and FSMPs, with requirements spanning formula registration, manufacturing practices and traceability, product standards, labeling and advertising review, distributor oversight and retail inspection, and customs and import controls. These obligations entail ongoing compliance costs, such as specialized personnel, third-party testing and certification, periodic audits and inspections, documentation and record-keeping, equipment calibration and upgrades, digital traceability systems, training, and periodic re-labeling or reformulation when standards or interpretations change. As regulators refine rules or conduct enforcement campaigns, our compliance burden may rise abruptly, increasing operating expenses, pressuring margins, and diverting management attention.

During the Track Record Period, in the field of product labelling and work safety, we were subject to certain minimal administrative penalties. Allegations or findings of noncompliance may also result in fines, confiscation of products, rectification orders, license suspension or revocation, civil claims, or, in extreme cases, criminal exposure. These outcomes, individually or in the aggregate, may damage brand trust, weaken channel relationships, delay product launches or registrations, necessitate inventory write-downs or rework, and negatively impact our sales, profitability and growth prospects. Any recurrence of compliance incidents, or heightened public concern over product safety and marketing integrity, could amplify reputational risk and have a material adverse effect on our business, financial condition and results of operations.

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We may be subject to penalties or other regulatory actions if we fail to fully comply with applicable PRC labor laws, including with respect to social insurance and housing provident fund contributions.

Pursuant to applicable PRC labor laws and regulations, we are required to enter into written employment contracts with our employees and to make contributions, and withhold employee contributions, to various statutory schemes, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and the housing provident fund, in accordance with local regulations.

During the Track Record Period, certain subsidiaries failed to fully comply with statutory requirements regarding social insurance and housing provident fund contributions. This non-compliance primarily involved the failure to make adequate contributions based on the statutory benchmark, and in some cases, a few employees were not enrolled in the programs as required under the PRC labor laws. At the same time, we engaged third-party human resources agencies to make social security and housing fund contributions for certain employees in their respective places of residence. As of the Latest Practicable Date, we had not received any administrative penalty or rectification notice from the relevant PRC authorities in connection with such matters. According to our PRC Legal Advisers, based on the current regulatory environment and our compliance records, in absence of complaints or reports filed by our employees, the likelihood of us being subject to material administrative penalties is considered remote. However, we cannot assure you that the relevant authorities will not adopt a stricter stance, conduct retrospective inspections, or impose retroactive contributions, surcharges or administrative penalties in the future. Any such actions may increase our compliance costs, create labor disputes or reputational risks, and adversely affect our financial condition, business operations and prospects. For further details, please refer to “Regulatory Overview – Employment, Social Insurance, and Housing Provident Fund” and “Business – Employees” in this document.

In addition to the social insurance and housing provident fund issues, during the Track Record Period, certain subsidiaries also failed to adhere to the PRC Labor Contract Law regarding labor dispatch. Specifically, subsidiaries employed more dispatched workers than permitted. However, the company has since rectified these issues by converting dispatched workers into direct employees and ensuring compliance with the statutory limits on the ratio of dispatched labor. These corrective actions have been completed, and as of the Latest Practicable Date, no penalties or rectification notices have been received regarding labor dispatch practices. Despite this, we remain at risk of future scrutiny or penalties should there be any changes in regulatory enforcement or inspection.

We face risks relating to property ownership, lease registration, and land use compliance.

We face several risks concerning the ownership and lease registration of certain properties, both owned and leased. These issues arise from non-compliance with PRC laws and regulations, including construction permits, housing lease registration process and land lease procedures. Below is an overview of the key property-related risks that could affect our operations and compliance status.

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Certain of our self-owned properties, including facilities in Heilongjiang Province (Bei’an, Tieli, and Fuyu), have been constructed without obtaining the required construction works planning permits. These properties are primarily used for storage, administrative offices, and auxiliary production functions. While these issues have not led to any demolition orders or penalties as of the Latest Practicable Date, the absence of valid construction permits exposes us to the risk of administrative actions, including the requirement to demolish the non-compliant structures or fines. Any legal action or operational disruption could impact our business operations. We are currently taking steps to rectify these compliance issues by obtaining the necessary permits, but these efforts may take time and incur additional costs.

In addition, some of our leased properties, located in Qingdao and Bei’an, are subject to lease agreements that have not been registered with the relevant housing authorities as required under the Urban Real Estate Management Law. These properties are primarily used for warehousing and tax-free processing and are classified as industrial properties. We have been informed by the relevant authorities that these industrial properties are not classified as commercial real estate, and therefore, are outside the scope of their registration services. We remain aware of the potential risks associated with the unregistered status of these leases and are confident that this issue will not have a material adverse impact on our business.

Lastly, the lessor of one of our leased properties at the Tieli Facility, a parcel of industrial land covering 2,346.84 square meters, may not have obtained valid authorization and appropriate approval from the rural collective economic organization to sublease the land. This raises concerns about the legality of the land lease under the Land Administration Law, as the absence of approval could lead to challenges regarding the land’s use. However, we may consider to negotiate the lease with the collective economic organization directly if the lease is challenged. While this land is used for non-core activities like biomass fuel storage, we have already identified alternative land within the Tieli Facility to relocate these operations, ensuring minimal disruption to our business. For further details, please refer to “Business – Properties” in this document.

Recent increases in U.S. tariffs and heightened global trade tensions may adversely affect our international expansion and business performance.

In line with our strategy to expand into international markets and diversify our revenue base, we are increasingly exposed to evolving global trade policies, particularly those between China and the United States. Currently, our products are primarily marketed in China. However, as we seek to enter overseas markets, we may become subject to heightened risks stemming from international trade frictions.

Since early 2025, the U.S. government has proposed and implemented additional rounds of tariffs on goods imported from China, raising the general duty level to 10%, and temporarily suspending a further 24% increment for a 90-day period beginning May 14, 2025. The Chinese government responded with reciprocal measures, reducing retaliatory tariffs from 125% to 10% for the same duration. There is substantial uncertainty as to whether these tariffs will be resumed, expanded, or further escalated, particularly in the context of continued geopolitical and economic tensions.

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While we currently do not export at scale, our long-term business strategy includes expanding our presence in overseas markets through direct sales channels, distribution partnerships, and international licensing initiatives. Rising tariffs, new trade restrictions or retaliatory measures targeting Chinese consumer products may increase our cross-border transaction costs, reduce our pricing competitiveness, complicate our logistics arrangements and customs compliance, or reduce market acceptance for Chinese-origin cultural and creative products.

Moreover, sustained trade conflicts may dampen consumer sentiment or discretionary spending in certain jurisdictions. These developments could also discourage foreign distributors or licensing partners from engaging with Chinese producers, or lead to a reassessment of our international expansion plans. If adverse import conditions, higher tariffs or broader trade restrictions are re-imposed or extended, our efforts to penetrate new markets, establish brand recognition abroad, or secure global partnerships may be materially and adversely affected. If global trade policies become increasingly restrictive or if our targeted export destinations impose adverse import conditions or retaliatory measures, our international growth strategy, revenue diversification efforts, and overall financial performance may be materially and adversely affected.

We may be involved in claims, disputes or legal proceedings from time to time, which may divert management attention and expose us to liability.

We may from time to time become involved in claims, disputes or legal proceedings in the ordinary course of business. These may include, among others, contractual disputes, employment-related matters, product liability claims or intellectual property-related proceedings. Any such proceedings, whether with or without merit, may result in substantial costs, divert our management’s attention from our operations and negatively affect our reputation. If any such claims were to result in an adverse judgment against us, we could be required to pay substantial damages or cease certain business activities, which could materially and adversely affect our business, financial condition and results of operations.

We have limited insurance coverage which may not be sufficient to cover all of our potential losses.

We have limited insurance coverage and may be exposed to uninsured or underinsured losses. As of the Latest Practicable Date, we maintained insurance policies for certain subsidiaries covering fixed assets, vehicles and group personal accidents. However, we do not currently carry product liability insurance or business interruption insurance. As a result, we may be required to bear losses arising from product defects, equipment failures, natural disasters or operational disruptions that are not covered, or are insufficiently covered, under our existing insurance arrangements. Moreover, even for insured events, there is no assurance that we will be able to recover the full amount of losses in a timely manner, if at all.

We are subject to various risks relating to the third-party payment arrangements.

During the Track Record Period, certain customers settled payments with us through accounts belonging to certain third parties designated by such customers. As of the Latest Practicable Date, we had ceased all such payment arrangements. For further details, please refer to the section headed “Business – Our Customers – Third-Party Payment Arrangements” in this document. We faced various risks related to such arrangements, including: (i) third-party payers who are not contractually obligated debtors may seek to reclaim funds from us; (ii) potential risks

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arising from our limited understanding of the source of funds by third-party payers; and (iii) claims that may be made by the liquidators of third-party payers. If any claims are made by the relevant parties, or if any legal proceedings are initiated or brought against us regarding any third-party payments, we may need to allocate additional financial and management resources to address these claims or legal proceedings, which could adversely affect our business and financial performance.

Any failure or disruption of our information technology systems, or leakage of data, could adversely affect our business, financial condition and results of operations.

We rely on a range of information technology systems to support our key business operations, including production, logistics, warehousing, sales, inventory management and internal approvals. Any failure, malfunction, interruption or cyberattack affecting these systems could disrupt our operations, delay business processes, and negatively impact our ability to serve customers and manage internal workflows.

Although we have implemented various security and backup measures, including firewalls, encrypted databases and vulnerability checks, we cannot guarantee that such measures will be sufficient to prevent all risks. Any material system failure or unauthorized access could result in data loss, delays in order fulfillment, financial reporting errors or reputational harm, which may materially and adversely affect our business, financial condition and results of operations.

Any security and privacy breaches may damage our customer relations, our reputation and expose us to liability.

We collect certain personal data from end consumers during their participation in product authentication and loyalty programs. We have adopted data protection measures such as cloud-based encryption, restricted access, and internal management protocols. To our knowledge, we have not experienced any material data security incident during the Track Record Period.

However, we cannot guarantee that our systems or those of our third-party service providers will be immune to future breaches, unauthorized access, or misuse of personal information. We are subject to PRC laws and regulations relating to cybersecurity and data privacy, including but not limited to the PRC Cybersecurity Law (《中華人民共和國網路安全法》), the PRC Data Security Law (《中華人民共和國數據安全法》) and the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》). We may be required to undertake additional compliance measures in light of evolving enforcement practices and new regulatory developments in the data governance space.

Grants of share-based awards under our employee incentive scheme may increase share-based payment and negatively impact future profitability.

We historically implemented employee incentive scheme for the benefit of our employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of us. These grants may increase our compensation expenses impacting our profitability. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, we recorded share-based payment of RMB2.5 million, RMB33.5 million, RMB14.7 million, RMB3.1 million, and RMB3.4 million, respectively. If we continue to issue share-based awards or other incentive plans to our employees and management, future expenses related to this plan may further increase, potentially reducing our profitability.

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Additionally, fluctuations in the fair value of our shares may lead to variability in recognized expenses, further impacting our financial results. There is no guarantee that the benefits derived from share-based awards will offset these expenses, which could negatively affect our operating results and financial condition.

We may be subject to force majeure events such as natural disasters, acts of war or terrorism that beyond our control.

Our operations may be disrupted by events beyond our control, including natural disasters (such as earthquakes, floods or typhoons), pandemics, acts of war, terrorism, or social unrest. These events may damage facilities, interrupt supply chains and logistics, affect workforce availability, or temporarily halt production and retail operations.

We also rely on third-party platforms and digital infrastructure for online sales, which may be affected by power outages, cyber incidents or regional instability. In addition, geopolitical developments may impact our international partnerships or IP licensing arrangements.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Our overseas manufacturing operations subject us to regulatory, cost, operational and political risks.

We have manufacturing facilities in South Korea and Spain, which exposes us to regulatory regimes and standards that differ from those in our home market. Ensuring full compliance with local laws (including manufacturing, labor, and environmental regulations) is complex; any failure to comply or changes in these regulations could result in fines, operational suspensions, or other sanctions. Additionally, the costs of operating in foreign countries can be higher and more volatile – for example, labor and utilities expenses overseas may increase unexpectedly, and foreign exchange fluctuations can further impact our production costs.

Managing production across distant locations also presents operational challenges. Differences in language, culture and business practices can lead to communication gaps or inefficiencies, and supervising quality control and production processes from afar may be more difficult. Moreover, our overseas facilities are subject to the political and economic conditions of their host countries. Events such as political instability, civil unrest or changes in government policies in South Korea or Spain could disrupt our operations or supply lines. International diplomatic or trade tensions might also affect the ease with which we transfer materials or finished products across borders. There is no assurance that our foreign manufacturing operations will not face significant disruptions or cost escalations due to these factors, any of which could materially and adversely affect our production, business, financial condition and results of operations.

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We rely on overseas third-party suppliers for key raw materials, which exposes us to supply chain fluctuations, quality issues, logistical delays and compliance risks.

We source essential raw materials for our dairy production from both domestic and international suppliers. This reliance makes us vulnerable to global supply chain disruptions – for instance, shortages or shipping delays due to geopolitical events, natural disasters or pandemics could significantly slow or halt our production schedule. We also have limited control over the quality of materials provided by third parties, especially those abroad; if any supplier fails to meet our specifications or safety standards, it could result in substandard or contaminated ingredients, potentially triggering product recalls, regulatory penalties, or damage to our reputation.

Cross-border procurement further involves logistical and regulatory challenges: international shipments of raw materials can encounter customs delays and import/export complications, and transportation bottlenecks or increased freight costs can raise our input expenses. In addition, changes in trade policies or import requirements – such as new tariffs, export restrictions, or more stringent documentation and certification mandates – could impede our ability to obtain necessary materials in a timely and cost-effective manner. There is no assurance that our suppliers will be able to consistently meet our volume and quality requirements or that we could quickly secure alternative sources if any supply is disrupted. Any significant interruption in supply, deterioration in material quality, or substantial increase in raw material costs could materially and adversely affect our production, business, financial condition and results of operations.

Our production and sales in overseas markets are subject to regulatory changes, differences in consumer preferences, foreign exchange volatility and trade barriers.

We manufactured some of our products or materials in overseas factories, and sell our products in multiple overseas markets. Each of these jurisdictions has distinct regulatory requirements and government policies regarding food products, and these could change at any time. Foreign authorities might introduce new laws or standards on product ingredients, safety, labeling, transfer pricing or importation that increase our compliance burden or even prohibit the sale of certain products. In particular, the imposition of trade barriers such as import tariffs, quotas or customs restrictions can raise our costs or limit our market access. Any unfavorable changes in these regulatory or policy environments could hinder our ability to sell or distribute our products abroad.

Moreover, consumer preferences and tastes vary across different regions. Products and marketing strategies that are successful in our home market may not appeal to consumers in other countries due to cultural differences or local taste profiles. If we fail to adapt our product offerings or branding to suit local preferences, or if our brand is not well-received in a new market, our sales could fall short of expectations. Additionally, our international revenues are earned in foreign currencies, exposing us to exchange rate fluctuations. If the currencies of our overseas markets depreciate significantly against our home currency, the translated value of those sales will decline, and our profit margins could be adversely affected. There is no assurance that we will be able to navigate the diverse regulatory landscapes, consumer behaviors, and economic conditions of all the overseas markets we enter. Any significant difficulty or setback in our international markets – whether due to adverse policy changes, market barriers, lack of customer acceptance, or currency movements – could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We may be subject to additional regulatory requirements under new laws and regulations on overseas [REDACTED] and [REDACTED] issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies. These opinions proposed to take effective measures, such as promoting the establishment of regulatory systems to address the risks and incidents faced by PRC-based overseas-listed companies. For further details, please refer to the section headed “Regulatory Overview – Securities Law and Overseas Offering and Listing of Shares” in this document.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China jointly promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, must strictly comply with the requirements on confidentiality and archives management, establish sound internal systems, and take necessary measures to implement relevant management responsibilities.

As we are a PRC-based company seeking a [REDACTED] in Hong Kong, we are subject to the supervision regime under the aforementioned regulatory framework. The interpretation and implementation of these rules continue to evolve, and we cannot assure you that we will not be required to make further information disclosures, adjust internal policies or incur additional compliance costs. Failure to comply with the above requirements may materially and adversely affect our business, results of operations or financial condition.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions enhanced administration and supervision on overseas listing by the PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by The PRC based overseas-listed companies.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies’ securities by adopting a filing based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to list securities in overseas markets, are required to apply for the filing procedure with the CSRC within three working days after submitting the listing documents to the overseas supervisory authorities and report relevant information.

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Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner or at all. In addition, we may be subject to adjustments by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this [REDACTED], and these regulatory authorities may impose fines and penalties on us, affect our operating activities in the PRC, affect our ability to pay dividends, delay or affect the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to affect our financing activities, which could have a material adverse effect on our business, financial conditions and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (HKSAR) (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the State Administration of Taxation effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or an applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

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Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, the interpretation and application of applicable PRC tax laws and rules by the PRC’s tax authorities are still evolving, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our H Shares and on gains realized on the sale or other disposition of our H Shares. The PRC’s tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your [REDACTED] in our H Shares may be materially affected.

It may be difficult to effect service of process, enforce foreign judgments or bring original actions against us, our Directors, Supervisors and senior management.

We are a company incorporated under the laws of the PRC, and a substantial majority of our assets are located in the PRC. In addition, most of our Directors, Supervisors and senior management reside within the PRC. As a result, the service of process, investigation, collection of evidence, ratification, and enforcement procedure inside the PRC should follow the rules set forth in the Civil Procedure Law of the People’s Republic of China as well as other applicable laws, regulations and interpretations (《中華人民共和國民事訴訟法》). On July 3, 2008, the Supreme People’s Court of China issued the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2008 Arrangement”), which took effect in August 1, 2008. Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2008 Arrangement.

On January 25, 2024, the Supreme People’s Court of China issued the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “2024 Arrangement”), which took effect on January 29, 2024. The 2024 Arrangement will supersede the 2008 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2008 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2024 Arrangement taking effect. However, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

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Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your H Shares.

Regulations on currency exchange in the PRC may limit our ability to utilize revenues generated in Renminbi to fund business activities outside the PRC, or to pay dividends in foreign currencies. Under current PRC foreign exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, the conversion of Renminbi into foreign currencies and remittance of the foreign currencies outside the PRC for capital account items, such as direct investments, loans, and investments in securities, requires prior approval from or registration with SAFE or its local branches. There is no assurance that SAFE or other relevant PRC governmental authorities will not impose any restriction on the remittance of dividends or other payments by us to our shareholders. In addition, there is no assurance that new regulations or policies will not be promulgated in the future that would further restrict or eliminate our ability to pay dividends or make other payments in foreign currencies. Any limitation on the ability to pay dividends or make other kinds of payments to shareholders could materially and adversely affect the value of your [REDACTED].

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares and the liquidity and [REDACTED] of our Shares may be volatile.

Prior to the [REDACTED], there has been no public market for our H Shares. The initial [REDACTED] for the H Shares was the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] for our H Shares following the [REDACTED]. We cannot assure you that an active trading market for our H Shares will develop or be sustained after the [REDACTED] or that the [REDACTED] of our H Shares will not decline below the [REDACTED]. The [REDACTED] for our H Shares may be highly volatile and subject to wide fluctuations in response to a number of factors, some of which are beyond our control.

The [REDACTED] of the Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] of our H Shares may be volatile and could fluctuate significantly due to factors beyond our control. Such factors include, but are not limited to, variations in our revenue, earnings and cash flow, changes in our operating results, changes in analysts’ estimates, perceptions of our industry and regulatory developments in the PRC and elsewhere. The [REDACTED] markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the [REDACTED] of our H Shares.

Additionally, under PRC law, all existing Shareholders are restricted from disposing of any of their Shares within the first 12 months following the [REDACTED]. This lock-up period may affect the liquidity and [REDACTED] volume of our H Shares shortly after the [REDACTED]. These factors, independent of our actual business performance, could contribute to substantial [REDACTED] volatility and potential losses for [REDACTED] in our H Shares.

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[REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our H Shares in the [REDACTED] may be higher than the net tangible book value per H Share immediately prior to the [REDACTED]. As a result, [REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution in net tangible book value. In addition, we may need to raise additional funds in the future and may issue additional Shares or securities convertible into Shares. [REDACTED] of our H Shares may experience further dilution in the net tangible book value per Share if we issue additional Shares or securities in the future.

Future sales or perceived sales of substantial amounts of our H Shares could adversely affect the [REDACTED] and dilute shareholder holdings.

The [REDACTED] of our H Shares and our ability to raise capital at favorable terms could be negatively impacted by the future sale of substantial amounts of our H Shares in the public market, especially if sold by our Directors, executive officers, or largest Shareholders, or if we issue new shares or share-linked securities. The perception of such sales or issuances could also exert downward pressure on our [REDACTED]. Additionally, if we issue additional securities in the future, our existing Shareholders may experience dilution in their holdings.

We may issue new Shares under any current or future share incentive schemes, further diluting Shareholder interests. These newly issued Shares or share-linked securities could carry rights and privileges that take precedence over those of our H Shares. The Shares held by our existing Shareholders are subject to lock-up periods starting from the date our Shares commence [REDACTED] on the Hong Kong Stock Exchange. We cannot guarantee that they will not sell their Shares at that time or in the future. Such sales, or the potential for these shares to enter the market, could negatively affect the prevailing [REDACTED] of our H Shares.

Additionally, investors who [REDACTED] to our H Shares in the [REDACTED] may not be subject to any disposal restrictions on their H Shares, and they may have existing arrangements or agreements to sell part or all of their H Shares immediately after the [REDACTED] for various legal, regulatory, business, or market reasons. These sales, especially if occurring in a short period after the [REDACTED], could exert downward pressure on the [REDACTED] and create substantial volatility in the trading volume of our H Shares.

The interests of our Controlling Shareholders may conflict with the best interests of our other shareholders.

Immediately upon completion of the [REDACTED], without taking into account any Shares issued under the [REDACTED], our Controlling Shareholders will hold an aggregate of approximately [REDACTED]% of our total issued share capital, giving them substantial control over our business and corporate decisions. This concentrated ownership allows our Controlling Shareholders to exercise significant influence over matters requiring Shareholder approval, including the election of directors, mergers, business combinations, asset acquisitions or disposals, issuance of additional Shares or other equity securities, dividend payments, and overall corporate strategy.

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This level of control may lead our Controlling Shareholder to make decisions that serve their interests but are not necessarily aligned with those of our minority Shareholders. Additionally, this concentration of ownership may deter, delay, or prevent a change in control of our Company, which could otherwise provide Shareholders an opportunity to sell their shares at a premium. Such actions could negatively affect the [REDACTED] of our H Shares and limit the influence of other Shareholders on the Company’s governance and future direction.

Our historical dividends may not be indicative of our future dividend policy, and there is no assurance of future dividend payments.

Our Board has discretion as to whether to distribute dividends. The amount of dividends we have paid in the past is not indicative of our future dividend policy or dividend amounts. The declaration and payment of dividends will be at the discretion of our Board and will depend on various factors, including our business prospects, financial performance, cash flow, capital requirements and the terms of our financing arrangements. There can be no assurance that we will declare and pay dividends in the future in any amount.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For further details on our plans to use net [REDACTED] from the [REDACTED], please refer to the section headed “Future Plans and [REDACTED]” in this document. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts, and other statistics included in this document are derived from various publicly available government and official sources. While our Directors believe these sources to be appropriate and have taken reasonable care in obtaining and reproducing the information, we cannot guarantee the accuracy, quality, or reliability of the underlying source materials. This data has not been independently verified by us or any other parties involved in the [REDACTED] and no representation is given as to their accuracy.

Additionally, we cannot assure our investors that this information has been compiled on a basis or with the same level of accuracy as similar data presented elsewhere. Therefore, prospective [REDACTED] are advised to carefully consider the weight and importance they place on such facts and statistics when evaluating this document.

RISK FACTORS

Our forward-looking statements are subject to uncertainties, and future results could differ materially from those expressed or implied.

This document contains forward-looking statements about our business based on management’s current beliefs, assumptions, and information available at the time. Forward-looking statements are identified by terms such as “aim,” “anticipate,” “believe,” “could,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “will,” and similar expressions. These statements reflect management’s views on future events, operations, liquidity, and capital resources; however, they are inherently subject to risks, uncertainties, and assumptions.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results could differ significantly from those suggested by these forward-looking statements. Factors beyond our control and future business decisions could impact outcomes, many of which are discussed in the “Risk Factors” section of this document.

In light of these uncertainties, forward-looking statements should not be considered assurances of specific plans or objectives, and prospective [REDACTED] are cautioned not to place undue reliance on them. All forward-looking statements in this document are qualified by these cautionary statements. Subject to ongoing disclosure obligations under the Listing Rules or Hong Kong Stock Exchange requirements, we do not intend to publicly update or revise forward-looking statements due to new information, future events, or other factors.

Prospective [REDACTED] should rely solely on this document and not on media reports when making investment decisions.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this document but prior to the completion of the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. Our Company, the joint sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED] make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, our Company, the joint sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED] disclaim responsibility for it, and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought and [has been granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules and the following exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group’s management is best able to attend to its functions by being based in the PRC. None of our executive Directors is or will be ordinarily resident in Hong Kong after the [REDACTED] of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

- (1) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Li Zhen (李臻) (“**Mr. Li**”), our executive Director and Ms. Tang Ka Yan (鄧嘉欣) (“**Ms. Tang**”), one of our joint company secretaries. Ms. Tang is situated and based in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;
- (2) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;
- (3) although our executive Directors are not ordinary residents in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;
- (4) we have appointed Altus Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (5) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the compliance adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Chartered Governance Institute; (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the acceptable qualification (as defined under Rule 3.28 Note (1) of the Listing Rules) nor relevant experience (as defined under Rule 3.28 Note (2) of the Listing Rules) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

Further, pursuant to Chapter 3.10 of the Guide, such waiver, if granted, will be for a fixed period of time and on the following conditions:

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the fixed period of time; and
- (b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Mr. Li, an executive Director and the chief financial officer of our Company, as one of our joint company secretaries, considering his past working experiences within our Group and his thorough understanding of our internal administration, business operations and corporate culture. As such, although Mr. Li does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Mr. Li is capable of discharging the functions of a joint company secretary with the assistance of Ms. Tang, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other joint company secretary and to assist Mr. Li in the compliance matters for the [REDACTED] as well as other Hong Kong regulatory requirements for an initial period of three years from the [REDACTED]. Over such period, we will implement the following measures to assist Mr. Li to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (a) Ms. Tang will assist Mr. Li so as to enable him to discharge his duties and responsibilities as a joint company secretary. Given Ms. Tang Ka Yan’s relevant experiences, she will be able to advise both Mr. Li and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Mr. Li will be assisted by Ms. Tang for an initial period of three years commencing from the [REDACTED], which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;
- (c) we will ensure that Mr. Li has access to the relevant trainings and support to enable him to familiarize with the Listing Rules and the duties required of a company secretary of an issuer, and Mr. Li has undertaken to attend such trainings;
- (d) Ms. Tang will communicate with Mr. Li on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Tang will work closely with, and provide assistance to Mr. Li with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders’ meetings; and
- (e) pursuant to Rule 3.29 of the Listing Rules, Ms. Tang and Mr. Li will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Tang and Mr. Li will be advised by our legal advisors as to Hong Kong laws and our compliance advisor as and when appropriate and required.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [REDACTED] (the “**Waiver Period**”). Pursuant to paragraph 13 under Chapter 3.10 of the Guide for New Listing Applicants, the waiver is granted on the conditions: (i) our Company appoints Ms. Tang, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Mr. Li in discharging his functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Tang, during the three-year period, ceases to provide assistance to Mr. Li, or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Li to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will demonstrate to and seek the Stock Exchange’s confirmation that Mr. Li, having had the benefit of Ms. Tang’s assistance for three years, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver wouldn’t be necessary. For more details of Ms. Tang and Mr. Li’s biographies, please see the section headed “Directors, Supervisors and Senior Management”.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality

Executive Directors

Mr. Mu Shanbo (牟善波)	Room 1-1, Building 47 Phase 3, Shimao Nuosha Bay Dongyue East Road, Huangdao District Qingdao City, Shandong Province, PRC	Chinese

Mr. Liu Guomin (劉國民)	Unit 2, Room 1001, Building 17 Haide Mansion, Haide Park Huangdao District, Qingdao City Shandong Province, PRC	Chinese

Mr. Liang Xing (梁星)	Room 3203, Building 8 Jinmao Mansion, Huanhu Road Yuelu District, Changsha City Hunan Province, PRC	Chinese

Ms. Yu Haixia (于海霞)	Unit 1, Room 1202, Building 4 Mingdu City Residential Quarter No. 113 Jiangxi Road Shinan District, Qingdao City Shandong Province, PRC	Chinese

Mr. Li Zhen (李臻)	Unit 6, Building 6 No. 1 Nenjiang Road Shinan District, Qingdao City Shandong Province, PRC	Chinese

Independent non-executive Directors

Mr. Feng Guohua (馮國華)	Flat B, 22/F, Tower 2B, Pavilia Bay 51 Wing Shun Street, Tsuen Wan Hong Kong	Chinese

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For further details, please see the section headed “Directors, Supervisors and Senior Management” in this document.

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PARTIES INVOLVED IN THE [REDACTED]

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CORPORATE INFORMATION

Registered Office and Head Office

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Audit Committee

Ms. Hong Xiaoming (洪曉明) (*Chairwoman*)
Mr. Feng Guohua (馮國華)
Mr. Cheng Lin (程林)

Nomination Committee

Mr. Mu Shanbo (牟善波) (*Chairman*)
Ms. Hong Xiaoming (洪曉明)
Mr. Cheng Lin (程林)

Remuneration Committee

Mr. Feng Guohua (馮國華) (*Chairman*)
Mr. Cheng Lin (程林)
Ms. Yu Haixia (于海霞)

CORPORATE INFORMATION

Strategy Committee

Mr. Mu Shanbo (牟善波) (*Chairman*)
Mr. Liu Guomin (劉國民)
Mr. Liang Xing (梁星)
Ms. Yu Haixia (于海霞)
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Company's Website

www.yeeper-dairy.com
(A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Frost & Sullivan to analyze and prepare a report regarding China’s goat and sheep milk powder market, China’s goat and sheep milk infant formula market, and China’s FSMP for infants market during the period of 2020 to 2029. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York, offering industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of RMB450,000 to Frost & Sullivan pursuant to a service agreement reached by arm’s length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report.

In preparing for the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as National Bureau of Statistics, General Administration of Customs of China and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China are expected to remain stable during the forecast period; (ii) China’s economic and industrial development are likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of China’s goat and sheep milk powder market, China’s goat and sheep milk infant formula market and China’s FSMP for infants market in the forecast period, such as rising disposable income and health awareness, refined consumer demand and demographic diversification, demand for easily digestible and low-allergen nutrition, etc.; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

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CHINA’S DAIRY PRODUCTS MARKET OVERVIEW

Definition and Classification of Dairy Products

In China, dairy products are generally classified into two main categories: liquid milk (液態奶) and dry dairy products (乾乳製品). Liquid milk primarily includes Ultra-High Temperature (“UHT”) milk, pasteurized milk (also referred to as fresh milk), and yogurt, and is categorized based on different processing methods. Dry dairy products include milk powder as well as other dry dairy product such as cheese, butter, cream, etc.

Market Size of China’s Dairy Products

In terms of production volume, China’s dairy products production increased from 27.8 million tons in 2020 to 29.6 million tons in 2024, representing a CAGR of 1.6%. During the forecast period from 2024 to 2029, the total production is expected to grow moderately, reaching 31.0 million tons by 2029, with a CAGR of 0.9%.

Milk powder, the largest segment within dry dairy products, made up 3.6% of total production in 2020 and is expected to remain stable at 3.2% between 2024 and 2029. The structural shift toward more diversified and value-added dairy offerings is in line with changing consumer preferences and the ongoing premiumization of China’s dairy market.

CHINA’S MILK POWDER AND GOAT AND SHEEP MILK POWDER MARKET OVERVIEW

Definition and Classification of Milk Powder

Milk powder is a dairy product made by removing most of the water from liquid milk through drying. It retains the key nutritional components of milk and offers advantages such as long shelf life, ease of transportation, and flexible formulation. Milk powder is consumed by a wide range of age groups and serves various nutritional and functional needs across life stages. China’s milk powder can be categorized as follows:

- (i) By milk source: Goat and sheep milk powder – refers to milk powder derived from goat milk and sheep milk; Cow milk powder – refers to milk powder derived from cow milk; Other milk powder – including camel, mare, yak milk, etc.
- (ii) By target consumer group: Infant milk formula – refers to milk formula specifically for children aged 0-36 months (Stage 1 to 3). Children milk powder – refers to milk powder specifically for the group aged 36 months to 15 years old (Stage 4); Adult milk powder – refers to milk powder specifically for the group aged 18 and above.

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Comparison of Goat and Sheep Milk Powder vs. Cow Milk Powder

Comparison Dimension	Goat and sheep milk powder	Cow Milk Powder
Nutritional Composition	Higher whey protein content and higher lactoferrin content than cow milk powder	Higher casein content compared to goat and sheep milk powder
Fat Structure	Smaller fat globules with thinner membranes	Larger fat globules with denser structure
Allergic related	Low α s1-casein content, suitable for the group with sensitive constitutions	High α s1-casein content, more likely to cause allergic reactions
Lactose Content	Lower than cow milk powder; more suitable for the group with lactose intolerance	Higher than goat and sheep milk powder; may cause discomfort for lactose-intolerant group
Application in Infant Milk Formula	Mostly used in segmented, premium infant milk formula products	Widely used as a main base ingredient
Consumer Awareness	Consumer awareness is steadily increasing	Well-established in the market, high consumer acceptance
Price	Limited raw milk supply, higher processing standards, relatively higher price	Adequate market supply, relatively lower price

Source: Frost & Sullivan

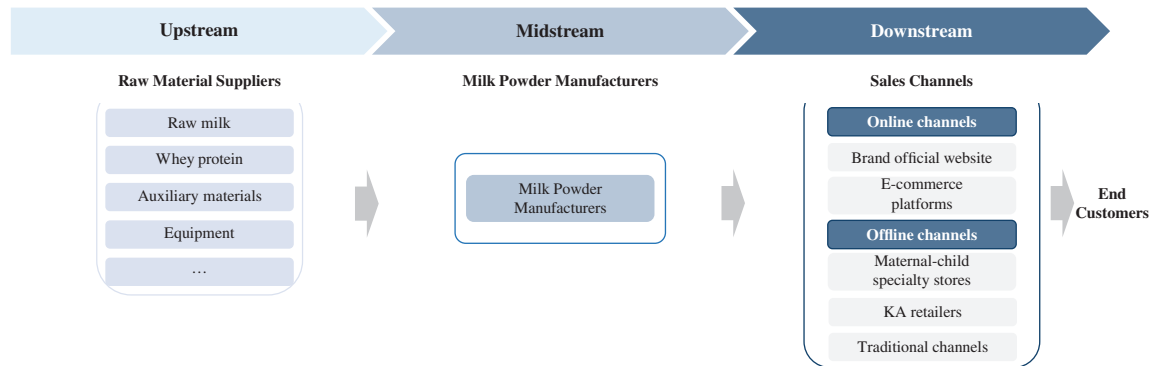
Value Chain of Milk Powder

The industrial chain of China’s milk powder market consists of upstream suppliers, midstream producers and operators, and downstream sales channels and consumption.

- Upstream participants mainly provide raw milk, dairy ingredients, equipment, and auxiliary materials, serving as the foundation for milk powder production.
- The midstream is represented by milk powder manufacturers, responsible for the processing and production of milk powder.

INDUSTRY OVERVIEW

- The downstream comprises diversified sales channels, including online platforms (brand official websites and e-commerce platforms) and offline channels (maternal-child specialty stores, key account (“KA”) retailers such as supermarkets and hypermarkets, as well as traditional channels including grocery stores and small independent shops), which ultimately connect products with end consumers.



Source: Frost & Sullivan

Comparisons of Manufacturing Processes of Milk Powder

Milk powder production primarily involves three processing methods: dry blending, wet blending, and dry-wet mixing.

The dry blending process mainly consists of premixing nutrients, whole milk powder, skimmed milk powder, high-fat whey powder, and other dry ingredients. This method offers operational convenience and better preserves the stability of nutritional components. Nevertheless, since micronutrients are added directly in dry form and typically in small quantities, there is a higher likelihood of uneven mixing.

The wet blending process features high-temperature sterilization during production, which effectively minimizes microbial contamination risks. Nutrients are blended in liquid form, resulting in relatively uniform nutrient distribution. However, this process may cause greater loss of certain heat-sensitive nutrients and bioactive components due to exposure to heat and processing conditions.

In comparison, the dry-wet mixing process combines the advantages of both wet and dry blending methods. It leverages the uniform nutrient distribution of wet blending while maintaining the nutrient stability and operational flexibility of dry blending. As a result, dry-wet mixing is widely regarded as a superior and more suitable technique for milk powder manufacturing.

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	Dry Blending	Wet Blending	Dry-Wet Mixing Process
Definition	Dry blending refers to the process of producing milk powder by mixing various solid raw materials in a dry state through blending and other methods.	Wet blending refers to the process of mixing fresh milk with other formula ingredients, followed by spray drying to produce milk powder.	Dry-Wet Mixing Process includes all wet blending steps except product packaging, as well as the corresponding dry blending steps. By combining the uniform nutrient distribution of wet blending with the operational flexibility of dry blending, the dry-wet mixing process maximizes the retention of bioactive components while enhancing production efficiency.
Diversity of Added Nutrients	★★★★☆	★★★★☆	★★★★★
Uniformity of Nutrients Distribution	★★★★☆	★★★★☆	★★★★★
Process Complexity	★★★★☆	★★★★☆	★★★★★

Source: Frost & Sullivan

Definition and Classification of Goat and Sheep Milk Powder

Goat and sheep milk powder refers to the milk powder derived from goat milk and sheep milk. China’s goat and sheep milk powder can be categorized as follows:

- (i) By milk source: Goat and sheep milk powder is mainly divided into goat milk powder and sheep milk powder. Goat milk is currently the more common source of goat and sheep milk powder in the market, with relatively large-scale farming in China. Sheep milk, due to its unique nutritional value and scarce resource attributes, has attracted increasing attention and investment both domestically and internationally in recent years.
- (ii) By target consumer group: Goat and sheep milk powder is mainly divided into goat and sheep milk infant formula, children’s goat and sheep milk powder, and adult goat and sheep milk powder (such as products for middle-aged and elderly consumers). Goat and sheep milk infant formula should meet strict formula registration and nutritional standards. Children’s goat and sheep milk powder is mainly used to supplement specific nutrients needed for growth and development. Adult goat and sheep milk powder typically emphasizes functions such as easy digestion, immune support, or bone health to meet the nutritional needs of the respective consumer groups.

Market Size of Goat and Sheep Milk Powder

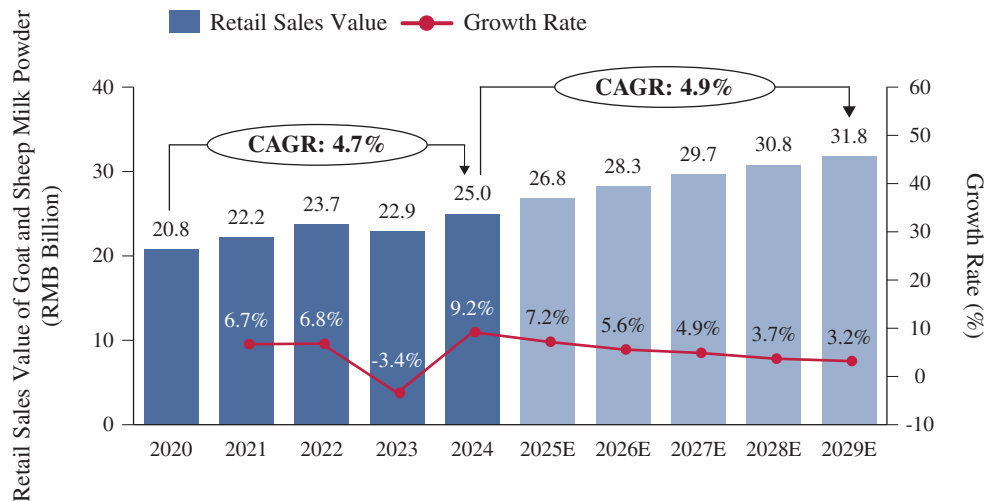
The retail sales value of goat and sheep milk powder in China has continued to grow steadily, outperforming the overall milk powder market. From 2020 to 2024, the retail sales value of goat and sheep milk powder increased from RMB20.8 billion to RMB25.0 billion, representing a CAGR of 4.7%. This sustained growth has been primarily driven by increasing consumer recognition of the gentler and less allergenic properties of goat and sheep milk formula as compared to traditional cow milk products. In response, leading domestic brands are accelerating investment

INDUSTRY OVERVIEW

in goat milk formula innovation, supported by self-owned dairy sources and vertically integrated supply chains, and constantly expanding their product portfolios to meet diverse needs by leveraging the nutritional properties of goat and sheep milk powder, which help reinforce product quality and brand trust.

Goat and sheep milk powder represent a segment within the overall milk powder market, they are poised for steady growth as alternative protein sources. Looking forward, the retail sales value of goat and sheep milk powder is projected to reach approximately RMB31.8 billion by 2029, reflecting a CAGR of 4.9% from 2024 to 2029.

Retail Sales Value of Goat and Sheep Milk Powder (China), 2020-2029E



Source: Frost & Sullivan

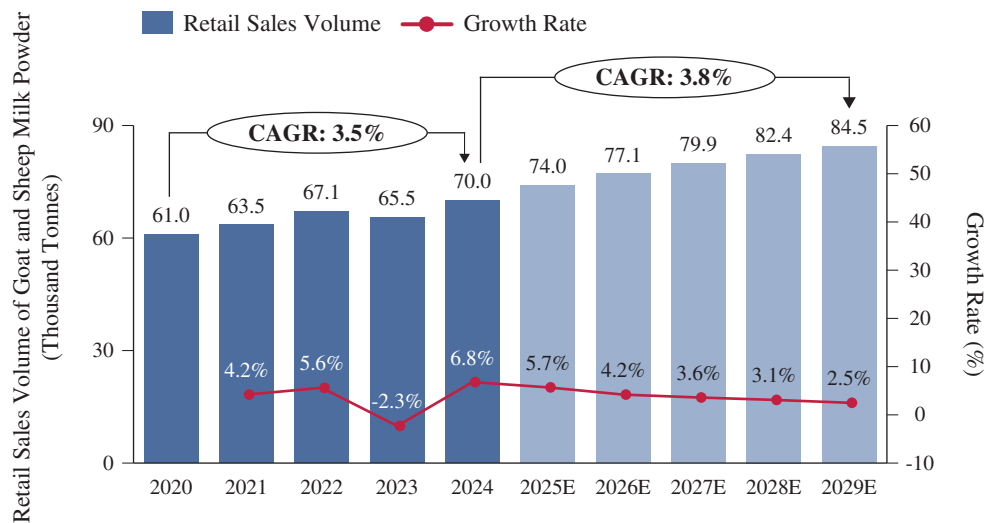
Goat and sheep milk are naturally less allergenic than cow’s milk. Their lower α s1-casein content – a protein often responsible for allergic reactions in sensitive consumers – ensures that these milk options offer a gentler and more digestible alternative for infants, children, and adults with protein allergies, lactose intolerance, or digestive sensitivities. The small fat globules in goat and sheep milk are more easily absorbed and digested, further enhancing the benefits for sensitive individuals. These attributes make goat and sheep milk products a leading choice in low-allergen nutrition.

The retail sales volume of goat and sheep milk powder in China recorded steady growth between 2020 and 2024, increasing from 61.0 thousand tons to 70.0 thousand tons, representing a CAGR of 3.5% during the period.

Looking ahead, the retail sales volume of goat and sheep milk powder is projected to reach approximately 84.5 thousand tons by 2029, reflecting a modest CAGR of 3.8% from 2024 to 2029.

INDUSTRY OVERVIEW

Retail Sales Volume of Goat and Sheep Milk Powder (China), 2020-2029E



Source: Frost & Sullivan

Market Drivers of China’s Milk Powder and Goat and Sheep Milk Powder Market

Rising Disposable Income and Health Awareness. With the steady development of China’s economy and the continued advancement of urbanization, the per capita disposable income of both urban and rural residents has shown sustained growth. Consumers are now more willing to pay for high-quality, diversified and nutritionally rich milk powder, thereby driving the rapid expansion of the market. Also, growing consumer emphasis on health and wellness is reshaping the market landscape in China. Across all age groups, from toddlers to seniors, there is a clear preference for milk powder products that deliver functional benefits, such as immune system support, gut health, and natural or minimally processed ingredients. Consumers are also increasingly attentive to product safety, ingredient traceability, and clinical backing, driving innovation in scientifically formulated, health-oriented products.

Refined Consumer Demand. China’s goat and sheep milk powder market is increasingly shaped by more refined and segmented consumer needs. While consumers are becoming more value-conscious, they continue to seek products that align with their dietary preferences, functional requirements, and life-stage nutrition needs. Goat and sheep milk powder, known for their mild protein structure, are gaining traction among consumers, particularly those with lactose intolerance or milk protein sensitivity. With the acceleration of population aging, goat and sheep milk powder, due to its characteristics of easy absorption, low risk of lactose intolerance and naturally high calcium content, has advantages in meeting the needs of bone health, digestive function improvement and immune enhancement, and is therefore gradually gaining more recognition and preference among elderly consumers.

Digital Transformation and Omnichannel Retail Evolution. The rise of digital consumption is reshaping the distribution landscape of China’s milk powder and goat and sheep milk powder market. Traditional channels such as supermarkets and specialty stores are increasingly complemented, and in some cases displaced, by e-commerce, social platforms, and mobile applications. Consumers now rely on digital channels to access product information,

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compare pricing, and make purchases. Tools such as live streaming, influencer marketing, and online reviews are becoming vital for brand building and trust cultivation. In response, companies are accelerating investment in digital infrastructure and omnichannel strategies to enhance responsiveness and reach.

Policy Support and Supply Chain Upgrading. Government initiatives aimed at revitalizing the domestic dairy industry are providing strong policy support for the development of the milk powder sector. Policies such as the “*Opinions on Promoting the Revitalization of the Dairy Industry and Ensuring the Quality and Safety of Dairy Products*” (《關於推進奶業振興保障乳品質量安全的意見》) and the “*14th Five-Year Plan for Enhancing Competitiveness in the Dairy Industry*” (《“十四五”奶業競爭力提升行動方案》) emphasize improving self-sufficiency in high-quality milk sources, optimizing regional production layouts, enhancing local breeding and feed capabilities, and promoting large-scale, standardized, and digital farming. In addition, according to the *Dietary Guidelines for Chinese Residents* (《中國居民膳食指南》) and the *Healthy China 2030 initiative* (《“健康中國2030”規劃綱要》), the government encourages increased consumption of dairy products to improve population-wide nutrition and support long-term public health goals. These efforts have not only raised public awareness of the nutritional value of dairy products, but also driven the development of nationwide nutrition enhancement programs and school milk initiatives, fostering overall industry standardization and quality improvement. These efforts contribute to a more resilient and high-quality supply chain, creating a solid foundation for the continued development of China’s milk powder and goat and sheep milk powder market.

Future Trends of China’s Milk Powder and Goat and Sheep Milk Powder Market

Diversified Product Portfolio. Driven by increasingly segmented consumer demands, milk powder market is evolving toward a more diversified product offering. Beyond traditional cow’s milk, specialty milk sources such as goat, sheep, camel, and buffalo milk are gaining traction, catering to varied taste preferences and health needs. On the other hand, products span all age groups, from infant formula to senior nutrition, forming a comprehensive lifecycle product mix that broadens market coverage.

Digital Transformation and Sustainability. Companies are accelerating digital transformation throughout the value chain, encompassing smart farming, digital supply chain management, and consumer engagement via digital platforms. At the same time, sustainability has become a key focus, with companies advancing low-carbon farming practices, circular production models, and environmentally friendly packaging to meet regulatory requirements and consumer expectations.

Rising Demand for Specialized Products. As consumers become more aware of dietary sensitivities and personal health needs, demand for specialized products continues to grow. Demand for milk powder that is less allergenic, lactose-free, and easily absorbed is expanding rapidly. This shift reflects a transition toward personalized nutrition, with milk powder increasingly tailored to specific needs and health concerns across all life stages. In response to this trend, goat and sheep milk powder companies are expanding product lines and launching products targeting specific needs to capture high-value market share.

INDUSTRY OVERVIEW

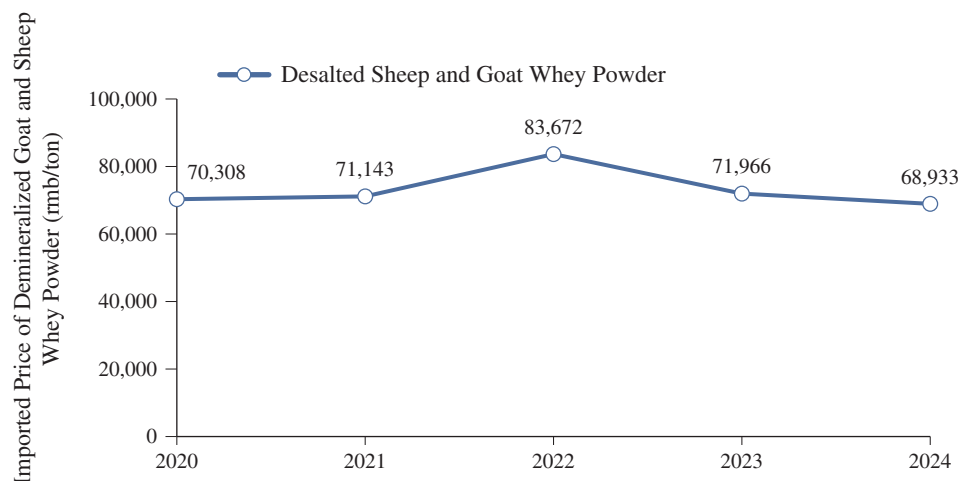
Industry Consolidation and Brand Concentration. The market is undergoing a structural transformation marked by increasing consolidation and brand concentration. Regulatory tightening, product traceability, and production standards, have elevated market entry barriers and accelerated the phase-out of subscale or non-compliant players. Leading milk powder and goat and sheep milk powder brands are leveraging their advantages in R&D, supply chain integration, and brand equity to expand market share. This trend is fostering a more concentrated competitive landscape, where scale, compliance, and consumer trust are critical success factors.

Imported Price of Demineralized Goat and Sheep Whey Powder

Whey protein is a key nutritional component in infant formula, and demineralized goat and sheep whey powder is a primary raw material form for obtaining whey protein, with imports primarily sourced from European countries. Whey protein offers advantages such as low molecular weight, easy digestion and absorption. It is also rich in active ingredient such as lactoferrin and immunoglobulins, which support nutrient absorption and immune development in infants and young children. Recognizing the crucial role of whey protein in infant growth, the National Standard for Infant Formula Food Safety (GB10765-2010) explicitly requires that whey protein content in milk-based infant formula must constitute no less than 60% of total protein. Over the past five years, its import price has exhibited a fluctuating trajectory – rising from approximately RMB70,380 per ton in 2020 to a peak of RMB83,672 per ton in 2022, and reaching around RMB68,933 per ton by 2024.

Looking ahead, prices are expected to remain substantially stable, underpinned by expanding domestic capacity, a more mature supply chain, and industry alignment with the updated regulatory framework. Intensifying competition among European suppliers and ongoing advancements in domestic production technology are also anticipated to exert further pressure on prices, fostering a more stable and rational market environment.

Imported Price of Demineralized Goat and Sheep Whey Powder (China), 2020-2024



Source: General Administration of Customs, Ministry of Agriculture and Rural Affairs, Frost & Sullivan

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF CHINA’S GOAT AND SHEEP MILK POWDER MARKET

Competitive Landscape of China’s Goat and Sheep Milk Powder Market

China’s goat and sheep milk powder market is moderately concentrated, with the top five companies accounting for 55.6% of the total retail sales value in 2024.

Our Company is the second-largest goat and sheep milk powder company in China in terms of retail sales value of goat and sheep milk powder, with retail sales of RMB3.5 billion and a market share of 14.0% in 2024.

Top Five Goat and Sheep Milk Powder Companies in Terms of Retail Sales Value of Goat and Sheep Milk Powder (China), 2024

Ranking	Goat and Sheep Milk Powder Companies	Retail Sales Value of Goat and Sheep Milk Powder (RMB billion)	Market share (%)
1	Company A	6.2	24.8%
2	The Company	3.5	14.0%
3	Company B	1.6	6.4%
4	Company C	1.5	6.0%
5	Company D	1.1	4.4%
Total Five		13.9	55.6%
Total		25.0	100.0%

Notes:

- Company A is a Hong Kong-listed company, headquartered in Changsha, Hunan Province. It is principally engaged in the production and distribution of milk powder products, including both cow and goat infant formulas, as well as milk powders designed for children and adults.
- Company B is a private company, headquartered in Xi’an, Shaanxi Province. It is principally engaged in the production and distribution of goat and sheep milk powder products, including goat and sheep milk infant formulas, as well as milk powders designed for children and adults.
- Company C is an A-share listed company, headquartered in Hohhot, Inner Mongolia Autonomous Region. It is principally engaged in the production and distribution of milk powder products, including both cow and goat infant formulas, as well as milk powders designed for children and adults.
- Company D is a Hong Kong-listed company, headquartered in Beijing. It is principally engaged in the and distribution of milk powder products, including both cow and goat infant formulas, as well as milk powders designed for children and adults.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Comparison of Leading Goat and Sheep Milk Powder Companies

A vertically integrated business model (全產業鏈模式) in the milk powder industry refers to the comprehensive control and coordination across all key stages of the value chain, including upstream milk source and core ingredient management, midstream processing and formula development, and downstream marketing and distribution. This model enables companies to ensure the quality and safety of milk source and core ingredients, enhance formula customization and innovation, and improve supply chain efficiency and responsiveness to market demand. It also strengthens brand competitiveness by enabling end-to-end traceability, cost control, and faster product-to-market cycles.

Among the leading players in China’s goat and sheep milk powder market, the Company is one of the few enterprises in the industry with integrated supply capabilities, supported by self-owned and controllable dairy goat and dairy sheep farms, together with in-house demineralized goat and sheep whey processing facilities. As of June 30, 2025, the Company held the highest number of registered goat and sheep milk infant formula recipes, reflecting its strong in-house formulation capabilities, full control over milk sources and core ingredients, and broad distribution coverage.

CHINA’S GOAT AND SHEEP MILK INFANT FORMULA MARKET OVERVIEW

Market Size of Goat and Sheep Milk Infant Formula

Goat and Sheep Milk Infant Formula refers to formulas designed for children aged 0–36 months (Stage 1 to 3), in which goat and sheep milk is used as the primary dairy ingredient. The retail sales value of goat and sheep milk infant formula in China increased from RMB16.0 billion in 2020 to RMB18.8 billion in 2024, representing a CAGR of 4.1%. This segment benefits from more stringent regulatory oversight, which enhances brand professionalism and fosters consumer trust.

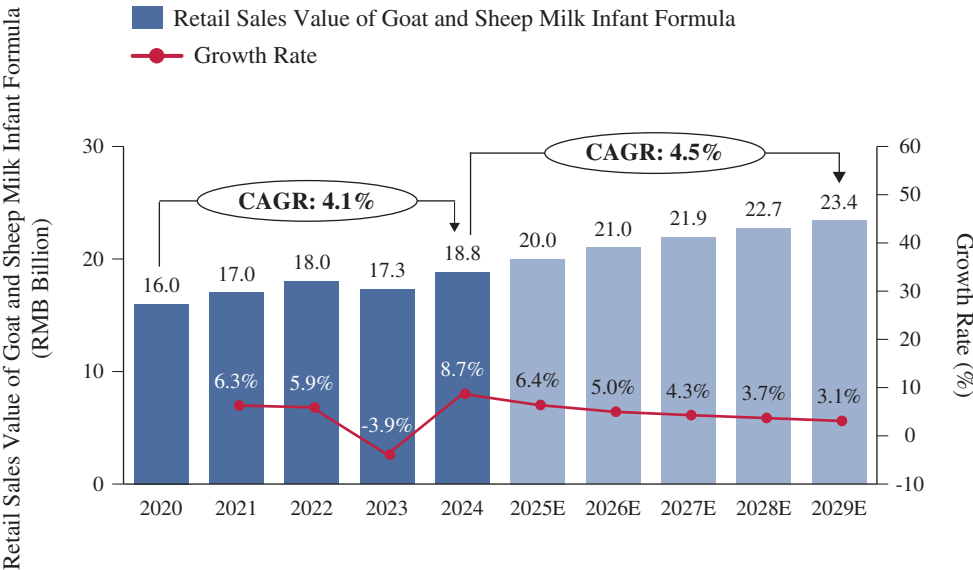
Given that infants have underdeveloped intestinal barriers and limited ability to digest lactose and certain proteins, goat and sheep milk, which have protein structures and fat compositions more similar to those of breast milk, offer a gentler and scientifically supported nutritional alternative. Common allergic conditions in infants and young children include food allergies, pollen allergies, allergic asthma, etc. From 2014 to 2015, the National Maternal and Child Health Center (國家婦幼保健中心) conducted the “Epidemiological Survey on Allergies in Urban Infants and Young Children (城市嬰幼兒過敏流行病學調查)”, covering 11,950 infants aged 0 to 24 months in 33 cities in China. The survey results released in September 2015 showed that 40.9% of infants aged 0 to 24 months in China had or were experiencing symptoms of allergic diseases according to their parents, and the prevalence rate of allergic disease symptoms was 12.3%.

Although no ongoing nationwide studies have been conducted in recent years, the incidence rate of allergies among infants has drawn increasing attention. Potential contributing factors include allergenic proteins in breast milk, increased dietary diversity, improper feeding practices and overly hygienic living environments. These factors may limit microbial exposure, hinder development of immune system and elevate allergy risks. These factors collectively contribute to the rising prevalence of allergies among infants. As sensitivity increases, infants with food allergies may benefit from replacing tradition milk powder with goat and sheep milk and goat and sheep milk formula alternatives.

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With cow’s milk being one of the most common allergens in infants and toddlers, rising allergy prevalence among children aged 0 to 2 is expected to drive demand for goat and sheep milk infant formula continuously. Looking forward, the market is expected to continue expanding, with the retail sales value projected to reach approximately RMB23.4 billion by 2029, representing a CAGR of 4.5% from 2024 to 2029.

Retail Sales Value of Goat and Sheep Milk Infant Formula (China), 2020-2029E



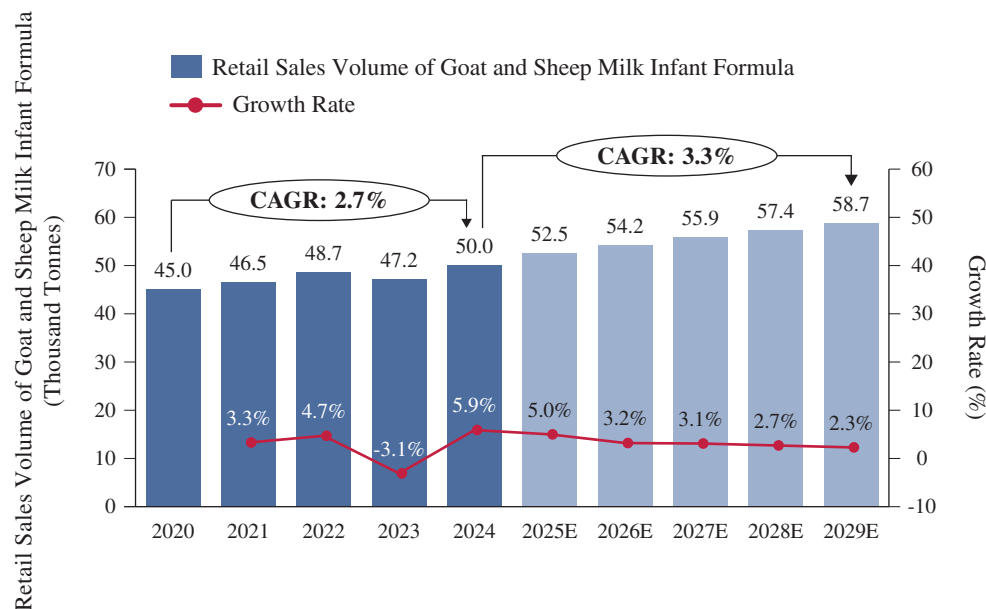
Source: Frost & Sullivan

Similar to cow milk-based formulas, goat and sheep milk infant formula also needs to comply with stringent regulatory and nutritional standards. However, various categories of infant formula differ notably in terms of protein composition, lactose tolerance, and digestibility. With its gentler protein structure and easier digestibility, goat and sheep milk formula is better suited for infants with sensitive digestive systems or protein intolerance, offering balanced nutrition while reducing the risk of allergic reactions or discomfort. As a result, it has gained increasing popularity among parents.

The retail sales volume of goat and sheep milk infant formula in China grew from 45.0 thousand tons in 2020 to 50.0 thousand tons in 2024, representing a CAGR of 2.7%. It is projected to reach approximately 58.7 thousand tons by 2029, with a CAGR of 3.3% from 2024 to 2029.

INDUSTRY OVERVIEW

Retail Sales Volume of Goat and Sheep Milk Infant Formula (China), 2020-2029E



Source: Frost & Sullivan

Market Drivers of China's Goat and Sheep Milk Infant Formula Market

Demand for Easily Digestible and Low-allergen Nutrition. Growing consumer awareness of digestive health and allergy prevention has fueled steady demand for alternative dairy products with better gastrointestinal tolerance. Goat and sheep milk, characterized by higher levels of medium-chain fatty acids (“MCFA”), smaller fat globules, and lower α 1-casein content, is inherently easier to digest and less likely to trigger allergic responses compared to cow milk. With their smaller fat globules and low allergenicity, these milk options help alleviate allergies and digestive discomfort induced by exogenous proteins such as α 1-casein, providing an optimal solution for lactose intolerant or protein-sensitive infants. These benefits have led to increased consumer preference for goat and sheep milk formulas, which are tailored to meet the nutritional needs of sensitive populations across all life stages.

Nutritional Differentiation and Product Diversification. As China's dairy market shifts toward more diversified and specialized consumption, goat and sheep milk infant formula has gained traction as a differentiated option tailored to the specific nutritional needs of infants. Goat and sheep milk infant formula has gained consumer attention and recognition due to its smaller protein molecules, which make it easier to digest and thus offer certain advantages in meeting infants' early nutritional needs. In response to growing demand for precision nutrition in early life, manufacturers have focused on refining formula compositions by incorporating functional ingredients that support digestion, immunity, and nutrient absorption. This reflects a trend toward nutritional specialization and product diversification within the goat and sheep milk infant formula category.

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Regulatory Reforms Enhance Product Traceability and Boost Demands. The continued refinement of China’s regulatory framework has played a pivotal role in shaping the goat and sheep milk infant formula market. Under the “*Administrative Measures for the Registration of Infant Formula Milk Powder Products*” (《*嬰幼兒配方乳粉產品配方註冊管理辦法*》), formulas that reference a specific animal origin must ensure that all key ingredients, including raw milk, milk powder, and whey powder are derived entirely from that species. This policy reinforces traceability, mitigates misleading claims, and promotes greater compliance in both sourcing and formulation. Regulatory clarity has not only enhanced consumer trust in goat and sheep milk-based formulas but also created a more disciplined and sustainable environment for long-term industry growth. Moreover, China introduced a new Third-child policy to unleash childbirth potential, along with a series of supporting measures such as improving parental leave policies and establishing birth subsidies. This policy is expected to help stabilize and gradually increase the birth rate, thereby driving demand for infant-related products. In particular, it is creating favorable conditions for the growth of industry such as goat milk infant formula.

Future Trends of China’s Goat and Sheep Milk Infant Formula Market

Brand Building and Consumer Education. As goat and sheep milk infant formula remains less familiar to some consumer segments compared to cow milk products, education and trust-building is expected to play a crucial role in market development. Companies are investing in brand storytelling, professional endorsements, and scientific communication, emphasizing approaches such as adjusting the whey-to-casein protein ratio or employing partial hydrolysis techniques to reduce allergy risks. These efforts aim to meet the special nutritional needs of infants with sensitive constitutions and convey the nutritional benefits and differentiating features of goat and sheep milk infant formula. Clear and credible consumer communication is expected to accelerate market acceptance.

Ongoing Product Improvement and Nutritional Innovation. While overall affordability and accessibility remain important, manufacturers are continuously improving product composition to align with evolving health preferences. Research and development are increasingly focused on more precisely mimicking the composition of human breast milk by adjusting the proportions of lactose, fatty acids and vitamins, as well as developing specialized formulas tailored to different growth stages and specific needs. Also, improvements in milk source traceability, ecological farming practices, and transparent labeling reflect a broader shift toward responsible production and consumer trust, rather than simply pursuing premium positioning.

Functional Segmentation Meets Precision Nutrition Needs. With wider adoption of scientific feeding concepts, demand for precision nutrition tailored to infants’ specific needs is rising. Traditional general formulas are increasingly supplemented or replaced by more targeted formulas, including low-allergen, easy-to-absorb, and immune-support formulas. For example, high whey protein, goat and sheep milk formulas cater specifically to infants with delicate digestive systems, driving the market toward more customized, refined nutritional solutions.

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COMPETITIVE LANDSCAPE OF CHINA’S GOAT AND SHEEP MILK INFANT FORMULA MARKET

Competitive Landscape of China’s Goat and Sheep Milk Infant Formula Market

Currently, goat and sheep milk infant formula has been approved by and registered with the State Administration for Market Regulation (SAMR) in accordance with the New FSMP National Standard. Among which domestic brands played a leading role, accounting for over 90.0% of the total registered goat and sheep milk infant formulas in China.

China’s goat and sheep milk infant formula market is highly concentrated, with the top five companies accounting for 60.8% of the retail sales value in 2024. Our Company is the second-largest goat and sheep milk infant formula company in China in terms of retail sales value of goat and sheep milk infant formula products, reaching RMB3.3 billion and accounting for 17.6% of the market share in 2024.

Top Five Goat and Sheep Milk Infant Formula Companies in Terms of Retail Sales Value of Goat and Sheep Milk Infant Formula (China), 2024

Ranking	Goat and Sheep Milk Infant Formula Companies	Retail Sales Value of Goat and Sheep Milk Infant Formula (RMB billion)	Market share (%)
1	Company A	5.6	29.9%
2	The Company	3.3	17.6%
3	Company E	1.0	5.3%
4	Company F	0.8	4.3%
5	Company D	0.7	3.7%
Total Five		11.4	60.8%
Total		18.8	100.0%

Notes:

- Company E is a private company, headquartered in Changsha, Hunan Province. It is principally engaged in the production and distribution of milk powder products, including both cow and goat infant formulas.
- Company F is a Hong Kong-listed company, headquartered in Guangzhou, Guangdong Province. It is principally engaged in the production and distribution of milk powder products, including both cow and goat infant formulas.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Entry Barriers of China’s Goat and Sheep Milk Infant Formula Market

Limited Domestic Capacity in Demineralized Goat and Sheep Whey Powder. Demineralized goat and sheep whey powder, a critical component in infant and young children’s formulas, requires sophisticated processing technologies to precisely remove minerals while preserving protein integrity and nutritional value. Given the high technical thresholds and strict quality standards, only a handful of manufacturers possess the capabilities to produce it at a stable, commercial scale. Consequently, domestic supply remains limited, with the market heavily reliant on imports. This creates cost and sourcing challenges for new entrants lacking established procurement networks, thereby reinforcing the barrier to entry.

Establishing Integrated Milk Supply Systems. The production of high-quality goat and sheep milk infant formula depends on a fresh and controllable supply of raw milk. Owning or contracting dairy farms can enhance raw milk quality assurance and traceability. However, goat and sheep farming in China is highly fragmented, with low levels of scale and standardization. Building a dairy farm requires significant investment and a long-time frame, and the ability to breed and manage high-quality goats is an important indicator of a company’s core competitiveness, creating a natural barrier to entry in the industry.

Consumer Awareness and Brand Recognition Barriers. In the goat and sheep milk infant formula segment, consumer trust plays a critical role in purchasing decisions, particularly due to heightened concerns over product safety, nutritional integrity, and scientific validation. Building brand recognition in this category requires sustained investment in public education, transparent communication, clinical backing, and quality assurance. Established brands often benefit from long-term consumer loyalty and proven credibility, while new entrants may face prolonged market acceptance cycles due to limited visibility and weaker trust foundations.

Product Registration and Approval. According to the Measures for the Administration of the Registration of Infant Formula Milk Powder Product Formulas, all infant milk formula powder (including goat and sheep milk powder) sold in China must be registered individually, and each factory is generally limited to registering a maximum of three series and nine formulas. The registration process is highly rigorous, encompassing processes such as formula design, scientific rationale, process validation, stability testing, and clinical or empirical data. Completion can take three to five years in general, with a relatively low approval rate. For enterprises lacking mature R&D foundation and regulatory expertise, meeting these high standards and requirements presents a significant entry barrier. In comparison, goat and sheep milk infant formula companies with R&D capabilities and familiar with the registration and approval process are often better positioned to effectively shorten product launch cycle and increase the successful rate of market entry.

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CHINA’S FSMP FOR INFANTS MARKET OVERVIEW

Definition and Classification of Foods for Special Medical Purposes

Foods for Special Medical Purposes (“**FSMP**”) refer to formula products that are specially processed and formulated to meet the specific nutritional or dietary needs of individuals with restricted food intake, impaired digestion and absorption, metabolic disorders, or specific disease conditions. These products must be used under the supervision of physicians or clinical dietitians, either as the sole source of nutrition or in combination with other foods. FSMP are mainly divided into three categories: complete nutrition formula foods, specific complete nutrition formula foods, and incomplete nutrition formula foods. Based on age groups, FSMP can be categorized into FSMP for infants (ages 0 – 12 months) and FSMP for individuals (over 1 year old).

FSMP are critical in treating infants with specific medical conditions, including lactose intolerance, early-stage allergic responses, and preterm birth issues. By leveraging the digestibility and low allergen content, these products offer highly specialized nutritional interventions, such as protein hydrolysis for easier digestion and targeted allergen avoidance. These clinical-grade formulas have gained recognition in medical nutrition, playing an essential role in clinical settings and ensuring optimal nutrition for infants with medical dietary restrictions.

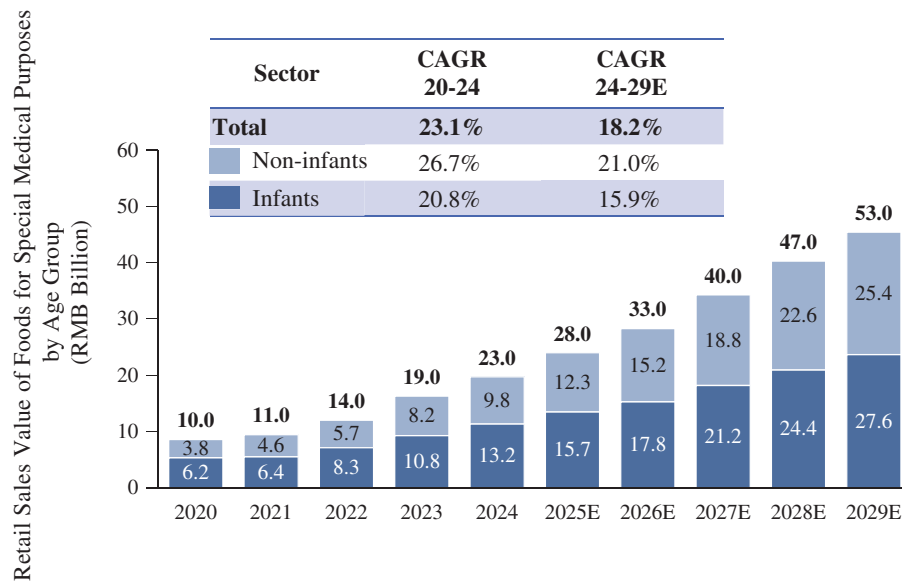
Market Size of China’s FSMP

The retail sales value of FSMP reached RMB23.0 billion in 2024, rising from RMB10.0 billion in 2020. In 2024, FSMP for infants accounted for 57.4% of the total retail sales value of food for special medical purposes, with its retail sales value rising from RMB6.2 billion in 2020 to RMB13.2 billion in 2024, representing a CAGR of 20.8%. As for the retail sales value of FSMP for non-infant, it increased from RMB3.8 billion in 2020 to RMB9.8 billion in 2024, growing at a CAGR of 26.7%, compared to 23.1% for the overall FSMP market.

Driven by supportive policies, and increasing consumer awareness are contributing to market growth, it is estimated that the market size of retail sales value of foods for special medical purposes for non-infant and infant are expected to increase to RMB25.4 billion and RMB27.6 billion by the end of 2029, realizing a CAGRs of 21.0% and 15.9% from 2024, respectively.

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Retail Sales Value of FSMP By Age Group (China), 2020-2029E



Source: Frost & Sullivan

Market Drivers of China’s FSMP for Infants Market

Rising Special Feeding Needs Among Infants. In recent years, clinical nutrition issues among infants, such as lactose intolerance, prematurity with low birth weight, and certain medical conditions, have attracted increasing attention. Under these special health circumstances, infants require more precise nutritional intake, while traditional infant formula cannot meet the specific nutritional needs of these groups. As a result, parents are increasingly inclined to choose more targeted and precisely formulated products for infants suffering from food allergies or gastrointestinal dysfunction. This shift in demand has led to the continuous growth of the FSMP for infants market.

More effective clinical outcomes: The FSMP for infants often demonstrate positive application value in clinical practice when addressing specific health issues. As milk powder serves as the primary source of daily nutrition for infants, doctors and parents commonly observe a degree of symptom improvement when infants and toddlers with conditions such as gastrointestinal discomfort or allergies switch to more suitable milk formulas for special medical purposes. This positive clinical and user feedback encourages doctors to recommend such products more readily and increases acceptance among parents. Consequently, it drives market awareness and acceptance of infant FSMP, further fueling the expansion of the infant FSMP market.

Increasing Consumer Awareness. The FSMP for infants is primarily used under the guidance of clinical channels such as pediatric departments in hospitals, maternal and child health institutions, and specialized nutrition clinics. Meanwhile, the public nutrition education system has been continuously improving. Channels including nutritionist communities, and self-media platforms have enhanced consumer understanding of the concept, target groups, and usage of the FSMP for infants, enabling parents to shift from passive recommendations to active seeking. As a result, increasing consumer awareness and market acceptance has become one of the key factors driving the development of the FSMP for infants market.

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Regulatory Policies. The Chinese government places great emphasis on the development of the SMPIF industry and has introduced a series of regulatory and guiding policies aimed at ensuring product safety and quality. For example, according to the National Nutrition Plan (2017–2030) (《國民營養計劃(2017–2030年)》) issued by the General Office of the State Council, China aims to promote the standardized application of FSMP and therapeutic diets. The plan emphasizes the need to further refine FSMP standards, improve product classification, and support the research and production of FSMP. In addition, under the Administrative Measures for the Registration of Foods for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》), priority review is granted to products intended for rare diseases, those urgently needed in clinical settings, and new product categories that have not yet been approved. In addition, the newly revised *National Standard for Special Medical Purpose Infant Formula (GB 25596-2025)* (《特殊醫學用途嬰兒配方食品通則》), released in China in 2025, is scheduled to take effect on March 16, 2027. This standard specifies technical requirements, raw material standards, and labeling regulations, promoting the industry’s progression toward greater standardization and normalization. At the same time, the new standard optimizes certain measures by improving the efficiency and transparency of the registration process, reducing the burden on companies, and encouraging more enterprises to invest in the research, development, and production of the FSMP for infants.

Future Trends of China’s FSMP for Infants Market

Functional Diversification of Products. The FSMP for infants are expanding from addressing basic conditions to serving more diverse groups, including premature infants, low birth weight babies, etc. The 2025 updated regulations for FSMP for infants revised the requirements for essential and optional ingredients, further ensuring the safety and effectiveness of the products. To better address the diverse needs of clinical practice and consumers, six new product categories were added, including ketogenic formulas, anti-reflux formulas, and formulas for lipid metabolism disorders, each accompanied by specific key technical requirements. These changes clearly demonstrate the growing trend of functional diversification in FSMP for infants.

Integrated Multi-Channel Development. As the channel landscape evolves, the distribution system for infant FSMP is gradually shifting from traditional medical channels—primarily pediatric departments in hospitals, women and children health institutions and specialized nutrition clinics—towards a more diversified direction. While maintaining professional medical recommendations as the core, companies are actively expanding into non-medical sales channels such as retail pharmacies, maternal-child specialty stores, supermarkets and e-commerce platforms to enhance market reach of products. Driven particularly by the rise of e-commerce platforms and online maternal-child services, convenient purchasing processes and greater product accessibility are propelling a shift from “prescription dependency” to “self-directed selection” of products. Additionally, the government is also actively guiding channel standardization, supporting companies in expanding their sales networks and promoting compliant operations for sales of FSMP in non-medical settings. These efforts are fostering continuous expansion and healthy, mature development of the infant FSMP market.

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Product Upgrading and Advances in R&D Technology. Scientific advances in fields such as nutritional science and immunology have supported the formulation and process optimization of the FSMP for infants, with categories of the FSMP for infants becoming increasingly refined. Product development increasingly incorporates refined ingredient selection, precise nutrient composition, and protein hydrolysis, enrichment and addition of bioactive ingredients and other key technologies, enabling improvements such as protein structure optimization, the human milk oligosaccharides (“HMO”), the application of prebiotics and probiotics, and the targeted fortification of micronutrients to meet the personalized nutritional needs of specific infant populations. The government continues to refine its registration management system, introducing priority approval to expedite the market launch of relevant products. At the same time, personalized nutrition solutions based on data analysis are expected to gradually emerge, allowing companies to strengthen their competitive positioning through more differentiated offerings.

COMPETITIVE LANDSCAPE OF CHINA’S FSMP FOR INFANTS MARKET

Competitive Landscape of China’s FSMP for Infants Market

The FSMP for infants market in China is highly concentrated, with the top five companies collectively accounting for 90.8% of retail sales value in 2024. The Company ranked **fifth** in China in terms of retail sales value of FSMP for infants, achieving RMB0.6 billion and capturing a market share of 4.5% in 2024.

Top Five FSMP for Infants Companies in Terms of Retail Sales Value of FSMP for Infants (China), 2024

Ranking	Food for Special Medical Purposes for Infants Companies	Retail Sales Value of Food for Special Medical Purposes for Infants Market (RMB billion)	Market share (%)
1	Company G	7.0	53.0%
2	Company H	2.3	17.4%
3	Company I	1.3	9.8%
4	Company J	0.8	6.1%
5	The Company	0.6	4.5%
Total Five		12.0	90.8%
Total		13.2	100.0%

Notes:

- Company G is a SWX-listed company, headquartered in Vevey, Switzerland. It is principally engaged in the production and distribution of food for special medical purposes, including both infants and adults.
- Company H is an EPA-listed company, headquartered in Paris, France. It is principally engaged in the production and distribution of food for special medical purposes, including both infants and adults.
- Company I is a private company, headquartered in Qingdao, China. It is principally engaged in the production and distribution of food for special medical purposes, including both infants and adults.
- Company J is a wholly-owned subsidiary of an LSE-listed company, headquartered in Evansville, United States. It focuses on the production and distribution of FSMP for infants.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Entry Barriers of China’s FSMP for Infants Market

Regulatory and Approval Barriers. The FSMP for infants is subject to a stringent regulatory review and approval process before market entry, which typically includes clinical trial validation, compliance with nutrient composition standards, and safety assessments. In China, for example, only products that have been approved by the State Administration for Market Regulation (SAMR) may be marketed as FSMP. The approval process is generally time-consuming and resource-intensive, requiring specialized regulatory expertise and creating notable entry barriers for new participants in the sector.

Sales Channel Development and Operational Capability Barriers. To successfully enter China’s infant FSMP market, companies must establish a comprehensive sales channel and system. The hospital channel serves as the most critical market entry point, requiring reliance on clinical trials and evidence-based data to gain trust from professionals such as doctors and nutritionists, while progressively achieving coverage of both prescription and the medical insurance system. This requires not only close collaboration between the companies and medical institutions, but also their familiarities with the bidding and procurement processes for pharmaceuticals and nutritional products. Meanwhile, as e-commerce platforms gain prominence in maternal-child consumption, expanding online channels plays a vital complementary role. However, this places higher demands on the operational teams, nutritional consulting capabilities and specialized services of companies. New entrants typically lack accumulated channel experience and resources over the years, thus facing greater challenges when expanding into hospital and e-commerce channels.

Barrier of Capital Investment. The research, development, production and marketing of infant FSMP in China all require substantial funding support. The R&D phase involves formula development, clinical trials and application for registration, each step accompanied by high costs. Production demands the construction of compliant facilities and production lines, complemented by sound quality control systems. On the market side, companies must continuously invest in brand promotion, channel expansion and academic outreach. Overall, the entire industry chain demands exceptionally high investment intensity. Without substantial financial strength, companies often find it difficult to sustain comprehensive R&D, production and marketing systems, thereby weakening their market competitiveness.

Barrier of Technical and Professional Capability. The production and R&D of infant FSMP in China demand exceptionally stringent technical and professional capabilities. Certain products require special processes such as hydrolysis and enzymatic digestion to break down macromolecular proteins into smaller molecules, so as to meet the needs of infants with digestion and absorption disorders. Meanwhile, balance and stability of nutrition must be ensured. Companies must establish rigorous testing and quality control systems to monitor raw materials, semi-finished products and finished goods throughout the entire process. Furthermore, enterprises must also hire experienced R&D teams and specialized technical personnel to sustain product innovation and quality control. New entrants lacking technical accumulation and professional talents often find it difficult to meet stringent process and regulatory requirements, thereby facing barriers of market entry.

REGULATORY OVERVIEW

We are subject to applicable laws, administrative regulations, departmental rules and other normative documents in its business operations. This section sets out a summary of the major laws, regulations and policies abided by us.

PRC LAWS AND REGULATIONS

We are subject to a variety of PRC laws, regulations and rules affecting many aspects of our business. This section summarizes major PRC laws, regulations and rules that are relevant to our business operations.

COMPANY AND FOREIGN INVESTMENT

The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the PRC National People’s Congress, or the SCNPC, and last revised on December 29, 2023 and became effective on July 1, 2024, applies to both PRC domestic companies and foreign-invested enterprises with respect to their establishment, organizational structure and management, etc. Under the PRC Company Law, a listed company shall disclose information about its shareholders and ultimate controllers, and such information must be true, accurate and complete. The PRC Company Law also stipulates the qualifications and obligations of a company’s directors, supervisors and senior managers.

On March 15, 2019, the PRC National People’s Congress, or the NPC, adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which became effective on January 1, 2020. The Foreign Investment Law is applicable to the foreign investments within the territory of the PRC, including the investment activities directly or indirectly conducted by a foreign enterprise. Moreover, investments to be made by foreign investors and foreign-owned enterprises in the PRC shall comply with the Special Administrative Measures (Negative List) for Access of Foreign Investments (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which was promulgated on September 6, 2024 by the NDRC, and the MOFCOM, and became effective on November 1, 2024. Industries not listed in the Negative List are generally deemed “permitted” for foreign investments.

On December 30, 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to these Measures, where a foreign investor directly or indirectly carries out investment activities in the PRC, the foreign investor or the foreign invested enterprise shall submit investment information, including initial reports, change reports, cancellation reports, and annual reports, etc., to the competent commercial authority for further handling.

OUTBOUND INVESTMENT

Overseas investment activities of companies and other enterprises established in the PRC are subject to the administration by the MOFCOM, pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》), promulgated by the MOFCOM on March 16, 2009, and amended on September 6, 2014 and effective as of October 6, 2014 and by the NDRC, pursuant to the Measures for the Administration of Overseas Investment by Enterprises (《企業境外投資管理辦法》), promulgated by the NDRC and effective as of March 1, 2018. According to these Measures, where the outbound investment to be carried out by a PRC enterprise involves sensitive countries and regions and sensitive industries, project verification management of the NDRC and

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investment verification management of the MOFCOM shall be implemented; for outbound investment other than those requiring verification management, filings of the investee project and the investment are required to be made with the NDRC and the MOFCOM respectively. Both NDRC and MOFCOM have online systems for outbound investors to submit verification/filing application documents and materials and if the verification or filing is granted, the outbound investors will receive the Verification Document or Filing Notice from the NDRC and the Enterprise Outbound Investment Certificate from the MOFCOM.

LAWS AND REGULATIONS RELATING TO THE PRODUCTION AND DISTRIBUTION OF DAIRY PRODUCTS

Food Production Licensing

According to the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the SAMR on January 2, 2020 and effective on March 1, 2020, entities that engage in food production activities within the territory of PRC shall obtain the food production license. The food production licensing is subject to the “one entity, one license” principle, that is, to engage in food production activities, one food producer shall obtain one food production license.

Food producers shall display their original food operation licenses prominently at their sites of production. Where the licensed items specified in the food production license need to be changed, the food producer shall, within 10 business days after the changes take place, file an application for such change with the market regulatory authority which originally issued the license. If the production site of the food producer is relocated, the food production licensing shall be reapplied.

Operating without a proper food production license by food producers or food business operators, including where the food produced by food producers does not fall into the food categories specified in the food production license, may lead to severe penalties as outlined in Article 122 of the Food Safety Law, under which their illegal income, foods or food additives from the illegal food production or business activities, tools, equipment, raw materials used in the illegal production or business activities shall be confiscated by the authorities; where the value of the food or food additives from the illegal manufacturing or business activities is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 shall be imposed; where the value of the food or food additives is RMB10,000 or more, a fine ranging from 10 to 20 times the value of the food or food additives shall be imposed.

Food Operation Licensing

According to the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》), which was recently promulgated on June 15, 2023 by SAMR and became effective on December 1, 2023, entities involved in food selling and catering services within the territory of PRC shall obtain the food operation license which is valid for 5 years. Applications of food operation licenses shall be filed according to food operators’ types of operation and classification of operation projects. Food operators shall display their original food operation licenses prominently at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within 10 business days after the changes take place, apply with the SAMR which originally issued the license for alteration of the operation

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license. Any entity engaged solely in the sale of pre-packaged foods shall file a record with the local market-supervision department at or above the county level. Engaging in food operation activities without a valid food operation license incurs penalties made by local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

Registration of Product Formulas of Infant Formula Milk Powder

The Administrative Measures for the Registration of Product Formulas of Infant Formula Milk Powder 《嬰幼兒配方乳粉產品配方註冊管理辦法》 (the “**Registration Measures**”) was promulgated on June 6, 2016 and last revised on June 26, 2023 and became effective on October 1, 2023. According to the Registration Measures, the product formulas of the infant formula milk powder produced, sold and imported to the PRC shall be approved and registered with the SAMR. Where the same enterprise applies for the registration of two or more product formulas for the same age group, there shall be a significant difference between the product formulas and the difference shall be scientifically proved. In principle, each enterprise shall not apply for more than three formula series with nine product formulas. Each formula series includes infant formula milk powder (0-6 months, stage 1), elder infant formula milk powder (6-12 months, stage 2), and young children formula milk powder (12-36 months, stage 3). Enterprises that have obtained the product formula registration certificate and production license for infant formula milk powder — including an enterprise group parent company or its controlling subsidiary — may utilize a registered infant formula milk powder product formula from another controlling subsidiary within the same enterprise group or from the enterprise group parent company itself. The registration certificate of the product formulas of infant formula milk powder is valid for five years.

Registration of Formula Food for Special Medical Purposes

According to the Food Safety Law, China shall implement stringent supervision and administration for special foodstuffs such as health food, special formula foodstuffs for special medical purposes and infant formula. Special formula foodstuffs for special medical purposes shall be registered with the food safety supervision and administration department of the State Council. The product formula, manufacturing process, label, instructions and materials stating the product’s safety, nutritional adequacy and clinical results of special medical purposes shall be submitted at the time of registration.

Pursuant to the Administrative Measures for the Registration of Foods for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 7, 2016, last revised on November 28, 2023 and effective as of January 1, 2024, applicants for the registration of formula food for special medical purposes shall have research and development (“**R&D**”) capability, manufacture capacity and inspection capability that are appropriate to the formula food for special medical purposes being manufactured, establish a R&D body for the formula food for special medical purposes and a quality management system which is appropriate for the manufacture of formula food for special medical purposes under good production practices and carry out batch-by-batch inspection of ex-factory products in accordance with relevant laws and regulations, national standards for food safety and technical requirements. Generally, a clinical trials report shall also be submitted when applying for the registration of FSMP with disease-specific nutritionally complete formula. An applicant shall commission a qualified clinical agency to carry out clinical trials. Clinical trials shall be conducted in accordance with the good quality management practices for clinical trials of formula food for special medical purposes.

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According to the National Food Safety Standard for FSMP for Infants (GB 25596-2025) (《食品安全國家標準特殊醫學用途嬰兒配方食品通則(GB 25596-2025)》), the “**New FSMPs National Standard**”) which was promulgated by the National Health Commission and the SAMR on March 16, 2025 and the Q&A of Infant Formula Food for Special Medical Purposes Registered under the New National Standard (《特殊醫學用途嬰兒配方食品按新國標註冊問答》) disclosed by the SAMR on its official website on April 23, 2025, the New FSMPs National Standard will take effect on March 16, 2027. Since the date of implementation of the New FSMPs National Standard, producers should organize production in accordance with the registered technical requirements of the New FSMPs National Standard, the products previously produced in accordance with the National Standard for Food Safety – General Principles of Infant Formula Food for Special Medical Purposes (GB 25596-2010) (《食品安全國家標準特殊醫學用途嬰兒配方食品通則(GB 25596-2010)》) can be sold until the end of the shelf life. For the registered infant formula food for special medical purposes, if the applicant only adjusts the formula according to the New FSMPs National Standard, the applicant would follow the procedure for change of registration in principle.

LAWS AND REGULATIONS ON LARGE-SCALE LIVESTOCK AND POULTRY RAISING AND BREEDING

Record Filing of Livestock and Poultry Farms

Pursuant to the provisions of the Animal Husbandry Law of PRC (《中華人民共和國畜牧法》) (the “**Animal Husbandry Law**”) promulgated by the Standing Committee of the National People’s Congress (the “NPCSC”) on December 29, 2005, last amended on October 30, 2022 and implemented on March 1, 2023, the entity establishing a livestock and poultry farm shall file the name, address of the farm, species of livestock and poultry as well as the scale of breeding with the competent department of agriculture and rural affairs of the people’s government at the county level where the farm is located, and obtain identification codes for the livestock and poultry. To establish a livestock and poultry farm, an entity should meet the following conditions: (i) To have production premises and supporting facilities commensurate with its farming scale; (ii) To have animal husbandry and veterinary technicians in its service; (iii) To meet the conditions for epidemic prevention, as provided for by laws and administrative regulations and the provisions of the competent department of agriculture and rural affairs of the State Council; (iv) To have facilities and equipment suitable for the innocuous treatment and resource utilization of livestock and poultry manure; and (v) To meet other conditions provided for by laws and administrative regulations.

Production and Operation of Breeding Livestock and Poultry

According to the Animal Husbandry Law, an entity or individual engaged in the production and operation of breeding livestock and poultry or in the commercial production of young livestock and poultry shall obtain a license for the production and operation of breeding livestock and poultry (種畜禽生產經營許可證). To apply for the license for production and operation of breeding livestock and poultry, an applicant shall meet the following conditions: (i) The breeding livestock and poultry for production and operation must be of the species and the supporting lines that have gone through the verification or identification by the National Commission for Livestock and Poultry Genetic Resources, or the species and supporting lines introduced from abroad upon approval; (ii) To have animal husbandry and veterinary technicians commensurate with the scale of production and operation; (iii) To have the breeding facilities and equipment commensurate with the scale of the production and operation; (iv) To meet the conditions of epidemic prevention for the

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breeding livestock and poultry, as provided for by laws and administrative regulations and the provisions of the competent department of agriculture and rural affairs of the State Council; (v) To have comprehensive systems for quality control and breeding record-keeping; and (vi) To meet other conditions as provided for by laws and administrative regulations. It is prohibited for any entity or individual to engage in the production or operation of breeding livestock and poultry, or in the commercial production of young livestock and poultry, without a license for the production and operation of breeding livestock and poultry, or in violation of the provisions relevant to such license. It is also prohibited to forge, alter, transfer or lease the license for production and operation of breeding livestock and poultry. Anyone, in violation of the abovementioned provisions, may be subject to administrative penalties, including fines, confiscation of illegal income, orders to cease illegal activities. For serious violations, the license for production and operation of breeding livestock and poultry shall be revoked concurrently.

General Provisions on Animal Epidemic Prevention

Pursuant to the provisions of the Animal Epidemic Prevention Law of the PRC (《中華人民共和國動物防疫法》), which was last amended by the NPCSC on January 22, 2021 and became effective on May 1, 2021, to operate an animal farm, animal isolation site, animal slaughtering and processing place, as well as a innocuous treatment facility of animals and animal products shall apply to the competent agricultural and rural authorities of the local government at or above the county level for a certificate for animal epidemic prevention conditions (動物防疫條件合格證). Animal farms, animal isolation sites, animal slaughtering and processing places and innocuous treatment facilities of animals and animal products shall comply with the following provisions:

- (i) The facilities are located at a distance from public places, such as residential areas, sources of drinking water, schools and hospitals as prescribed by the competent department of agriculture and rural affairs of the State Council;
- (ii) The enclosure and isolation of the production and operation area and the engineering design and relevant processes shall meet the requirements for animal epidemic prevention;
- (iii) There shall be sewage and waste treatment facilities commensurate with their scale, the facilities and equipment for the innocuous treatment or refrigeration of animals dead of diseases and diseased animal products, and the facilities and equipment for cleaning and disinfection;
- (iv) There shall be licensed veterinarians or technicians for animal epidemic prevention commensurate with the scale;
- (v) There should be comprehensive animal prevention systems including those relating to isolation and disinfection, purchase and sales records and routine inspection;
- (vi) Other conditions for animal epidemic prevention as prescribed by the competent department of agriculture and rural affairs of the State Council shall be met.

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Pursuant to the Measures for the Examination of Animal Epidemic Prevention Conditions (2022) (《動物防疫條件審查辦法(2022)》) promulgated by the MARA on September 7, 2022 and implemented on December 1, 2022, where an animal farm, animal isolation site, animal slaughtering and processing place, as well as a place where animals and animal products are given innocuous treatment is to be established, a site selection request shall be submitted to the competent department of agriculture and rural affairs of the local people’s government at the county level. After obtaining the certificate for animal epidemic prevention conditions, if the premises address or business scope is changed, the entity shall apply anew for the certificate and surrender the original certificate, which shall be revoked by the original issuing authority. Any alteration of the layout, facilities, equipment or systems that may cause changes in the conditions for animal epidemic prevention shall be reported to the original certificate-issuing authority 30 days in advance. In case of any changes in the name of the entity or its legal representative (responsible person), such certificate for animal epidemic prevention conditions shall be applied for modifying within 15 days after the change. The certificate holder shall, by the end of March each year, report the status of animal epidemic prevention and the implementation of the epidemic prevention systems of the previous year to the competent department of agriculture and rural affairs of the local people’s government at the county level.

LAWS AND REGULATIONS RELATING TO FOOD SAFETY IN GENERAL

Food Safety

On February 28, 2009, the SCNPC promulgated the PRC Food Safety Law (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), which became effective on June 1, 2009, last amended on April 29, 2021 and became effective on the same day. On July 20, 2009, the State Council promulgated the Implementing Regulations of the Food Safety Law (《中華人民共和國食品安全法實施條例》), which was last amended on October 11, 2019 and became effective on December 1, 2019. According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food producers and operators shall engage in food production and operation activities in compliance with these laws, regulations and food safety standards, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

According to the Food Safety Law, supervision duties related to food safety shall be undertaken by the State Council and its relevant departments. The State Council shall establish a food safety committee. The food safety supervision and administration departments under the State Council shall exercise supervision and administration over food production and operation activities. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety and shall formulate and issue national food safety standards in concert with the food safety supervision and administration departments. The standardization administrative department under the State Council shall provide the reference codes for these national standards. Food safety standards are mandatory standards. Other relevant departments under the State Council shall carry out relevant food safety work.

Moreover, the PRC has established a food safety traceability system. According to the relevant laws and regulations above, food producers and operators shall establish a whole process food safety traceability system, and truthfully record and keep information on procurement inspection, pre-delivery examination, food sales, etc. in accordance with the requirements, so as to

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ensure the traceability of food products. The food safety supervision and administration departments under the State Council shall establish a coordination mechanism for whole-process food safety traceability in collaboration with the agriculture administrative department and other related departments under the State Council.

According to the Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products (《乳品質量安全監督管理條例》), which was promulgated by the State Council and became effective on October 9, 2008, raw milk and dairy products must comply with the national quality and safety standards. It is forbidden to add any non-edible chemical substance or any other substance that may be hazardous to the human health during the production of dairy products.

Food Recall System

In accordance with the Food Safety Law, the State has launched a food recall system. Upon discovery of the food produced not conforming to food safety standards or if there is evidence that the food produced may harm human health, the food producer must immediately cease production, recall the food that has been put on the market, notify the relevant food producers, operators and consumers, and keep records of the recall and notification status.

Pursuant to the Measures for the Administration of Food Recalls (《食品召回管理辦法》) promulgated by the China Food and Drug Administration (now the SAMR) on March 11, 2015 last amended on October 23, 2020 and became effective on the same day, the SAMR is responsible for guiding the supervision and management of the national suspension of production and operation, recall and disposal of unsafe goods. Food producers and operators shall assume primary responsibilities for food safety, establish and improve relevant management systems, collect and analyze food safety information, and fulfill the obligations to suspend the production and operation, recall, and disposal of unsafe food. Where food producers or operators find that their produced or operated food products are unsafe, they must immediately cease the production and operation, urge the customers to stop consumption by way of notices or announcements, and take necessary measures to prevent food safety risks.

Food producers and operators who violate the provisions on the suspension of production and operation, recall and disposal of unsafe food products may be subject to warnings, fines and other punishments from the market supervision and management department.

Food Labeling Management

According to the Administrative Provisions on Food Labeling (《食品標識管理規定》), which was promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on August 27, 2007 and was last revised and effective on October 22, 2009, food products or their packages shall be attached with labels, unless it is otherwise provided by any law or administrative regulation. The contents of a food label shall be authentic, accurate, exoteric, easy to understand, scientific and legal. The food label shall state the name of the food, the place of production of the food, the name, address and contact of the manufacturer, and distinctly state the date of production and the date of expiration of the food, and also state the storage requirements

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under the requirements of the relevant provisions. On March 14, 2025, the SAMR promulgated the Administrative Measures for Supervision of Food Labeling (《食品標識監督管理辦法》), which will come into effect on March 16, 2027 and replace the Administrative Provisions on Food Labeling.

According to the Measures for the Registration of Formula Recipes for Infant Formula Milk Powder Products issued by the SAMR on June 26, 2023, which will come into effect on October 1, 2023: (i) An application for formula registration must be accompanied by draft labels and instructions for use, together with supporting documentation; (ii) Labels and instructions shall be consistent with the registered formula and shall bear the registration number; (iii) Where the product name indicates an animal source, the dairy protein sources, including raw milk, milk powder, whey powder, etc., must be entirely derived from the specified species; (iv) The ingredients list shall list the specific types of edible vegetable oils in descending order of weight; (v) The nutrition information panel shall present the nutrients in the sequence prescribed by the relevant national standard; (vi) The precise place or country of origin of raw materials such as raw milk shall be declared truthfully; vague descriptions are prohibited; (vii) The applicable month-of-age range must be indicated; the terms “Stage 1, Stage 2, Stage 3” may be used concurrently; (viii) Labels and instructions shall not contain any statement implying disease prevention or therapeutic functions; (ix) Images of infants or women and terms such as “humanized” or “human-milk-like” are prohibited; (x) No false, exaggerated, or otherwise inconsistent claims relative to the registered content may appear.

Pursuant to the Guidelines for Labeling of Foods for Special Medical Purposes (《特殊醫學用途配方食品標識指南》) promulgated by the SAMR on December 20, 2022 and effective on the same day, the FSMP labeling refers to the words, symbols, numbers, patterns and other descriptions printed, pasted, labeled or attached to the package of the minimum sales units of FSMP products, which are used to identify and describe the basic information, characteristics or attributes of the food. The FSMP labeling includes labels and instructions. The FSMP labeling should comply with the relevant laws, regulations, rules and national standards for food safety. The FSMP labeling involving the content of the certificate of registration of FSMP, should be consistent with the content of the certificate and marked with the registration number. The contents of the label and the instruction of FSMP shall be consistent, and if the label has already covered all the contents of the instruction, the instruction is not required to be attached. Labels and instructions shall be true, standardized, scientific, accurate, understandable and legible, and shall not contain false or exaggerated contents or absolute language. The minimum sales units of FSMP products should be marked with the exclusive logo of FSMP.

Regulations On Product Quality and Consumer Rights Protections

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not have the function for use that it is supposed to have, and no prior indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses because of purchased product, the seller shall compensate for such losses.

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On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) was adopted by the NPC, which became effective on January 1, 2021, according to which, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

The Law of the PRC on the Protection of the Rights and Interests of Consumers 《中華人民共和國消費者權益保護法》 (the “**Customer Protection Law**”) was promulgated by the SCNPC on October 31, 1993 and was last amended and became effective on March 15, 2014. This law serves to safeguard consumers’ rights during the purchase or use of goods and services. According to the Customer Protection Law, business operators must ensure that the commodities they sell meet safety requirements for personal or property safety, provide customers with authentic information about the commodities and guarantee the quality, function, usage and term of validity of the commodities. Non-compliance with the Customer Protection Law may result in civil liabilities for business operators, include refunding purchase prices and compensation, administrative penalties such as confiscation of illegal income, fines, orders to suspend business for rectification, and revocation of business licenses. In severe cases where business operators commit crimes by infringing upon the legitimate rights and interests of customers, criminal penalties may be imposed.

INDUSTRIAL PRODUCTS

According to the Administrative Regulations of the PRC on Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), which was promulgated by the State Council on July 9, 2005, and was last amended and became effective on July 20, 2023, the State shall implement a production licensing system for enterprises that produce dairy products, meat products, beverages, rice, flour, edible oils, alcohol and other processed foods that have a direct bearing on human health. The validity period of production licenses for food processing enterprises is three years. If an enterprise seeks to continue producing the relevant product on the expiry of a production license, it shall apply for a new production license to the relevant department at the provincial level where it is located six months prior to the expiration of the existing production license.

ONLINE RETAIL BUSINESS

On August 31, 2018, the SCNPC issued the E-commerce Law of the PRC (《中華人民共和國電子商務法》) (the “**E-commerce Law**”), which became effective on January 1, 2019. According to the E-commerce Law, “e-commerce” refers to business activities of selling goods or providing services through information networks such as the Internet. E-commerce operators shall register as market entities in accordance with the law, except for individuals selling self-produced agricultural and sideline products, household handicraft products and those who do not need to be registered in accordance with law or administrative regulations. When engaging in business activities, e-commerce operators shall obtain relevant administrative licenses if so required by law, failing which such e-commerce operators may be subject to order of rectification within a prescribed period of time, imposition of fines, and order of suspension of operations by the market regulation department.

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On March 15, 2021, the SAMR issued the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》), which was last amended and became effective on May 1, 2025. These Measures apply to business activities of selling goods or providing services through the Internet or other information networks in PRC. According to these Measures, online transaction operators may not violate the provisions of laws, regulations or decisions of the State Council, or engage in business operations without required license. Except under the circumstances where registration is not required under the E-commerce Law, online transaction operators shall register themselves as market entities. Online transaction operators who carry out online transaction activities through online social networking, online live broadcasting and other online services shall display information about the goods or services and their actual operating entities, and after-sales services, etc. in a conspicuous manner, or the link to the above information.

On November 4, 2016, the Cyberspace Administration of the PRC, or the CAC, promulgated the Provisions on the Administration of Online Live-streaming Services (《互聯網直播服務管理規定》), which became effective on December 1, 2016. Pursuant to these Provisions, online live-streaming service providers shall enter into a service agreement with the users of online live-streaming services to clarify the rights and obligations of both parties and require them to comply with the laws, regulations and platform conventions.

CROSS-BORDER E-COMMERCE BUSINESS

According to the Circular on Improving the Regulation for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) promulgated by the MOFCOM, the NDRC, the MOF, the General Administration of Customs (“GACC”), the State Taxation Administration, and the SAMR on November 28, 2018 with effect from January 1, 2019, the cross-border E-commerce retail imports shall be regulated as goods imported for personal use, which shall not be subject to the license approval, registration or filing requirements for the first-time importation of the goods, and the cross-border E-commerce retail imports shall satisfy the following criteria: (i) fall in the Cross-Border E-commerce List, be solely for personal use and satisfy the conditions stipulated in the tax policies for cross-border e-commerce retail importation; (ii) transacted through an e-commerce platform linked with the Customs network, and able to achieve “three documentation” comparison of transaction, payment and logistics electronic information; (iii) not transacted through an e-commerce platform linked with the Customs network, but the inbound and outbound courier operator or postal enterprise can accept entrustment by the relevant e-commerce enterprise and payment enterprise, undertake to bear the corresponding legal liability, and transmit transaction, payment and other electronic information to the Customs.

Pursuant to the Notice on Improving the Taxation Policy for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口稅收政策的通知》) issued by the MOF, GACC and SAT on November 29, 2018 and implemented on January 1, 2019, the limit of a single transaction of cross-border e-commerce retail import goods was increased from RMB2,000 to RMB5,000, and the annual transaction limit was increased from RMB20,000 to RMB26,000.

According to the Announcement on Regulatory Matters concerning Cross-Border E-commerce Retail Imports and Exports (《關於跨境電子商務零售進出口商品有關監管事宜的公告》), the “Circular No. 194” promulgated by the GACC on December 10, 2018 and implemented on January 1, 2019, goods imported through “Imports via Direct Purchase” (直購進口) in

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cross-border e-commerce and those applicable to the import policy of “Bonded Imports via Online Shopping” (網購保稅進口) are subject to the regulation as inbound items for personal use but not subject to the requirements for initial import approval, registration and recordation of relevant goods.

IMPORT AND EXPORT OF GOODS

On May 12, 1994, the SCNPC promulgated the PRC Foreign Trade Law (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”), which was last amended and came into force on December 30, 2022. In accordance with the Foreign Trade Law, the department in charge of foreign trade under the State Council shall be responsible for all foreign trade work throughout country, and work with other relevant departments under the State Council to formulate, adjust and issue a catalog of goods and technologies that are restricted or prohibited from import or export. In addition, the department in charge of foreign trade under the State Council, or together with other relevant departments under the State Council, may, with the approval of the State Council, make temporary decisions to restrict or prohibit the import or export of specific goods and technologies not included in the aforesaid catalog to the extent permitted by laws.

Pursuant to the Administrative Provisions of the PRC Customs on the Recordation of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) which was promulgated by the General Administration of Customs of the PRC on November 19, 2021 and took effect on January 1, 2022, customs declaration entities refer to consignees and consignors of import and export goods and customs declaration enterprises recorded with the Customs pursuant to these Provisions. Consignees or consignors of import and export goods applying for the recordation of customs declaration entity shall also obtain the recordation of foreign trade operator. The recordation of the customs declaration entities is valid for an unlimited period of time. According to the Administrative Measures for the Safety of Imported and Exported Food of the PRC (《中華人民共和國進出口食品安全管理辦法》) which was promulgated by the General Administration of Customs of the PRC on April 12, 2021 and took effect on January 1, 2022, export food production enterprises shall record with the local customs, and ensure that their exported food complies with the standards or contractual requirements of the importing country or region, the special requirements in international treaties or agreements concluded or participated in by the PRC, or the national food safety standards in the PRC, as the case may be. Overseas exporters or agents exporting food into the territory of China shall file a record with the General Administration of Customs of the PRC. Food importers shall file a record with the customs office at their domicile. When completing filing, overseas exporters or agents and food importers are responsible for the authenticity and validity of the information and documents they provide. The list of overseas exporters or agents and food importers that have filed shall be published by the General Administration of Customs of the PRC.

ADVERTISEMENT

On October 27, 1994, the SCNPC promulgated the Advertising Law of the PRC (《中華人民共和國廣告法》) (the “**Advertising Law**”), which was last amended on April 29, 2021 and became effective on the same day. According to the Advertising Law, advertisements shall not have any false or misleading content, or defraud or mislead consumers. An advertiser shall be responsible for the veracity of the contents of advertisement. Where a false advertisement is published, the market regulatory department shall order cessation of publishing the advertisement, order the

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advertiser to eliminate adverse effects within the corresponding extent, and impose a fine. Where a false advertisement has caused any damage to the lawful rights and interests of consumers who purchase goods or receive services, the advertiser shall assume civil liability in accordance with the law.

Advertisement of Infant Formula Milk Powder Products

At the national level, there are specific regulations on advertising and promotion of infant formula milk powder (infant formula), with the core prohibitions centered on the “two prohibitions” and supported by several restrictive provisions:

First, it is prohibited to publish advertisements claiming “substitution of breast milk”. Article 20 of the Advertising Law promulgated on October 27, 1994 by the SCNPC, which was last revised on April 29, 2021 and became effective on the same day, clearly stipulates that it is prohibited to publish advertisements for infant dairy products that claim to fully or partially substitute breast milk in any mass media or public places.

Second, it is prohibited to advertise infant formula milk powder for infants aged 0-12 months. The Action Plan for Improving Domestic Infant Formula Milk Powder 《國產嬰幼兒配方乳粉提升行動方案》 issued by seven departments including the National Development and Reform Commission stipulates that no advertising or promotion shall be conducted for infant formula dairy products intended for infants aged 0-12 months.

Advertisement of Formula Food for Special Medical Purposes

According to the Food Safety Law, the Advertising Law of the PRC, and the Interim Administrative Measures for the Examination of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) promulgated on December 24, 2019 and became effective on March 1, 2020 by the SAMR, advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be true and legitimate, and shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes. An application for the review of an advertisement for a drug or formula food for special medical purposes shall be filed with the advertisement review authority of the place where the production enterprise or import agent or any other advertiser is located.

ANTI-UNFAIR COMPETITION

On September 2, 1993, the SCNPC promulgated the PRC Anti-unfair Competition Law (《中華人民共和國反不正當競爭法》) (the “**Anti-unfair Law**”), which was last amended and became effective on April 23, 2019. According to the Anti-unfair Law, a business shall, in its production and distribution activities, adhere to the free will, equality, fairness, and good faith principles, and abide by laws and business ethics. A business shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers. The Anti-Unfair Law was revised in June 2025 and shall come into force on October 15, 2025.

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On August 30, 2007, the SCNPC promulgated the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》), which was amended on June 24, 2022 and became effective on August 1, 2022. The PRC Anti-Monopoly Law is applicable to monopolistic behaviors which include business operators reaching a monopoly agreement, business operators abusing their dominant market position, and business operators’ concentration that has or may have the effect of eliminating or restricting competition. Pursuant to this Law, business operators may not use data and algorithms, technology, capital advantages or platform rules to engage in monopolistic practices prohibited by this Law.

LAWS AND REGULATIONS ON LAND USE

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated by the NPCSC on June 25, 1986 and implemented on January 1, 1987, and last amended on August 26, 2019 and implemented on January 1, 2020, land in China is classified into agricultural land, construction land and unused land. Land in urban areas is owned by the state; land in rural areas and suburban areas is owned collectively by farmers, except for those which belong to the state under the law. Homestead and reserved land and hilly land reserved for private use are collectively owned by farmers. Land collectively owned by farmers which belongs to village farmers collectively in accordance with the law shall be operated and managed by the village collective economic organization or village committee.

Use of State-owned Land

Pursuant to the Land Administration Law of the PRC and the Implementing Regulations for the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), which were last amended by the State Council on July 2, 2021 and implemented on September 1, 2021, and the Provisional Regulations of the PRC Concerning the Grant and Transfer of the Right to Use State Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), which was promulgated by the State Council on May 19, 1990 and implemented on the same date, and was last amended on November 29, 2020 and implemented on the same date, except for the allocation of state-owned land use rights within the scope prescribed by law, the State implements a paid-use system for state-owned land in accordance with the law. The methods of compensated use of state-owned land mainly include transfer of state-owned land use rights, leasing of state-owned land, and using state-owned land use rights as a way of capital contribution or investment in exchange for equity. Transfer of land use rights can be conducted by means of agreement, tender, and auction. Transfer of land use rights requires the signing of a land use right transfer contract and payment of land premium.

Contracting of Collectively Owned Land

Pursuant to the Rural Land Contracting Law of the PRC (《中華人民共和國農村土地承包法》), which was promulgated by the NPCSC on August 29, 2002 and implemented on March 1, 2003, and last amended on December 29, 2018 and implemented on January 1, 2019, and the Organic Law of Villagers’ Committees of the PRC (《中華人民共和國村民委員會組織法》), which was approved by the NPCSC on November 4, 1998 and implemented on the same date, and last amended on December 29, 2018 and implemented on the same date, the State implements a rural land contracting management system. Project establishment and contracting plans involving the village’s land contracting management plan and the village collective economic project can be conducted only upon approval by the villagers’ meeting after deliberation.

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Rural land contracting takes the form of household contracting within the rural collective economic organization. For rural lands such as barren mountains, barren ditches, barren hills, and barren swamplands that are not suitable for household contracting, such lands can be contracted through tenders, auctions, and public negotiations, and on a pari passu basis, members of the collective economic organization shall have right of first refusal to contracting rural lands through the above-mentioned channels. Pursuant to the Regulations on the Prevention and Control of Pollution from Large-scale Farming of Livestock and Poultry, the State encourages the use of abandoned land and unused land such as barren mountains, barren ditches, barren hills and barren swamplands to carry out large-scale and standardized livestock and poultry breeding. Land for livestock and poultry breeding shall be managed as agricultural land, and the land for production facilities and necessary pollution prevention and control and other auxiliary facilities shall be designated in accordance with relevant regulations of the State.

The awarding party may contract out the rural land to entities or individuals other than the collective economic organization with prior consent of more than two-thirds of the members of the collective economic organization or more than two-thirds of the villager representatives and shall report the contracting to and obtain approval from the people’s government at the township level. A written contract shall be signed by the awarding party and the contractor. The contracting period is 30 years for arable land, 30 to 50 years for grassland, and 30 to 70 years for woodland.

Circulation of Land Operation Rights

Pursuant to the Rural Land Contracting Law of the PRC, the contractor can independently decide to circulate the land operation rights to others through leasing (subcontracting), exchange for shares or by other means in accordance with the law, provided that the transfer shall be filed with the awarding party. The circulation of land operation rights shall follow the following principles: (i) it shall be lawful, voluntary, and compensated, and no organization or individual may force or hinder the circulation of the land operation rights; (ii) the nature of land ownership and the agricultural use of land shall not be changed, and the comprehensive agricultural production capacity and agricultural ecosystem concerned shall not be impaired; (iii) the circulation period shall not exceed the remaining period of the contract period; (iv) the transferee must have the ability or qualifications for agricultural operations; (v) on a pari passu basis, members of the collective economic organization shall have right of first refusal.

Pursuant to the Measures for the Administration of Circulation of Rural Land Operation Right (《農村土地經營權流轉管理辦法》), which was promulgated by the MARA on January 26, 2021 and implemented on March 1, 2021, when effecting circulation of land operation rights, the contractor shall negotiate with the transferee, sign a written circulation contract on agreed terms, and shall file with the awarding party. After the expiration of the circulation period, the transferee has the right to first renew the contract on a pari passu basis. The transferee is prohibited from changing the agricultural use of the land.

Where the contractor voluntarily entrusts the awarding party, intermediary organization or others to circulate its land operation rights, the contractor shall issue a letter of trust for the circulation which shall specify the entrusted matter, authority and term and be signed or affixed with official chop by the trustor and the trustee. The transferee of the circulation of land operation rights shall be organizations and individuals with agricultural operation capabilities or qualifications. Under the following circumstances, the contractor can unilaterally terminate the land

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operation right circulation contract, and if the contractor fails to terminate the contract within a reasonable period, the awarding party has the right to terminate the land operation right circulation contract: (i) unauthorized change of the agricultural use of the land; (ii) farmland being deserted and left desolate for more than two consecutive years; (iii) serious damage being caused to the land or being inflicted on the ecosystem of the land; and (iv) other serious breaches of contract.

Administration of Agricultural Facility Land

The Notice on Issues Concerning the Administration of Facility Agricultural Land (《關於設施農業用地管理有關問題的通知》), jointly issued by the Ministry of Natural Resources and the Ministry of Agriculture and Rural Affairs on December 17, 2019, effective immediately, establishes binding nationwide provisions clarifying that facility agricultural land is expressly excluded from non-agricultural construction land classification and shall be administered as agricultural land. Such land comprises areas directly utilized for crop cultivation, livestock and poultry farming, and aquaculture operations. Operators or rural collective economic organizations must submit record-filings to township-level governments; township authorities shall compile and transmit these filings to county natural resources departments. The Notice stipulated a five-year validity period expiring on December 16, 2024, and the competent authorities have not issued new measures superseding or extending the expired regulations.

The Measures for the Administration of Facility Agricultural Land in Shandong Province (《山東省設施農用地管理辦法》), which was jointly issued by the Department of Natural Resources of Shandong Province, the Department of Agriculture and Rural Affairs of Shandong Province, and the Bureau of Animal Husbandry and Veterinary Medicine of Shandong Province on May 6, 2020 and implemented on the same day, formulates specific provisions on the administration of facility agricultural land within Shandong Province, including the scope of land use, scale standards for auxiliary facility land, review and filing procedures, and regulatory requirements, etc. The Measures stipulated a five-year validity period expiring on May 5, 2025, and the competent authorities have not issued new measures superseding or extending the expired regulations.

Notice of Heilongjiang Provincial Department of Natural Resources and Heilongjiang Provincial Department of Agriculture and Rural Affairs on Regulating the Administration of Facility Agricultural Land and Promoting the Healthy Development of Modern Agriculture (《黑龍江省自然資源廳、黑龍江省農業農村廳關於規範設施農業用地管理促進現代農業健康發展的通知》), which was promulgated on May 1, 2020 and implemented on the same day, stipulates that facility agricultural land is part of the internal structural adjustment of agriculture, may use general cultivated land without the need to implement the balance of occupation and compensation, and prescribes the circumstances under which permanent basic farmland is used for crop planting facilities. Meanwhile, it expands the scale of auxiliary facility land for crop planting from within 10 mu under the original policy to within 30 mu, permits multi-story buildings for livestock and poultry breeding, appropriately increases the proportion of auxiliary facilities, and strengthens hierarchical supervision.

Leased Property

The Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and became effective on February 1, 2011, stipulates that within thirty days from execution of a property lease contract, the parties to the contract shall complete property leasing

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registration with the competent construction (real estate) department of the local government where the leased property is located. If an organization fails to perform this obligation, the competent construction (real estate) departments shall urge the organization to make corrections within a specified time limit, and shall impose a fine between RMB1,000 and RMB10,000 on the organization if it fails to make corrections within the time limit.

INTELLECTUAL PROPERTY

Trademark

Pursuant to the PRC Trademark Law (《中華人民共和國商標法》) (the “**Trademark Law**”), which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and became effective on November 1, 2019, and the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》), which was adopted by the State Council on August 3, 2002, last amended on April 29, 2014, and became effective on May 1, 2014, the trademark registrants shall be entitled to the right to the exclusive use of their registered trademarks and shall be protected by law. A registered trademark is valid for a term of ten years commencing on the date of registration approval, and the term is renewable. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use its registered trademark.

Patents

According to the PRC Patent Law (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and most recently amended on October 17, 2020 and effective from June 1, 2021, and the Implementation Rules of the PRC Patent Law (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and effective from January 20, 2024, invention patents are valid for twenty years, utility model patents are valid for ten years, and design patents are valid for fifteen years, in each case from the date of application.

Copyright

In accordance with the PRC Copyright Law (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020, and became effective on June 1, 2021, works of PRC nationals, legal persons and other organizations, whether published or not, and works of non-PRC nationals or stateless persons which are first published in the territory of the PRC, shall enjoy copyright under this Law. Unless otherwise provided for by this Law, the copyright in a work shall be owned by its author. An author’s rights of authorship, modification and integrity in respect of his/her work shall continue in perpetuity.

Domain Names

Domain names are protected under the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) issued by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017 and effective from November 1, 2017, and the Implementing Rules for National Top-level Domain Registration (《國家頂級域名註冊實施細則》) issued by China Internet Network Information Center on June 18, 2019, which became effective on the same day.

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The MIIT is the main regulatory body responsible for the administration of the PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

REGULATIONS ON FOREIGN EXCHANGE

The Regulations on the Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which were issued by the State Council on January 29, 1996, last amended and became effective on August 5, 2008, classify all international payments and transfers into current account items and capital account items. Pursuant to these regulations and other PRC rules and regulations on currency conversion, the Renminbi is freely convertible for payments of current account items, such as trade- and service-related foreign exchange transactions and dividend payments. However, it is not freely convertible for capital account items, such as direct investment, loans or investments in securities outside China, unless prior approval from the State Administration of Foreign Exchange (“SAFE”) or its branches is obtained.

The Decisions of Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014 canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 business days from completion of its overseas listing issuance, register the overseas listing with the SAFE’s local branch at the place of its incorporation. The funds obtained by a domestic company through an overseas listing can be transferred to a domestic account or deposited overseas. However, the utilization of these funds must align with the information provided in the document and other disclosure documents. According to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on February 13, 2015 and implemented on June 1, 2015, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been canceled. A market player involved may elect a bank at the place of its incorporation for direct investment foreign exchange registration. Upon registration, it may open an account, transfer funds and other businesses for subsequent direct investment, including inward or outward remittances of profits and bonuses.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016 and last amended on December 4, 2023, discretionary settlement of foreign exchange capital income can be handled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may adjust the above proportion in due course based on international balance of payments.

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On January 26, 2017, the SAFE released the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), to further expand the settlement scope for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.

The Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) was promulgated by the SAFE on October 23, 2019, and was last amended on December 4, 2023. Under this circular, where a non-investment foreign-funded enterprise makes equity investment in China through transfer of capital in a foreign currency, the investee shall complete registration formalities for receiving the domestic reinvestment and open a capital account to receive the funds pursuant to the provisions. It is not required to complete registration formalities for its monetary capital contribution entered into account. Domestic institutions involved in transferring equity should, according to regulations, complete the registration for receiving domestic reinvestment and open a capital project settlement account to receive the consideration for the transfer of equity.

Pursuant to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, subject to the condition of ensuring the genuine and compliant utilization of funds and adherence to the existing administrative regulations governing the use of income under the capital account, enterprises meeting the specified criteria are permitted to employ income under the capital account, including capital funds, foreign debt and overseas listing proceeds, for domestic payments without the necessity of providing proof materials for verification to the bank for each transaction in advance. Banks, guided by the principle of prudent business development, are responsible for managing and controlling relevant business risks and conducting post facto random inspections over the payment facilitation business related to income under capital accounts, in accordance with the relevant requirements.

ENVIRONMENTAL PROTECTION

According to the PRC Environmental Protection Law (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and effective as of January 1, 2015, the pollution prevention and control facilities in construction projects shall be designed, built and commissioned along with the principal part of the project at the same time. The pollution prevention and control facilities shall meet the requirements specified in the approved documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorization.

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Pursuant to the PRC Law on Environment Impact Assessment (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002, last amended and effective as of December 29, 2018, classification-based management shall be applied to environment impact assessment of construction projects according to their degree of impact on the environment. The catalogs for the classification-based management of the environment impact assessment of the construction projects shall be determined and published by the administrative department of the State Council in charge of environmental protection. The construction entity concerned shall prepare the Environmental Impact Report or Environmental Impact Statement or fill out the Environmental Impact Registration Form. The Environmental Impact Report or Environmental Impact Statement of a construction project shall be submitted by the construction entity to the administrative department of ecology and environment with the approval authority for approval in accordance with the provisions of the State Council. The State shall implement a record-filing-based management on Environmental Impact Registration Forms. If the environmental impact evaluation document of the construction project fails to be examined by the examination and approval department in accordance with the law or is not approved after examination, the construction unit may not start construction.

On November 29, 1998, the State Council promulgated the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was last amended on July 16, 2017 and became effective on October 1, 2017. According to these Regulations, the State shall, based on the extent of environment impact of construction projects, implement categorization for administration of environmental protection for construction projects pursuant to the following provisions: (i) a report on environmental impact should be compiled for a construction project that may cause major impact on the environment; (ii) a statement on environmental impact should be compiled for a construction project that may cause light impact on the environment; and (iii) a registration form should be filed out and submitted for a construction project that has a slight impact on the environment so that an environmental impact assessment is not required.

The PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which was promulgated by the SCNPC on May 11, 1984, last amended on June 27, 2017 and effective as of January 1, 2018, stipulates that the discharge of water pollutants shall not exceed the prescribed water pollutant discharge standards and the total discharge control targets of key water pollutants. Enterprises, institutions or other manufacturers and operators that directly or indirectly discharge into water bodies industrial effluent, medical sewage, and other wastewater or sewage dischargeable subject to a pollutant discharge permit must secure a pollutant discharge permit. Pollutant discharge permits should specify the types, concentrations, total amounts, and discharge destinations of water pollutants.

On April 1, 2024, the Ministry of Ecology and Environment of the PRC promulgated the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), which became effective on July 1, 2024. Enterprises, institutions and other producers and operators that are subject to the administration of pollutant discharge licensing shall apply for and obtain pollutant discharge permits in accordance with the law, and discharge pollutants in accordance with the provision of the pollutant discharge license; those who have not obtained a pollutant discharge permit may not discharge pollutants. According to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and became effective on March 1, 2021, if a pollutant-discharging entity

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discharges pollutants without a pollutant discharge permit, the competent ecological and environmental authority shall order it to make corrections, restrict production or suspend production for rectification, and impose a fine between CNY200,000 and CNY1 million. If the circumstances are serious, it shall be ordered to suspend business or close down, subject to the approval of the people’s government with the power of approval.

According to the Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015, last amended on December 1, 2022 and effective as of February 1, 2023, enterprises, institutions and individual industrial and commercial households engaged in manufacturing, construction, catering and medical activities must apply for a permit for the discharge of sewage into the drainage network before discharging sewage into urban facilities.

LAWS AND REGULATIONS ON CONSTRUCTION PROJECTS

According to the Administrative Regulations on Approval and Filing of Projects Invested by Enterprises (《企業投資項目核准和備案管理條例》) promulgated by the State Council on November 30, 2016 and became effect on February 1, 2017, projects which relate to national security or involve nationwide major productivity layout, development of strategic resources and significant public interest shall be subject to administration by way of approval. Other projects shall be subject to administration by way of filing. The aforesaid projects mean fixed assets investment projects invested and constructed in the PRC by enterprises. Where a project is subject to administration by way of filing, the enterprise has not notified the filing authority of the project information or change in the filed information for the project or has provided false information to the filing authority pursuant to the Administrative Regulations on Approval and Filing of Projects Invested by Enterprises, the filing authority shall order the enterprise to make correction within a stipulated period; where correction is not made within the stipulated period, a fine ranging from RMB20,000 to RMB50,000 shall be imposed.

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007, which was last revised on April 23, 2019 and became effective on the same date, a project owner shall, prior to the commencement of construction design, apply to the natural resources planning administrative department under the local people’s government at or above the county level at the place where the construction project is located for a construction planning permit.

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by SCNPC on November 1, 1997, which was last revised on April 23, 2019 and became effective on the same date, and the Administrative Measures on Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (“MOHURD”) on October 15, 1999, which was last revised on March 30, 2021 and became effective on the same date, a project owner shall, prior to the commencement of construction, apply to the administrative department of housing and urban-rural development under the local people’s government at or above the county level at the place where the construction project is located for a construction permit. For unauthorized construction without a construction permit, or by dividing a project for the purpose of avoiding the application for the construction

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permit, the permit issuing authority with jurisdiction shall order the offender to suspend the construction and make corrections with the time limit, impose a fine of more than 1% and less than 2% of the project contract price on the project owner and impose a fine of less than RMB30,000 on the construction entity.

According to the Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000, last revised on April 23, 2019 and effective on the same day, and the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), the “**Administrative Measures for the Filing of As-built Inspection**”) promulgated by the MOHURD on October 19, 2009 and effective on the same date, the construction entity shall, in accordance with the Administrative Measures for the Filing of As-built Inspection, go through the filing formalities with the construction administrative department of the people’s government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed. If the construction entity fails to go through the formalities for the filing of as-built inspection of the project within 15 days as of the date on which the project passes the as-built inspection, the filing organ shall order it to make a correction within a time limit, and impose a fine of not less than RMB200,000 but not more than RMB500,000.

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》), the “**Fire Protection Law**”) promulgated by the SCNPC on April 29, 1998, which was last revised on April 29, 2021 and effective on the same date, and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the MOHURD on April 1, 2020, which was last revised on August 21, 2023 and effective on October 30, 2023, within five working days from the date when passing the final inspection of any other as-built construction project (other than special construction projects, requiring fire protection designs in accordance with the national technical standards of fire protection for construction projects), the construction entity shall report for recordation to the competent department. If a construction entity fails to report to the housing and urban-rural development authority for recordation as required by the Fire Protection Law after final inspection, the housing and urban-rural development authority shall order the construction entity to take corrective action and impose a fine of not more than RMB5,000 on it.

PRODUCTION SAFETY

On June 29, 2002, the SCNPC promulgated the PRC Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the “**Production Safety Law**”), which was last amended on June 10, 2021 and became effective on September 1, 2021. In accordance with the Production Safety Law, the PRC implements a system of accountability for production safety accidents. Production and operation units must implement national or industry standards formulated in accordance with the law to ensure safe production, and provide safe production conditions that meet the requirements of laws, administrative rules, and national or industry standards. Production and business units shall set up conspicuous safety warning signs in production and business sites and relevant facilities and equipment with relatively high potential hazard. The design, manufacture, installation, use, testing, maintenance, transformation, and scrapping of safety equipment shall comply with national or industry standards.

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TAXATION

Enterprise Income Tax

According to the PRC Law on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was promulgated by the SCNPC on March 16, 2007, last amended and became effective on December 29, 2018, and the Implementing Regulations of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Implementing Regulations**”), which was promulgated by the State Council on December 6, 2007, last amended on December 6, 2024 and became effective on January 20, 2025, enterprises are classified into resident enterprises and non-resident enterprises. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. However, high-tech enterprises to which the PRC need to give key support are given the reduced enterprise income tax rate of 15%.

The Notice of the Issues Concerning Withholding Enterprise Income Tax on the Dividends Distributed by PRC Resident Enterprises to Overseas H-share Non-PRC Resident Enterprise Shareholders (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) that was promulgated by the SAT and became effective on November 6, 2008, further clarifies that with regard to dividends generated after January 1, 2008, PRC resident enterprises must withhold and pay enterprise income tax at a tax rate of 10% on dividends distributed to H-share non-PRC resident enterprise shareholders. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》) that was promulgated by the SAT on July 24, 2009, further provides that any PRC resident enterprise listed on any overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends of 2008 and thereafter distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

VAT

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, the sales of service, intangible assets and real estate, and the importation of goods within the territory of the PRC shall pay VAT in accordance with the Interim VAT Regulations of the PRC (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”), which was promulgated by the State Council on December 13, 1993, last amended and became effective on November 19, 2017, and the Implementing Rules for the Interim Regulations of the PRC on VAT (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 15, 2008, last amended on October 28, 2011, and took effect on November 1, 2011.

Individual Income Tax

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**Individual Income Tax Law**”) which was promulgated on September 10, 1980 and last amended on August 31, 2018 by the SCNPC, and became effective on January 1, 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which were last amended by the State Council on December 18, 2018 and became effective on January 1, 2019, Dividends disbursed by PRC enterprises to

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individual investors are generally subject to a flat-rate withholding tax of 20%. In the case of a foreign individual who is not a resident of the PRC, receiving dividends from a PRC enterprise usually incurs an individual income tax of 20%, unless granted specific exemptions by the tax authority of the State Council or reduced by pertinent tax treaties.

EMPLOYMENT, SOCIAL INSURANCE, AND HOUSING PROVIDENT FUND

Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance, variation, rescission and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. In accordance with the Social Security Law of the PRC (《中華人民共和國社會保險法》) which was last amended on December 29, 2018 and other applicable laws and regulations, employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the amount in arrears.

According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, local authorities at all levels responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from

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enterprises in a centralized manner. The Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) issued on November 16, 2018 and the Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), promulgated by the General Office of the State Council on April 1, 2019, also emphasize that the historical unpaid arrears of enterprises shall be properly treated, or in the process of the reform of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises in a centralized manner.

Housing Provident Fund

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, employers shall register at the competent managing center for housing provident funds and upon the examination by such managing center of housing provident funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Employers are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. With respect to employers who violate the above regulations and fail to complete housing provident fund contribution registration or open housing provident fund accounts for their employees, such employers shall be ordered by the competent managing center of housing provident funds to complete such procedures within the prescribed period. Those who do not fulfill these procedures within the specified timeframe will be liable to a fine ranging from RMB10,000 to RMB50,000. In cases of overdue or insufficient payment of the housing provident fund in contravention of the regulations, the housing provident fund managing center is authorized to instruct pertinent employers to make contributions within the designated period. Failure to comply may result in an application to a people's court for compulsory enforcement.

INFORMATION SECURITY AND DATA PROTECTION

The PRC Data Security Law (《中華人民共和國數據安全法》) (the “**Data Security Law**”) was passed on June 10, 2021 and became effective on September 1, 2021. The Data Security Law requires a data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities using the Internet or any other information networks, a data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of business permits or even criminal liabilities.

The PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was promulgated on August 20, 2021 and became effective on November 1, 2021. Instead of relying solely on “notification and consent” as established in the PRC Cybersecurity Law (“**Cybersecurity Law**”), the Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the

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individual’s consent has been obtained; (iii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect a natural person’s life, health and property safety under emergency circumstances; (v) the personal information that has been made public is processed within a reasonable scope in accordance with the Personal Information Protection Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses, inclusion in relevant credit record, or even criminal liabilities. Pursuant to the PRC Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public the personal information of others.

On April 13, 2020, thirteen PRC governmental and regulatory agencies, including the CAC, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which was last amended on December 18, 2021, and became effective on February 15, 2022. The Measures for Cybersecurity Review specifies that an online platform operator that possesses the personal information of more than one million users must apply for cybersecurity review by the Cybersecurity Review Office, if it plans on listing in foreign countries. The Cybersecurity Review Office may initiate a cybersecurity review if any network products and services, activities of data processing or overseas listing of companies affects or may affect national security. Pursuant to the Measures for Cybersecurity Review, any violation shall be punished in accordance with the Cybersecurity Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties and suspension of non-compliant operations.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flow (《促進和規範數據跨境流動規定》) (the “**CBDF Provisions**”). In accordance with the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》), implemented on September 1, 2022, the Measures for the Standard Contract for the Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》), implemented on June 1, 2023, the Announcement regarding the Implementation of Personal Information Protection Certification (《關於實施個人信息保護認證的公告》), implemented on November 4, 2022, and the CBDF Provisions, data processors transferring data overseas are required to comply with the corresponding data cross-border transfer supervision procedures as stipulated by relevant laws and regulations, except for those meeting exemption conditions. According to the CBDF Provisions, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (i) where the critical information infrastructure operator intends to provide important data or personal information overseas; (ii) where the data processor other than critical information infrastructure operators intends to provide important data overseas; (iii) where the data processor other than critical information infrastructure operators, who has provided personal information (excluding sensitive personal information) of at least one million individuals or

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sensitive personal information of at least 10,000 individuals to overseas recipients accumulatively since January 1 of any given calendar year, intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC.

On September 24, 2024, the State Council promulgated the Regulations on Network Data Security Management (《網絡數據安全管理條例》), which came into force on January 1, 2025. This regulation clarifies the general provisions on network data security management, and also further supplements and refines the specific requirements on personal information protection, important data security management, cross-border security management of network data, and obligations of network platform.

SECURITIES LAW AND OVERSEAS OFFERING AND LISTING OF SHARES

On December 29, 1998, the SCNPC promulgated the PRC Securities Law (《中華人民共和國證券法》), which was last amended on December 28, 2019 and took effect on March 1, 2020. The PRC Securities Law regulates activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The PRC Securities Law states that domestic enterprises that seek to issue securities abroad directly or indirectly or to list their securities abroad for trading shall comply with the relevant provisions of the State Council.

Pursuant to the Trial Measures for the Administration of Overseas Offering and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023 and effective as of March 31, 2023, direct or indirect issuance of securities overseas by a domestic company or listing of its securities overseas is subject to the regulations of the CSRC, and in the case of an initial public offering of shares or listing overseas, the issuer or the designated entity shall file with the CSRC within three business days after the application for the initial public offering is submitted.

On February 24, 2023, the CSRC and three other government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》). Pursuant to these Provisions, if a domestic enterprise is to provide to the relevant securities companies, securities service institutions, overseas regulatory authorities or other entities and individuals, or publicly disclose, any document or material that involves state secrets and working secrets of state agencies, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the PRC.

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REGULATIONS RELATED TO THE “FULL CIRCULATION” OF H SHARE

“Full circulation” refers to the process of listing and trading on the Stock Exchange the domestically unlisted shares of an H-share listed company. This includes unlisted domestic shares owned by domestic shareholders before the overseas listing, unlisted domestic shares issued additionally after the overseas listing, as well as unlisted shares held by foreign shareholders.

On November 14, 2019, CSRC announced the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》 (“**Guidelines for the ‘Full Circulation’**”)), which were amended on August 10, 2023. As outlined in the Guidelines for “Full Circulation,” shareholders of domestic unlisted shares have the flexibility to jointly determine the amount and proportion of shares that will be included in the circulation application. This determination should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Subsequently, the H-share listed company corresponding to these shares may be authorized to file for “full circulation” with the CSRC. An unlisted domestic joint stock company may file with the CSRC for “full circulation” at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Measures, which became effective on March 31, 2023, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC. Additionally, they are required to authorize the domestic company to submit the conversion application to the CSRC on their behalf.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited (the “**CSDC**”) and Shenzhen Stock Exchange (the “**SZSE**”) jointly announced the Measures for Implementation of H-share “Full Circulation” Business (《H股「全流通」業務實施細則》) (the “**Measures for Implementation**”). The operations related to the “full circulation” of H-share, including cross-border conversion registration, deposit and holding details maintenance, transaction entrustment, instruction transmission, settlement, management of settlement participants and services of nominal holders, are regulated by the Measures for Implementation. In cases where the Measures for Implementation do not provide specific guidance, procedures shall be followed by referring to other business rules established by the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, as well as the SZSE.

SPANISH LAWS AND REGULATIONS

Set out below a summary of the principal laws and regulations which are relevant to our business operations in Spain. These include regulations on company formation, VAT, competition law, labor law, data protection, and consumer protection. All this laws are under the directives of the European Union.

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Company Formation and Registration

The establishment, operation, and management of a company in Spain are primarily governed by the Spanish Corporate Law (Ley de Sociedades de Capital). According to this law, all companies must register with the Commercial Register (Registro Mercantil) to gain legal recognition. This registration serves as proof of the company’s existence and is mandatory for all business entities operating in Spain. Any amendments to the company’s corporate structure, such as changes in business activities, must be submitted to the Commercial Register for public disclosure.

VAT

In terms of indirect taxation, Spain imposes a VAT (Impuesto sobre el Valor Añadido, IVA) on most goods and services. The standard VAT rate is 21%, with reduced rates of 4% and 10% applicable to certain goods and services. Businesses must register for VAT and report tax payments periodically. Additionally, businesses can claim VAT refunds for certain expenses under specified conditions, depending on the nature of the transaction and the country of origin.

Competition Law

Competition law in Spain is governed by both EU competition law (Regulations and case law of the European Commission and the Court of Justice of the EU) and Spanish Competition Law (Ley Española de Competencia). These regulations prohibit anti-competitive practices such as price-fixing, market-sharing agreements, and abuse of a dominant market position. Companies must ensure compliance with these laws to prevent any actions that may restrict competition. Violation of these regulations can lead to severe penalties, including fines and restrictions on business operations.

Labor Law

In Spain, the Labor Law (Estatuto de los Trabajadores) outlines the requirements for employee rights, including written contracts, fair wages, safe working conditions, and regulated working hours. Employers are also required to ensure proper health and safety protections for employees, as well as provide adequate training and safety materials. These regulations apply to both domestic and foreign employees working in Spain, ensuring equal treatment and safe working environments for all.

Data Protection Law

The Data Protection Law (Ley Orgánica de Protección de Datos Personales) is aligned with the General Data Protection Regulation (“GDPR”) of the European Union. This law establishes the legal framework for the processing of personal data, mandating that businesses implement appropriate measures to protect data privacy. Organizations must notify the Spanish Data Protection Agency (Agencia Española de Protección de Datos) in the event of a data breach, and individuals must be informed of their rights concerning the processing of their personal data. The law also ensures that businesses comply with data protection by design and by default.

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Consumer Protection Law

Consumer protection in Spain is governed by the Consumer Protection Law (Ley de Protección de los Consumidores y Usuarios). This law safeguards consumers’ rights by ensuring that products and services meet safety and quality standards. Any product or service that does not meet the specified standards is subject to compensation or refund, as per the consumer’s rights. Furthermore, companies are required to provide clear and truthful information regarding their products and services to avoid any misleading claims.

We are fully compliant with all applicable laws and regulations in Spain in all material respects.

KOREAN LAWS AND REGULATIONS

Set out below is a summary of certain aspects of the Korean laws and regulations which are relevant to the operations and business of our Korean subsidiaries HAM Co., Ltd. and Ohsung Co., Ltd.

Regulations on Business in General

Set out below is the Product Liability Act and the Foreign Investment Promotion Act that are generally applicable to us in Korea.

Foreign Investment Promotion Act

The Foreign Investment Promotion Act was enacted to promote foreign investment by significantly relaxing regulations on foreign investment, expanding tax support therefor, and designating foreign investment zones to attract large-scale foreign investment.

- (i) If a foreign investor’s investment amount is KRW100,000,000 (approximately HK\$564,206) or more, this Act applies.
- (ii) Foreigners may conduct business in Korea without restrictions, except where special provisions exist.
- (iii) In the case of manufacturing industry, if the investment is USD\$30,000,000 (approximately HK\$235,000,000) or more, rental fee reductions and tax benefits may be received.
- (iv) After investment, foreigners must register as a foreign-invested enterprise, through which they can receive benefits such as leasing of state-owned property and tax reductions.
- (v) This Act guarantees free overseas remittance of dividend income, etc. of foreign investors. However, there is a withholding tax obligation on dividend income under Korean tax laws, and there is a reporting obligation when remitting overseas.

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Product Liability Act

The Product Liability Act (“**PL Act**”) is a law that regulates compensation for damages to life, body, and property (excluding damages to the relevant product itself) caused by defects in products manufactured by manufacturers. The products subject to the Product Liability Act include processed food. Product defects refer to defects in manufacturing, design, or lack of safety ordinarily expected of a product.

A manufacturer shall be exempt from liability for damages if the manufacturer proves any of the following facts: (i) the manufacturer did not supply the product, (ii) the existence of the defect could not be identified by the state of scientific or technical knowledge at the time the manufacturer supplied the product, (iii) the defect occurred despite the manufacturer’s compliance with standards prescribed by acts or subordinate statutes at the time of product supply, or (iv) in the case of raw materials or components, the defect is attributable to the design or manufacturing instructions of the manufacturer of the product made from the relevant raw materials or components.

Industry-Specific Regulations

Food Sanitation Act

This Act was enacted to prevent sanitary hazards caused by food, improve the quality of food nutrition, and provide correct information about food to enhance public health. Accordingly, those who wish to manufacture food must obtain Food Safety Management Certification (“**HACCP**”), and since powdered milk (infant formula) falls under special purpose food, those who manufacture powdered milk must mandatorily obtain Food Safety Management Certification.

- (i) Food Safety Management Certification is examined based on the seven principles: hazard analysis, establishment of critical control points, establishment of management standards, establishment of monitoring systems, establishment of corrective action methods, establishment of verification methods, and record keeping.
- (ii) The validity period of Food Safety Management Certification is three years from the date of certification, and annual investigation and evaluation must be received to maintain certification.
- (iii) Failure to comply with Food Safety Management Certification standards may result in administrative dispositions such as certification cancelation or corrective orders, cancelation or suspension of business permits, or penalties of imprisonment for not more than three years or a fine not exceeding KRW30,000,000 (approximately HK\$169,000).

In addition, the Food Sanitation Act requires manufacturers of food to report the ingredients and manufacturing methods of products to the mayor having jurisdiction over the business location before manufacturing products. Violation may result in administrative dispositions such as corrective orders, business suspension, business permit cancelation, or criminal penalties of imprisonment for not more than three years or a fine not exceeding KRW30,000,000.

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Livestock Products Sanitary Control Act

The Livestock Products Sanitary Control Act aims to contribute to public health improvement and livestock industry development through securing the safety and improving the quality of livestock products. Powdered milk falls under dairy products and is subject to this Act.

Like the Food Sanitation Act, this Act requires livestock product safety management certification for the manufacturing process of infant formula and other products made by processing livestock products, and imposes product manufacturing report obligations for each product. In particular, manufacturing or selling hazardous livestock products may result in imprisonment for not more than 10 years or a fine not exceeding KRW100,000,000 (approximately HK\$565,000), and administrative dispositions such as business permit cancelation, business suspension, and product manufacturing suspension.

Act on Designation and Management of Free Trade Zones

The Act on Designation and Management of Free Trade Zones regulates areas designated to contribute to attracting foreign investment and promoting exports through exceptional measures such as customs suspension for economic activities such as trade, production, and investment within a country. It refers to areas designated by the Minister of Trade, Industry and Energy in consultation with the heads of relevant central administrative agencies and relevant mayors and provincial governors to guarantee free manufacturing, logistics, distribution and trade activities through special cases and support for related laws such as the “Customs Act” and “Foreign Trade Act.” When establishing a factory in a free trade zone, there is a special provision that permits and licenses under other laws are deemed to have been obtained when concluding an occupancy contract.

In addition, tax benefits such as exemption from customs duties on capital goods imports (5 years), exemption from VAT on export items, and reduction of local taxes (5 years) for resident companies, and the lease period for state-owned property can be set to 50 years (renewable), and support can be received to obtain various permits and licenses.

Resident companies must regularly report their operational status, and in case of violation, they may receive administrative dispositions such as cancelation of occupancy approval or business suspension.

Special Act on Designation and Management of Free Economic Zones

The Special Act on Designation and Management of Free Economic Zones is a law that relaxes various regulations and provides special provisions to attract foreign investment and strengthen international competitiveness within free economic zones. The main content is the same as the Act on Designation and Management of Free Trade Zones, but the reduction period for local taxes such as acquisition tax and property tax is stipulated as up to 15 years. In addition, special provisions related to foreign investment apply under this Act, and various benefits such as research and development facility support can be received.

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Intellectual Property Regulations

Trademark Act

The Trademark Act protects registered trademarks. The Korean Intellectual Property Office is responsible for trademark registrations. Upon registration of a trademark, the registrant has the right to exclusively use the trademark. A trademark is (a) any sign, letter, figure, 3-dimensional shape or the combination thereof or the combination of them and colors used by a person who produces, processes or sells goods for business purposes, in order to distinguish goods related to his or her business from those of another person; (b) any color that is not combined with others, the combination of colors, any hologram, movement or other item that can be visually recognized; or (c) any item expressed realistically with a sign, letter, figure, or by any other visual means among items that cannot be recognized visually such as sounds and odors.

A service mark means a mark used by a person who carries on service business for the purpose of distinguishing his/her service business from those of others.

The trademark and service mark have distinction from each other only in each purpose of registration (trademark for recognition of goods, and service mark for recognition of service business), and have the same requirements in the application, registration, examination process, and the duration under the Trademark Act. The duration of trademark rights and service mark rights is ten years from the date of registration, and may be renewed for a period of ten years upon application for renewal.

Labor and Employment Regulations

Labor Standards Act

The Labor Standards Act (“**LS Act**”) is the primary legislation in Korea governing employee relations and sets out minimum requirements for working conditions at the workplace. In this regard, any term or provision of an individual employment agreement, the rules of employment which are made by employer or a collective bargaining agreement which fails to meet the minimum requirements under the LS Act is null and void. In addition to the LS Act, there are a few statutes which apply to specific labor-related matters.

According to the LS Act, (a) employers must execute written labor contracts with employees; (b) work hours shall not exceed 40 hours a week, eight hours a day (excluding hours of recess) in general, unless there is an agreement between the parties and overtime payment to employees; (c) employers shall not, without justifiable cause, dismiss, lay off, suspend, or transfer a worker, reduce wages, or take other punitive measures against employees; (d) employers shall establish work safety and sanitation systems and provide employees with workplace safety training; and (e) employers are required to pay salaries to employees on time and salaries paid to employees shall not be lower than the minimum salary standard of the Minimum Wage Act.

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Other Labor Related Regulations

The other main labor related laws in Korea include the Minimum Wage Act, the Wage Claim Guarantee Act, the Employee Retirement Benefit Security Act, the Act on Equal Employment and Support for Work-Family Reconciliation, the Act on the Promotion of Worker Participation and Cooperation and the Occupational Safety and Health Act.

In addition, in accordance with the National Health Insurance Act, the National Pension Act, the Employment Insurance Act and the Industrial Accident Compensation Insurance Act, employers are required to make contributions to four major social insurance (national health insurance, national pension, employment insurance and industrial accident compensation insurance, respectively).

Tax Regulations

Corporate Income Tax

Foreign-invested corporations established domestically by foreign shareholders through capital contributions are treated as domestic corporations and are subject to corporate income tax on all income generated domestically and internationally. For corporate income tax purposes, taxable income is defined as revenue minus expenses incurred in business operations. Expenses are generally deductible if they are incurred for business purposes of the company and are properly documented. Corporate income tax rates (including local income tax) apply progressive rates of 9% to 24% according to taxable income brackets. If the taxable income amount is over KRW20,000,000,000 (approximately HK\$112,988,000) but not exceeding KRW300,000,000,000 (approximately HK\$1,694,000,000) the tax is KRW3,780,000,000 (approximately HK\$21,000,000) + 21% of the amount exceeding KRW20,000,000,000 (approximately HK\$112,988,000).

Tax Reduction Provisions – Special Tax Treatment Control Law

- (i) Foreign-invested enterprises may receive corporate tax or income tax reductions for five years from the first fiscal year in which income is generated.
- (ii) Small and medium enterprises engaged in tax-reduction industries such as manufacturing may receive corporate tax reductions of 5% to 30% until December 31, 2025.
- (iii) When small and medium enterprises or mid-sized enterprises invest in business tangible assets such as machinery and equipment, a certain amount of the investment may be deducted from corporate tax.
- (iv) A certain amount of research and human resource development costs (R&D) may receive tax credits from corporate tax for the relevant fiscal year.

Taxation on Dividend Income of Foreign Investors

Under Korean tax law, dividend income for non-residents is subject to a tax rate of 20% and is subject to withholding tax. However, under the Korea-China Tax Treaty, a limited tax rate of 5% is prescribed for dividend income for beneficial owners of dividends who hold 25% or more of shares.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR HISTORY

Overview

Our history traces back to 1956, when Bei'an Dairy Factory* (北安市乳品廠) (“**Bei'an Dairy**”), the predecessor of Bei'an Yeeper Nuka, was founded as a state-owned enterprise. With over 60 years of experience in the dairy industry and in-depth research and development, we have now developed into a full-industry-chain group integrating “pasture breeding, product research and development, processing, experimental testing, terminal sales, and customer service.”

Milestones

The following sets out a summary of our key development:

Year	Milestones
1956	Bei'an Dairy, the predecessor of Bei'an Yeeper Nuka, was established.
1999	Brand of our Company, “Yeeper” (宜品), was established.
2011	We commenced the production and sales of our own organic products.
2015	We obtained the BRCGS Food Safety “Global Standard” grade A certification from the Intertek Certification Ltd., a UKAS accredited body.
2016	We launched our first goat milk formula product. Our first overseas production base was established in South Korea.
2017	Organic milk formula of Organic obtained “China, EU and U.S.” Triple Organic Certificate (“中國、歐盟、美國”三重有機認證).
2018	We obtained a naming rights authorisation from the China Space Foundation, which granted us the right to use the title “China’s space program (中國航天事業合作夥伴)”.
2019	Our Group acquired a whey production facility in Spain.
2021	We acquired Qingdao Aote Goat Farm and began our expansion into the dairy goat farming sector.
2022	We commenced the construction of our goat milk production plant in Laixi City of Qingdao.
2024	Our Group established the Institute of Hypoallergenic Nutrition (低敏營養研究院). We obtained approvals for a cumulative total of 13 series of infant formula products and four registered FSMP products by the end of 2024.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

The following table sets out the principal business activities and the date and place of incorporation of each member of our Group that made a material contribution to our results of operations during the Track Record Period:

Name of subsidiary	Date of incorporation	Place of Incorporation	Principal business activities
Oviganic	June 2001	Spain	Preparation, manufacturing, marketing, wholesale, retail, distribution, and import and export operations of dairy products and/ or food products
Bei'an Yeeper Nuka Dairy	June 2004	PRC	Production and sales of dairy products and infant formula
Qingdao Organic Food	July 2011	PRC	Sales of infant formula
HAM	March 2016	Korea	Powdered milk manufacturing and export business
Changsha Bekari	December 2016	PRC	Sales of infant formula
HAM Qibo	May 2019	PRC	Sales of infant formula
Yeeper Goat Milk	September 2020	PRC	Production and sale of dairy food and infant formula
Yeeper Sheep Dairy	September 2020	PRC	Sales of infant formula

HISTORY AND DEVELOPMENT

A. Predecessor and Establishment of Bei'an Yeeper Nuka

In 1956, Bei'an Dairy was established as a state-owned enterprise to engage in the business of production and distribution of milk powder. After a series of equity transfers, asset acquisitions, and renaming, Bei'an Dairy was contributed as capital assets by its then Shareholders, which are private companies, to establish Bei'an Yeeper Dairy Co., Ltd.* (北安宜品乳業有限公司) in 2004. In 2007, Boom Healthy Development Limited (康旺發展有限公司) (“**Boom Healthy**”), a company wholly-owned by Mr. Mu, acquired 100% equity interest of Bei'an Yeeper Dairy Co., Ltd. In 2013, Bei'an Yeeper Dairy Co., Ltd was renamed as Bei'an Yeeper Nuka Dairy Co., Ltd.* (北安宜品努卡乳業有限公司) (“**Bei'an Yeeper Nuka**”). From 2013 to 2015, Bei'an Yeeper Nuka underwent a series of equity transfers, but remained controlled by Boom Healthy. In 2015, Bei'an Yeeper Nuka underwent a capital increase, the increase of registered capital was fully subscribed by Heilongjiang Kangwang Food Co., Ltd.* (黑龍江康旺食品有限公司) (“**Heilongjiang Kangwang**”). Following the registered capital increase, Heilongjiang Kangwang, Boom Healthy, and two other independent third parties held approximately 83%, 14%, 2%, and 1% of the equity interest in Bei'an Yeeper Nuka, respectively. Heilongjiang Kangwang is the predecessor of our Company and has been controlled by Mr. Mu since its incorporation in 2012.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In January 2018, the then shareholders of Bei'an Yeeper Nuka resolved to approve to have Heilongjiang Kangwang acquired all the registered capital of Bei'an Yeeper Nuka. Upon the completion of the acquisition, Bei'an Yeeper Nuka was wholly owned by Heilongjiang Kangwang.

Heilongjiang Kangwang, the predecessor of our Company, was established on July 24, 2012 as a limited liability company founded by Mr. Mu and Ms. Zheng Yan (鄭燕). Upon establishment, our registered capital was RMB10,000,000 and our shareholding structure was as follows:

No.	Name of Shareholder	Registered capital contribution (RMB)	Approximate shareholding
1. . . .	Mr. Mu	5,100,000	51.00%
2. . . .	Ms. Zheng Yan	4,900,000	49.00%
Total:		10,000,000	100.00%

On December 11, 2014, our registered capital increased from RMB10,000,000 to RMB50,000,000 and the increased registered capital was subscribed by our then Shareholders on a pro-rata basis:

No.	Name of Shareholder	Registered capital contribution (RMB)	Approximate shareholding
3. . . .	Mr. Mu	25,500,000	51.00%
4. . . .	Ms. Zheng Yan	24,500,000	49.00%
Total:		50,000,000	100.00%

On April 11, 2018, we changed our name from “Heilongjiang Kangwang Food Co., Ltd.” to “Heilongjiang Yeeper Dairy Group Co., Ltd (黑龍江宜品乳業集團有限公司)”.

B. Changes in the shareholding structure of our Company

Since the establishment of our Company, our Company has undertaken a series of equity transfers and capital injections to, amongst others, raise funds for the development of our business and diversify our Shareholders base and for the purpose of retaining, incentivizing and remunerating our employees. Set out below were the equity transfers and capital injections by our current Shareholders as at the Latest Practicable Date and the investments of which were considered material to our Company since our establishment.

Capital Increase in September 2018

On September 5, 2018, our registered capital further increased from RMB50,000,000 to RMB150,000,000. The additional RMB100,000,000 registered capital was subscribed and fully paid by Kangwang Investment at a nominal consideration of RMB1 for each unit of registered capital.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

No.	Name of Shareholder	Registered capital contribution	Approximate shareholding
		(RMB)	
1. . . .	Kangwang Investment	100,000,000	66.67%
2. . . .	Mr. Mu	25,500,000	17.00%
3. . . .	Ms. Zheng Yan	24,500,000	16.33%
	Total:	150,000,000	100.00%

Capital Increase in December 2020

On December 25, 2020, our registered capital further increased from RMB150,000,000 to RMB200,000,000. Qiwang Investment, Zhenai Investment, Tianjin Yiwang and Kunpeng Gongchuang subscribed to our registered capital at a cost of RMB1.5, RMB1.5, RMB1.6 and RMB1.5 for each unit of registered capital, respectively. Qiwang Investment, Zhenai Investment, Tianjin Yiwang and Kunpeng Gongchuang are employee shareholding platforms established for the purpose of retaining, incentivizing and remunerating employees. The differences in costs were determined by the employees’ roles and seniority in our Company, their contribution to our growth and development, our financial performance at the time.

The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

No.	Name of Shareholder	Registered capital contribution	Approximate shareholding
		(RMB)	
1. . . .	Kangwang Investment	100,000,000	50.00%
2. . . .	Mr. Mu	25,500,000	12.75%
3. . . .	Ms. Zheng Yan	24,500,000	12.25%
4. . . .	Qiwang Investment	19,853,430	9.93%
5. . . .	Zhenai Investment	14,756,335	7.38%
6. . . .	Tianjin Yiwang	10,000,000	5.00%
7. . . .	Kunpeng Gongchuang	5,390,235	2.69%
	Total:	200,000,000	100.00%

Equity Transfer in December 2021 and February 2022

On December 13, 2021, the Shareholders approved the transfer of a total of RMB12,640,000 registered capital made by Ms. Zheng Yan to Mr. Mu at a nominal consideration of RMB1 for each registered capital.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On February 15, 2022, the Shareholders approved the transfer of a total of RMB11,860,000 registered capital made by Ms. Zheng Yan to Mr. Mu at a nominal consideration of RMB1 for each registered capital. The considerations for both equity transfers were determined based on arm’s length negotiations with reference to the original cost of the registered capital contribution.

The following table sets out the shareholding structure of our Company immediately after completion of the equity transfers as mentioned above:

No.	Name of Shareholder	Registered capital contribution (RMB)	Approximate shareholding
1. . . .	Kangwang Investment	100,000,000	50.00%
2. . . .	Mr. Mu	50,000,000	25.00%
3. . . .	Qiwang Investment	19,853,430	9.93%
4. . . .	Zhenai Investment	14,756,335	7.38%
5. . . .	Tianjin Yiwang	10,000,000	5.00%
6. . . .	Kunpeng Gongchuang	5,390,235	2.69%
Total:		200,000,000	100.00%

Capital Increase in July 2022, November 2022 and February 2023

On July 5, 2022, our registered capital further increased from RMB200,000,000 to RMB209,278,900. The additional RMB9,278,900 registered capital was subscribed by Ousheng Investment at a cost of RMB1.5 for each unit of registered capital.

On November 10, 2022, our registered capital further increased from RMB209,278,900 to RMB235,469,041. The additional RMB26,190,141 registered capital was subscribed by Qiwang Investment at a cost of RMB1.5 for each unit of registered capital.

On November 22, 2022, our registered capital further increased from RMB235,469,041 to RMB250,000,000. The additional RMB14,530,959 registered capital was subscribed by Changhong Investment at a cost of RMB1.5 for each unit of registered capital.

On February 13, 2023, our registered capital further increased from RMB250,000,000 to RMB281,950,000. Each of Zhongwang Investment, Qingdao Yiwang and Qingdao Zhongwang subscribed to our registered capital at a cost of RMB1.5, RMB1.6 and RMB1.5 for each unit of registered capital, representing RMB3,000,000, RMB8,000,000, and RMB20,950,000 of registered capital contribution, respectively.

Ousheng Investment, Qiwang Investment, Changhong Investment, Zhongwang Investment, Qingdao Yiwang and Qingdao Zhongwang are shareholding platforms established for the purpose of retaining, incentivizing and remunerating employees. The differences in costs were determined by the employees’ roles and seniority in our Company, their contribution to our growth and development, our financial performance at the time.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

No.	Name of Shareholder	Registered capital contribution (RMB)	Approximate shareholding
1. . . .	Kangwang Investment	100,000,000	35.4673%
2. . . .	Mr. Mu	50,000,000	17.7336%
3. . . .	Qiwang Investment	46,043,571	16.3304%
4. . . .	Zhenai Investment	14,756,335	5.2337%
5. . . .	Tianjin Yiwang	10,000,000	3.5467%
6. . . .	Kunpeng Gongchuang	5,390,235	1.9118%
7. . . .	Ousheng Investment	9,278,900	3.2910%
8. . . .	Changhong Investment	14,530,959	5.1537%
9. . . .	Zhongwang Investment	3,000,000	1.0640%
10. . .	Qingdao Yiwang	8,000,000	2.8374%
11. . .	Qingdao Zhongwang	20,950,000	7.4304%
Total:		281,950,000	100.00%

Capital reduction in December 2024

On December 12, 2024, our registered capital decreased from RMB281,950,000 to RMB261,000,000. The reduction was due to the cancellation of RMB20,950,000 registered capital held by Qingdao Zhongwang, which was reserved and intended for a future share incentive plan. Since the plan was not implemented, the Company proceeded with a capital reduction and cancellation of the relevant registered capital.

The following table sets out the shareholding structure of our Company immediately after completion of the capital decrease as mentioned above:

No.	Name of Shareholder	Registered capital contribution (RMB)	Approximate shareholding
1. . . .	Kangwang Investment	100,000,000	38.3142%
2. . . .	Mr. Mu	50,000,000	19.1571%
3. . . .	Qiwang Investment	46,043,571	17.6412%
4. . . .	Zhenai Investment	14,756,335	5.6538%
5. . . .	Tianjin Yiwang	10,000,000	3.8314%
6. . . .	Kunpeng Gongchuang	5,390,235	2.0652%
7. . . .	Ousheng Investment	9,278,900	3.5551%
8. . . .	Changhong Investment	14,530,959	5.5674%
9. . . .	Zhongwang Investment	3,000,000	1.1494%
10. . .	Qingdao Yiwang	8,000,000	3.0651%
Total:		261,000,000	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

C. Conversion into joint stock limited liability company and capital increase in June 2025

On June 18, 2025, our Company was formally converted into a joint stock company with limited liability upon obtaining its new business license and renamed as Yeep Nutrition Technology (Qingdao) Group Co., Ltd. (宜品營養科技(青島)集團股份有限公司).

In addition, it was resolved that based on the audited net assets value of our Company as of February 28, 2025, being RMB550,325,153.54, (i) RMB261,000,000 was credited as the registered share capital of our Company and was converted into 261,000,000 Shares of our Company with a nominal value of RMB1.00 each on a 1:0.4743 ratio, and (ii) the remaining RMB289,325,153.54 was credited as the capital reserve of our Company.

Our PRC Legal Adviser has confirmed that the abovementioned transfers, capital increase, capital reduction and joint stock conversion have been properly and legally completed and settled and all requisite regulatory approvals have been obtained in accordance with the applicable PRC laws and regulations.

EMPLOYEE SHAREHOLDING PLATFORMS

As at the Latest Practicable Date, we had established Qiwang Investment, Zhongwang Investment, Tianjin Yiwang, Zhenai Investment, Ousheng Investment, Changhong Investment, Qingdao Yiwang and Kunpeng Gongchuang as our Company’s Employee Shareholding Platforms, which were Shareholders of our Company. Unless otherwise specified, all the executive general partners and limited partners are our Directors, members of our senior management team or our current employees. Details of the Employee Shareholding Platforms are as follows:

- (i) **Qiwang Investment:** As at the Latest Practicable Date, Qiwang Investment was owned as to (i) approximately 0.67% by Kangwang Investment as the executive general partner; (ii) approximately 51.99% by Mr. Mu, the executive Director, as a limited partner; (iii) approximately 14.24% by Mr. Liu Guomin (劉國民) (“**Mr. Liu**”), the executive Director, as a limited partner; (iv) approximately 13.43% by Mr. Yang Yongjun (楊勇軍) (“**Mr. Yang**”), a member of our senior management, as a limited partner; (v) approximately 7.07% by Mr. Liang Xing (梁星), our executive Director, as a limited partner; (vi) approximately 1.09% by Kunpeng Gongchuang, as a limited partner; and (vii) approximately 11.51% by five other individuals, as the other limited partners and none of the five individuals holds more than 10% of the equity interest in Qiwang Investment. As of the Latest Practicable Date, Kangwang Investment is 100% owned by Mr. Mu. For details of Kunpeng Gongchuang, please refer to paragraph (viii) below.
- (ii) **Zhongwang Investment:** As at the Latest Practicable Date, Zhongwang Investment was owned as to (i) approximately 0.001% by Ms. Yu Haixia (于海霞) (“**Ms. Yu**”), the executive Director, as the executive general partner; (ii) approximately 84.70% by Mr. Mu, as a limited partner; (iii) approximately 7.59% by Mr. Liu, as a limited partner; (iv) approximately 3.45% by Mr. Yang, as a limited partner; (v) approximately 3.39% by Mr. Liang Xing, our executive Director, as a limited partner; and (vi) approximately 0.869% by Mr. Xiang Li (向立) (“**Mr. Xiang**”) as a limited partner.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (iii) **Tianjin Yiwang:** As at the Latest Practicable Date, Tianjin Yiwang was owned as to (i) approximately 0.59% by Mr. Wang Baosheng (王寶生), as the executive general partner; (ii) approximately 34.33% by Mr. Mu Shanyong (牟善勇), as a limited partner; (iii) approximately 15.96% by Mr. Mu Shanquan (牟善全), as a limited partner; (iv) approximately 15.29% by Mr. Zhang Zejun (張澤軍) (“**Mr. Zhang**”), a member of our senior management, as a limited partner; (v) approximately 13.53% by Ms. Yu, as limited partner; (vi) approximately 2.61% by Mr. Li Zhen (李臻) (“**Mr. Li**”), our executive Director, as a limited partner; (vii) approximately 9.78% by Mr. Hao Zhiliang (郝志亮), as a limited partner; and (ix) approximately 7.91% by 23 other individuals, as the other limited partners and none of them holds more than 10% of the equity interest in Tianjin Yiwang. Out of the 23 individuals, three has retired from the Company, and the remaining 20 are current employees of our Company.
- (iv) **Zhenai Investment:** As at the Latest Practicable Date, Zhenai Investment was owned as to (i) approximately 80.00% by Mr. Liu, as the executive general partner, and (ii) approximately 20.00% by Mr. Ou Linsong (歐林松) as a limited partner.
- (v) **Ousheng Investment:** As at the Latest Practicable Date, Ousheng Investment was owned as to (i) approximately 45.00% by Mr. Yang Kaijun (楊開軍) as the executive general partner, (ii) approximately 45.00% by Ms. Ouyang Yun (歐陽雲), the spouse of Mr. Yang, as a limited partner, and (iii) approximately 10.00% by Mr. Yang, as a limited partner.
- (vi) **Changhong Investment:** As at the Latest Practicable Date, Changhong Investment was owned as to (i) approximately 2.95% by Ms. Liu Ping (劉平) as the executive general partner; (ii) 1.00% by Changsha Aixi Consulting Management Co., Ltd. (長沙愛喜諮詢管理有限公司) (“**Changsha Aixi**”) as a limited partner; (iii) approximately 32.59% by Mr. Liang Xing, our executive Director as a limited partner; (iv) approximately 17.68% by Mr. Ouyang Hui (歐陽輝) (“**Mr. Ouyang**”) as a limited partner; (v) approximately 15.33% by Mr. Liang Jie (梁傑) as a limited partner; and (vi) approximately 30.45% by 11 other individuals, as the other limited partners and none of the 11 individuals holds more than 10% of the equity interest in Changhong Investment. Out of the 11 individuals, one has left the Company, and the remaining ten are current employees of our Company.

As at the Latest Practicable Date, Changsha Aixi was owned as to (i) approximately 51% by Mr. Liang Xing; (ii) approximately 30% by Mr. Ouyang; and (iii) approximately 19% by Mr. Liang Jie.

- (vii) **Qingdao Yiwang:** As at the Latest Practicable Date, Qingdao Yiwang was owned as to (i) approximately 0.53% by Mr. Li Baobao (李寶寶) as the executive general partner; (ii) approximately 58.61% by Mr. Hao Zhiliang (郝志亮) as a limited partner; (iii) approximately 19.68% by Ms. Yu as a limited partner, (iv) approximately 16.22% by Mr. Zhang as a limited partner; and (v) approximately 4.96% by 22 other individuals, as the other limited partners and none of the 22 individuals holds more than 10% of the equity interest in Qingdao Yiwang. Out of the 22 individuals, one has retired from the Company, and the remaining 21 are current employees of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (viii) **Kunpeng Gongchuang**: As at the Latest Practicable Date, Kunpeng Gongchuang was owned as to (i) 3.00% by Mr. Zhang Yulin (張育林) as the executive general partner; (ii) 27.00% by Mr. Xiang Li (向立) (“**Mr. Xiang**”), as a limited partner; (iii) 25.00% by Mr. Pang Dejun (龐德軍), as a limited partner; (iv) 11.00% by Mr. Zhou Xinxi (周新喜) as a limited partner; (v) 10.00% by Mr. Hu Gang (胡剛) as a limited partner; and (vi) approximately 24.00% by 14 other individuals, as the other limited partners and none of them holds more than 10% of the equity interest in Kunpeng Gongchuang.

PUBLIC FLOAT

Apart from [REDACTED] H Shares to be converted from (a) Unlisted Shares held by the Controlling Shareholders, namely Mr. Mu, Kangwang Investment and Qiwang Investment, (b) Unlisted Shares held by Zhongwang Investment, with Ms. Yu, our executive Director, acting as its executive general partner, and (c) Unlisted Shares held by Zhenai Investment, with Mr. Liu, our executive Director, acting as its executive general partner, all over the H Shares will be counted towards the public float for the purpose of Rule 19A.13A of the Listing Rules upon completion of the [REDACTED] and conversion of the Unlisted Shares into H Shares.

Immediately upon completion of the [REDACTED], assuming (i) [REDACTED] H Shares to be converted from Unlisted Shares; and (ii) [REDACTED] H Shares to be issued to public Shareholders under the [REDACTED] (assuming the [REDACTED] are not exercised), the Company’s total issued Shares is [REDACTED] Shares, among which [REDACTED] Shares, representing approximately [REDACTED]% of the total issued Shares, will be counted towards the public float for the purpose of Rule 19A.13A of the Listing Rules, which is higher than the prescribed percentage of H Shares required to be held in public hands of [REDACTED]% under Rule 19A.13A of the Listing Rules.

FREE FLOAT

Under Rule 19A.13C of the Listing Rules, a PRC issuer with no other listed shares at the time of listing must ensure that a portion of the total number of its issued shares listed on the Stock Exchange (namely H shares) that are not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of listing (i) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing, with an expected market value at the time of listing of not less than HK\$50,000,000; or (ii) have an expected market value at the time of listing of not less than HK\$600,000,000.

Based on the minimum [REDACTED] of HK\$[REDACTED] per H Share, the Company will satisfy the free float requirement under Rule 19A.13C of the Listing Rules.

LOCK-UP

Pursuant to the applicable PRC laws, all of our existing Shareholders are subject to a lock-up period of 12 months following the [REDACTED].

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MATERIAL ACQUISITIONS, DISPOSALS AND MERGERS

As part of our business strategy and long-term development goals, we actively seek opportunities to diversify our business operations, and to streamline our operations. During the Track Record Period, we have made certain acquisitions.

Acquisition of equity interest in Changsha Bekari

On May 25, 2022, the Company and Ousheng Investment entered into a share transfer agreement, pursuant to which the Company agreed to acquire 15% of the issued share capital of Changsha Bekari held by Ousheng Investment for a total consideration of RMB16.0 million which was determined based on arm’s length negotiations between the Company and Ousheng Investment and the valuation of the equity interests acquired as appraised by an independent professional valuer (“**Bekari Acquisition I**”). Ousheng Investment is one of our Employee Shareholding Platforms and a Shareholder. The Bekari Acquisition I was completed on June 1, 2022.

On August 8, 2023, the Company and Nanjing Yingwang Enterprise Management Consulting Center (Limited Partnership) (南京盈旺企業管理諮詢中心(有限合夥)) (“**Nanjing Yingwang**”) entered into a share transfer agreement pursuant to which the Company agreed to acquire 49% of the issued share capital of Changsha Bekari held by Nanjing Yingwang for a total consideration of approximately RMB27.6 million which was determined based on arm’s length negotiations between the Company and Nanjing Yingwang and the valuation of the equity interests acquired as appraised by an independent professional valuer (“**Bekari Acquisition II**”). Nanjing Yingwang is a limited partnership owned as to approximately 32.60% by Mr. Liang Xing, one of our executive Directors, who holds 51% of equity interest in the Changsha Aixi, the executive general partner of Nanjing Yingwang. The Bekari Acquisition II was completed on September 20, 2023.

Upon the completion of the Bekari Acquisition I and Bekari Acquisition II, Changsha Bekari became our wholly-owned subsidiary and was held as to 64% and 36% by our Company and Qingdao Organic, a wholly-owned subsidiary of the Company, respectively.

Acquisition of equity interest in HAM Qibo

On August 7, 2023, Changsha Bekari and Mr. Ouyang entered into a share transfer agreement pursuant to which Changsha Bekari agreed to acquire 20% of the issued share capital of HAM Qibo held by Mr. Ouyang for a total consideration of RMB12.1 million which was determined based on arms’ length negotiations between Changsha Bekari and Mr. Ouyang and the valuation of the equity interests acquired as appraised by an independent professional valuer (“**HAM Qibo Acquisition**”). Mr. Ouyang is one of the limited partners of Changhong Investment, an Employee Shareholding Platform and a Shareholder. The HAM Qibo Acquisition was completed on September 22, 2023.

Upon the completion of the HAM Qibo Acquisition, HAM Qibo was wholly owned by Changsha Bekari, a wholly-owned subsidiary of our Company.

Compliance with Rule 4.05A of the Listing Rules

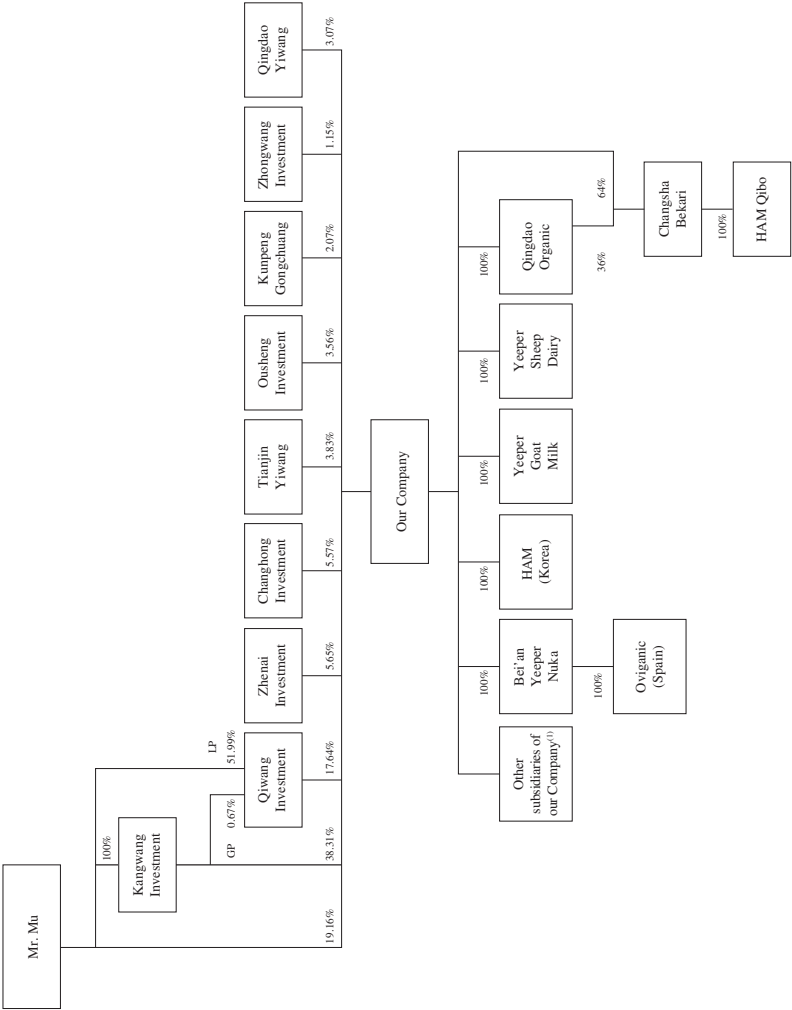
None of the applicable percentage ratios as defined under the Listing Rules in respect of the abovementioned major acquisitions during the Track Record Period exceeds 25%; as such, the pre-acquisition financial information in respect of such major acquisitions is not required to be disclosed.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE OF THE COMPANY

Corporate Structure as at the Latest Practicable Date

The following chart illustrates the shareholding structure and corporate structure of our Group as at the Latest Practicable Date:

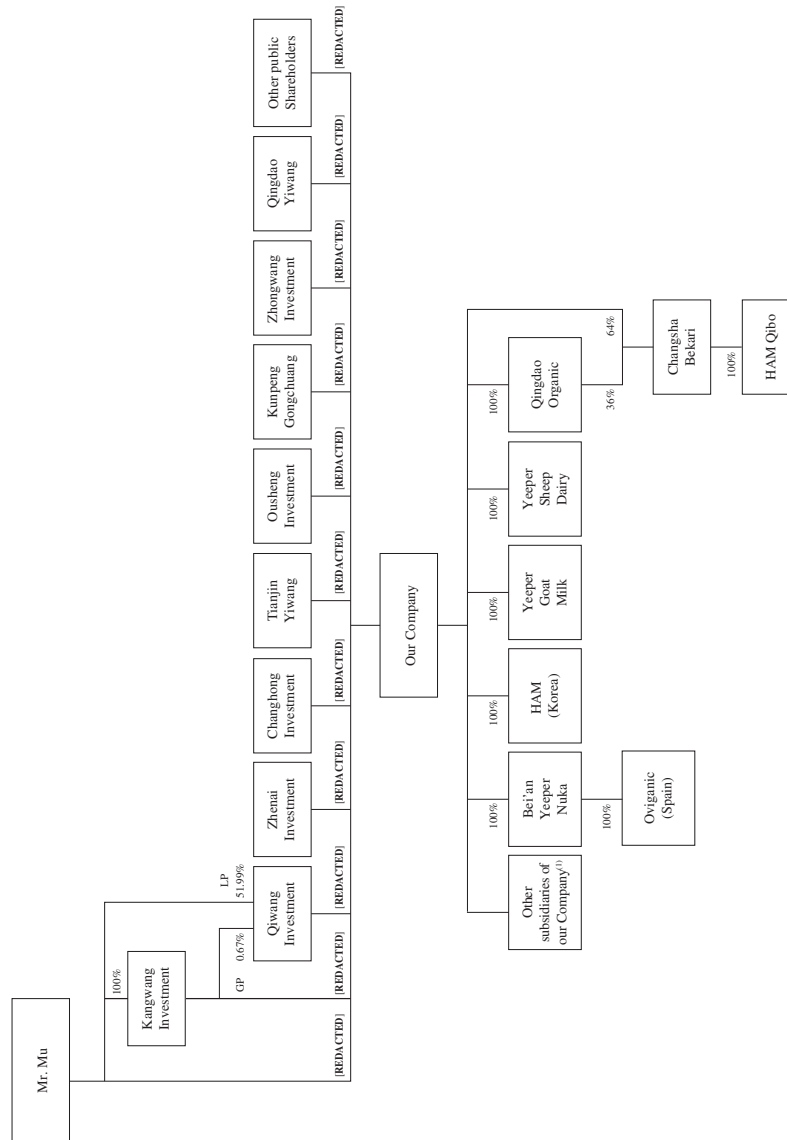


Note 1: Other subsidiaries include, in aggregate, 27 subsidiaries established in the PRC, Spain and Korea.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart illustrates the shareholding structure and corporate structure of our Group immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



Note 1: Other subsidiaries include, in aggregate, 27 subsidiaries established in the PRC, Spain and Korea.

BUSINESS

OVERVIEW

Mission

Make consumers around the world love high-quality milk powder made in China.

Vision

To build a RMB100 billion goat/sheep milk industrial value chain and become a globally recognized provider of low-allergen nutritional products.

Who We Are

We are a leading nutritional technology group in China with global perspective, specializing in goat/sheep milk powder and FSMPs. We provide high-nutrition, easily digestible, and low-allergen dietary solutions for consumers of all ages, with a particular focus on individuals with dietary sensitivities such as allergies, lactose intolerance, or impaired digestion. Our product portfolio spans goat/sheep milk infant formula, FSMPs, cow milk infant formula, and formula products for children and adults.

To fulfill our product value proposition of “high whey content, low allergenicity, and enhanced absorption,” we have integrated top-notch global resources across the industrial chain and established the Yeep Institute of Low-Allergen Nutrition (宜品低敏營養研究院), dedicated to continuous process innovation and product portfolio optimization. Since 2018, we have been the exclusive goat milk formula partner of the China Space Foundation (中國航天基金會) for seven consecutive years, with our products meeting stringent aerospace-grade quality standards and earning market trust.

Our Market Position

According to the F&S Report, based on retail sales in 2024, (i) we ranked second in China’s goat and sheep milk powder market with a market share of 14.0%, (ii) we ranked second in the China’s goat and sheep milk infant formula segment with a market share of 17.6%, and (iii) in China’s infant FSMP market, we rank second among local Chinese brands with a market share of 4.5%.

Industry Landscape and Growth Opportunities

As allergy-related health concerns become increasingly prevalent, consumer priorities in the milk powder sector have shifted toward low allergenicity, nutritional efficacy, and high digestibility. Goat and sheep milk powder and FSMPs, characterized by their low-allergen profiles, high nutritional value, and enhanced digestibility, have emerged as targeted solutions to meet these consumer needs, driving sustained market expansion.

BUSINESS

According to the F&S Report, allergic diseases have been listed as the sixth most common chronic diseases globally, affecting approximately 25% of the world’s population. In China, infants and young children are a high-risk group for allergies. An epidemiological survey in Chinese cities shows that among infants aged 0-24 months, 40.9% of parents reported that their children had experienced allergic symptoms, and the prevalence of allergic diseases symptoms in infants aged 0-24 months was 12.3%. If allergic problems in infants and young children are not properly managed and resolved, they will have adverse effects on children’s growth and development as well as mental health, and increase the risk of chronic diseases such as obesity, metabolic syndrome and cardiovascular diseases. However, cow milk powder still dominates the current infant feeding market, and α s1-casein in infant formula cow milk powder is the main allergen. With the deepening of awareness about scientific feeding, the penetration rate of the infant formula goat milk powder market will steadily increase. According to the F&S Report, the retail sales volume of Chinese infant formula goat milk powder reached 50,000 tons in 2024, accounting for only 6.3% of the total sales volume in the infant formula powder market.

As our understanding of consumer needs has increasingly deepened, we have identified a growing demand for more specialized nutritional formula solutions tailored to highly sensitive individuals, which are able to offer targeted nutritional interventions. These individuals include premature infants, individuals with moderate to severe food protein allergies or lactose intolerance, and patients recovering from surgery or suffering from metabolic disorders. By minimizing exposure to allergens and supporting gut barrier repair, FSMPs offer a more clinically appropriate nutritional solution for alleviating allergic symptoms.

According to the F&S Report, demand for FSMPs in China is expected to grow substantially, with the overall market size projected to increase from RMB23.0 billion in 2024 to RMB53.0 billion in 2029, representing a CAGR of 18.2%. Among this, the market size for infant FSMPs is expected to expand from RMB13.2 billion in 2024 to RMB27.6 billion in 2029, representing a CAGR of 15.9%.

Brand and Product Features

Since establishment, we have been focusing on solving nutritional difficulties of people who are highly allergic to traditional dairy products. Based on a profound insight into consumers’ health needs, we provide targeted and systematic low-allergen nutritional solutions for allergic groups through a product portfolio combining goat/sheep milk powder and FSMP. To implement the product value proposition of “high whey content, low allergenicity, and enhanced absorption”, our full-range product matrix covers goat milk powder, FSMP and cow milk powder, building a comprehensive solution to alleviate allergies of different degrees.

BUSINESS

Our principal product portfolio is illustrated in the diagram below.



Our entire line of goat/sheep milk infant formula products is characterized by a high proportion of whey protein, with all formulations of whey protein significantly exceeding the New National Standard promulgated in 2021. Higher whey protein content plays a critical role in reducing the risk of allergic reactions, improving nutrient absorption and digestion, and supporting healthy development in infants.

To address the nutritional needs of more severely allergic populations, we initiated research and regulatory registration of FSMPs in 2018. As of June 30, 2025, we had obtained approval for four FSMP products that are specifically formulated to address a broad spectrum of medical conditions, including lactose intolerance, cow milk protein allergy, and prematurity or low birth weight in infants, as well as restricted dietary intake, malabsorption, and metabolic disorders in adults.

BUSINESS

Integrated Supply Chain

To ensure the consistent delivery of high-quality and nutritionally rich products, we have developed an integrated supply chain encompassing every stage of sourcing, production, and distribution. Our supply chain strategy is built around global coordination and end-to-end collaboration, allowing us to leverage complementary advantages across domestic and international operations. Internationally, we have strategically established a sourcing and processing network in Spain to secure access to scarce goat and sheep whey resources and ensure localized quality control. Domestically, we focus on efficient production and refined operational management to enhance cost efficiency and improve responsiveness to market demand. This integrated approach enables us to maintain both cost competitiveness and operational agility.

To ensure product quality at the source and secure a stable supply of high-whey-protein goat/sheep milk formula, we have established a comprehensive raw material sourcing network across both domestic and international markets. Domestically, we operate self-owned cow and goat farms in Heilongjiang and Shandong to control milk source. Internationally, we have built a procurement network for goat/sheep whey in Spain, one of the world’s largest producers and consumers of goat/sheep cheese, ensuring an independently controllable and reliable quality supply of core ingredients. According to the F&S Report, the volume of goat/sheep whey powder produced from liquid whey acquired by our Spain facility accounts for approximately one-quarter of the total production in the European Union in 2024. Meanwhile, leveraging our proprietary breakthrough in demineralization technology in 2014, we became the first company in China to achieve mass production of D90-grade demineralized goat and sheep whey powder. With a closed-loop capability in full internal control, production and supply of the core ingredients of demineralized goat and sheep whey, we are able to consistently deliver products with whey protein content significantly exceeding the New National Standard, in response to rising market demand for premium, low-allergen nutritional solutions.

To support efficient production and processing, we had a total of four domestic plants and five overseas plants as of June 30, 2025, equipped with industry-leading manufacturing capabilities and production efficiency. In response to the formulation registration policy in China, which limits each facility to a maximum of three registered formulas, we have adopted a multi-plant strategy to enable registration of a broader product matrix and more precise alignment with market needs. Six of our facilities are equipped with advanced dry-wet mix production capacity of the process. By combining the nutritional uniformity of the wet process (involving direct processing of liquid ingredients) with the operational flexibility of the dry process (involving dry powder blending), we are able to maximize the retention of active ingredients while enhancing production efficiency.

Sales Channel and Brand Marketing

Our major products are distributed through a nationwide network of maternal and infant stores, supported by an integrated multi-channel network combining deep offline coverage with targeted online engagement. As of June 30, 2025, our brands collectively reached more than 61,000 offline retail locations across China.

BUSINESS

We have also established a fully digitalized distributor support system. Through scientifically designed network planning and refined partnership mechanisms, we empower our distributors across the value chain and foster mutually beneficial relationships.

In brand marketing, we position ourselves around the core concepts of “Yeeper Pure Goat/Sheep Milk Formula — Not a Single Drop of Cow Milk” and “Protecting Sensitive Infants — Yeeper Pure Goat/sheep Milk Formula,” with a strong focus on nutritional solutions for babies with heightened sensitivities. Through our emphasis on product professionalism, premium quality, and low allergenicity, we have built a trustworthy brand image of goat/sheep milk formula among consumers. Since 2018, we have served as the exclusive goat milk formula partner of the China Space Foundation for seven consecutive years. We have passed stringent quality control standards certification and won brand endorsement with an “aerospace-grade” quality.

STRENGTHS

Holding a Leading Position in High-Growth Goat and Sheep Milk Powder and FSMP Markets

We are strategically focused on the fast-growing segments of goat and sheep milk powder and FSMPs, where we have established a strong market presence. According to the F&S Report, based on retail sales in 2024, we ranked second in China’s goat and sheep milk powder market with a market share of 14.0%, and second in the goat and sheep milk infant formula segment with a market share of 17.6%. In China’s infant medical food market for special medical purposes, we ranked second among local Chinese brands with a market share of 4.5%.

According to the F&S Report, allergic diseases have been listed as the sixth most common chronic diseases globally, affecting approximately 25% of the world’s population. An epidemiological survey in Chinese cities shows that among infants aged 0-24 months, 40.9% of parents reported that their children had experienced allergic symptoms, and the prevalence of allergic diseases symptoms in infants aged 0-24 months was 12.3%. However, according to the F&S Report, the retail sales volume of Chinese infant formula goat milk powder accounted for only 6.3% of the total retail sales volume in the infant formula powder market in 2024. With the deepening of awareness about scientific feeding, the penetration rate of the infant formula goat milk powder market will steadily increase.

Large-molecule caseins contained in milk are more difficult to break down, and is a common allergen that causes food allergies in infants. For these groups, goat/sheep milk formula products with a high proportion of goat/sheep whey protein and significantly lower large-molecule caseins levels compared to cow milk offer a suitable alternative for consumers sensitive to cow milk.

BUSINESS

Comparison Dimension	Goat and sheep milk powder	Cow Milk Powder
Nutritional Composition	Higher whey protein content and higher lactoferrin content than cow milk powder;	Higher casein content compared to goat and sheep milk powder
Fat Structure	Smaller fat globules with thinner membranes	Larger fat globules with denser structure
Allergic related	Low α s1-casein content, suitable for the group with sensitive constitutions	High α s1-casein content, more likely to cause allergic reactions
Lactose Content	Lower than cow milk powder; more suitable for the group with lactose intolerance	Higher than goat and sheep milk powder; may cause discomfort for lactose-intolerant group

For individuals with more severe sensitivities such as premature infants, those with moderate to severe food protein allergies or lactose intolerance, or patients recovering from surgery or experiencing metabolic disorders, standard low-allergen formulas may be insufficient. For these groups, FSMPs utilize hydrolyzed protein technologies or amino acid-based formulations to reduce immunogenic stimulation from milk proteins, providing a more clinically appropriate and targeted nutritional solution.

According to the F&S Report, based on the retail sales in 2024, the combined retail market size of goat and sheep milk powder and FSMPs in China reached RMB48.0 billion in 2024 and is projected to grow at a CAGR of 12.1% to RMB84.8 billion by 2029. According to the F&S Report, the CAGR of the medical food market for special medical purposes and the goat milk powder market are expected to reach 18.2% and 4.9% respectively from 2024 to 2029, both exceeding the overall CAGR of 1.9% for the milk powder market and the overall CAGR of 1.5% for the cow milk powder market.

Addressing Low-Allergen Nutritional Needs Through Innovative Product Development

According to the F&S Report, we are one of the few nutritional technology companies in China that focus primarily on goat/sheep milk formula while also maintaining a presence in the FSMP sector. Guided by our core value proposition of “high whey content, low allergenicity, and enhanced absorption (高乳清、低致敏、易吸收),” we conduct systematic research on the nutritional needs of sensitive populations. Based on these insights, we have developed a full-spectrum nutritional solution that addresses a wide range, from mild (suitable for goat/sheep milk) to severe (suitable for FSMPs), offering a closed-loop product system for low-allergen nutrition across diverse use scenarios.

BUSINESS

Goat/sheep Milk Powder



Suitable for people with low sensitivity

Goat/sheep milk powder has smaller protein and fat particles and higher whey protein content, which helps reduce allergies, improve digestion and absorption, and promote healthy development in infants. It is suitable for people with mild sensitivity to cow milk powder

Food for Special Medical Purposes



Suitable for people with high sensitivity

Provides targeted special nutritional support for people with severe sensitivity, such as preterm infants and those with lactose intolerance, as well as special groups such as those recovering from surgery or with metabolic disorders

We are committed to delivering high-quality, value-driven products to consumers. To this end, we have refined every stage of our product development process, from formulation design and raw material supply chain to production techniques, through targeted improvements in product standards.



宜品®

“High whey content, low allergenicity,
and enhanced absorption”
Setting a Yeeper standard that
exceeds industry standards



**High whey protein content, easy to digest
and absorb, low allergen**

All products have whey protein content exceeding international requirements



**More suitable for sensitive babies, meeting
global market demand**

Focused on caring for sensitive babies



Advanced dry-wet mixing process

Effectively retains various nutrients, differentiated
from pure dry mixing methods

A key strength across our entire goat/sheep milk infant formula portfolio is the high proportion of whey protein. Leveraging industry-leading formulation technology, we are able to precisely control the whey-to-casein ratio in our products. Accordingly, our formulations significantly exceed the requirements under the New National Standard, and our formulation adjustment technology was awarded the First Prize for Scientific and Technological Progress in China's Dairy Industry in 2022.

Higher whey protein content plays a critical role in reducing allergic reactions, improving nutrient absorption, and supporting healthy infant development. This advantage is particularly evident in our product lines: our flagship product for which we have submitted registration applications, “Yeeper Boneng (宜品鉞能)”, adopts an approximately 100% pure goat/sheep whey formulation across all stages (Stage 1/2/3); “Yeeper Qihui (宜品啟輝)” contains approximately 90%, 80%, and 70% whey protein in Stage 1, 2, and 3, respectively; and “Yeeper Qibo (宜品啟鉞)”, the core product, contains 80-90%, nearly 70-80% and approximately 70% whey protein for Stage 1, 2 and 3.

BUSINESS

To address the nutritional needs of individuals with more severe sensitivities, we initiated research and registration of FSMPs in 2016. As of June 30, 2025, we had obtained regulatory approval for four FSMP products, each designed to target various specific medical conditions. These include cow milk protein allergy, lactose intolerance, and prematurity or low birth weight in infants, as well as restricted dietary intake, malabsorption, and metabolic disorders in adults. The key features of our FSMP products are summarized in the chart below.

Yeeper Yibei Food for Special Medical Purposes for Infants (Partially Hydrolyzed Milk Protein)		Suitable for infants aged 0-12 months with a high risk of milk protein allergy - Prevents the occurrence of allergies of newborns and reduces the incidence rate of digestive discomfort - Processes whey protein powder into smaller lactoprotein molecules, peptides and amino acids, suitable for infants with a high risk of milk protein allergies. - Added bifidobacterium animalis subsp. lactis Bb-12 and prebiotic FOS to balance intestinal flora - Added five nucleotides, docosahexaenoic acid, arachidonic acid and choline to support growth and development.
Bao An Su Food for Special Medical Purposes for Infants (Lactose-Free)		Suitable for infants aged 0-12 months with lactose intolerance - Avoids lactose intolerance and reduces intestinal strain of infants during diarrhea episodes - Lactose-free, prevents secondary lactose intolerance - Reasonable electrolytes ratio to replenish the electrolytes lost during diarrhea - Five nucleotides to assist the repair of intestinal mucosa
Zhen Er Ai Food for Special Medical Purposes for Preterm/Low Birth Weight Infants		Suitable for preterm/low birth weight infants - Helps preterm/low birth weight infants to achieve catch-up growth - Higher energy density of 81kcal/100ml to support catch-up growth - Preterm formula made from fresh cow milk, retaining active nutrients - Medium-chain triglycerides (MCT) accounts for up to 40% of fat, offering rapid energy supply - Rich in iron (1.71 mg/100ml) with an osmolality of 275 mosm/kg
Yinuo An Food for Special Medical Purposes (Nutritionally Complete with goat milk as dairy ingredient)		Suitable for individuals over 10 years of age with a need for supplementary nutritions due to limited food intake, impaired digestion and absorption, and metabolic disorders. - The first ingredient on the list is skimmed goat milk, whose protein and fat are more easily digested and absorbed. - Ratio of goat milk protein to soy protein is 1:1 – this optimal animal-plant amino acid ratio is beneficial for protein supply, digestion and absorption, with a protein content of 4g per 100ml. - MCT accounts for 32% of total fat, which is conducive to fat digestion and absorption and reduces the intestinal burden on the body. - Enzymatic lactose hydrolysis technology: lactose-free and residue-free, reducing the incidence of lactose intolerance, a common condition among Asian adults. - Added with 5 types of nucleotides and L-carnitine.

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In the early stages of our FSMP strategy, we deliberately focused on infant FSMPs to address strong underlying demand in this category and to fully capitalize on distribution synergies with our existing goat/sheep milk infant formula channels to drive rapid growth in the FSMP products for infants. At the same time, we are vigorously expanding the product layout of full-range medical food for special medical purposes, especially adult medical food for special medical purposes, to seize the market opportunities brought by the aging trend in China. As a result, our FSMP segment recorded a CAGR of 203.3% from the year ended December 31, 2022 to the year ended December 31, 2024, reaching RMB218.6 million in revenue for the year ended December 31, 2024. As of June 30, 2025, we had 15 FSMP products under the preparation of registration and over 40 additional FSMP products in the research pipeline, laying a solid foundation for continued rapid growth in the future.

Leading product registration number. We have established an industry-academy-research integrated research and development system that closely aligns with our core product values of “high whey content, low allergenicity, and enhanced absorption.” By combining foundational nutritional science with supply chain strengths, we continuously drive innovation and ensure the efficient translation of research outcomes into commercially viable product formulations.

As of June 30, 2025, we had obtained regulatory approval for a total of 13 series of infant formula products, with 10 series of goat/sheep milk infant formula products registered, making us the industry leader in terms of the number of registered goat/sheep milk infant formula products. Looking ahead, we plan to further expand our registration portfolio across both goat/sheep milk formula and FSMPs to meet a broad range of needs, from allergy prevention to clinical intervention, providing precise nutritional solutions for consumers with varying degrees of sensitivity.

Ongoing investment in nutritional research and patent development. As of June 30, 2025, we had obtained 64 authorized patents and led or participated in the formulation of at least 12 industry and national standards, such as the testing method for human milk oligosaccharides in infant formula. We have taken part in the national “14th Five-Year Plan Key Research and Development Program” titled “Development and Industrial Demonstration of Medical Foods for Special Life Stages,” and have led multiple national, provincial, and municipal-level research projects. We have established collaboration with Jiangnan University, the Zhejiang Academy of Agricultural Sciences, and other institutions. And we have jointly established the Northeast Agricultural University – Yeeper Dairy Special Food Industry Technology Research Center to promote a closed-loop integration of academic research, industrial application, and technological transformation.

In 2024, we established the Yeeper Low-Allergen Nutrition Research Institute, led by Dr. Liu Yanwen as Chief Scientific Advisor. The institute brings together an interdisciplinary team of experts and is dedicated to building a globally leading research platform focused on allergy prevention and treatment in infants. Its core areas of work include molecular immunology analysis and clinical efficacy validation, serving as a cutting-edge technological support for the development of FSMPs and high-whey formulations.

BUSINESS

Globally Integrated Supply Chain with Access to Premium Resources and Strong Quality Barriers

Our supply chain strengths stem from the team’s deep understanding of the market and long-term commitment to the industry. Since the inception of our brand, we have recognized that supply chain capabilities are fundamental to ensuring product quality. We have brought together top global resources across all segments of the supply chain and built strong structural advantages. Currently, we have established an integrated supply chain system covering core goat/sheep whey ingredients, raw milk goat/sheep sourcing and farming, Organic Jersey cows farming, lean manufacturing, and procurement of raw and auxiliary materials, with stringent safety and quality control implemented at every stage.

By building a globally connected and fully coordinated supply chain system, we have achieved seamless integration of domestic and international strengths. Overseas, we have strategically secured rare goat/sheep whey resources in Spain, ensuring both stable ingredient supply and local processing quality. Domestically, we focus on efficient production and refined operations to enhance cost efficiency while maintaining agile responsiveness to market demand, enabling us to combine cost competitiveness with operational flexibility.

In terms of goat/sheep whey ingredients, we have secured access to scarce, high-quality resources through our forward-looking presence in Spain and achieved full control and in-house production of D90-grade demineralized goat and sheep whey powder using proprietary technology. Demineralized goat/sheep whey powder is the first critical ingredient in goat/sheep milk infant formula, offering low allergenicity and high digestibility for sensitive infants. The New National Standard specifies the required inclusion levels of demineralized whey powder in infant formula products.

The raw material for demineralized whey powder, liquid whey from goat/sheep milk, is a derivative product of cheese production and can only be sourced reliably in regions with large-scale goat/sheep cheese industries, such as Spain. Recognizing the scarcity of this ingredient, we strategically positioned our supply chain in Spain, one of the world’s largest producers and consumers of goat/sheep cheese. In 2018, we acquired a local whey processing facility, and in 2021, we expanded our presence through the acquisition of Queserías Prado, a Spanish cheese manufacturer. We have since established a robust procurement network across key goat/sheep cheese-producing regions in Spain and other parts of Europe. Through long-term supplier agreements, we secured access to approximately one-quarter of the European Union’s total annual production of goat/sheep liquid whey, ensuring supply chain security at its source.

We operate one of the world’s largest goat/sheep whey powder production facilities in Spain, with an annual output exceeding 6,200 tons in 2024, equivalent to around 25% of total EU production in 2024. Leveraging proprietary demineralization technology developed in 2014, we became the first company in China to achieve mass production of D90-grade demineralized goat and sheep whey powder. This technology meets the demineralized requirements of infant formula and enables us to maintain full control, production, and internal supply of this critical ingredient of demineralized goat and sheep whey.

In terms of milk source development, we have established goat farming bases within the global “golden latitude zone” of 35-37 degrees north, and are also developing sheep farming and rare organic A2 Jersey cow herds to ensure stable self-supply of both goat and cow milk.

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As of June 30, 2025, our self-owned dairy farms were located in Heilongjiang Province and Shandong Province. According to the F&S Report, our farm in Bei'an is the largest Jersey cow farm in Heilongjiang Province in 2024, producing organic A2 milk and securing full control over our cow milk supply. Our two goat farms in Laixi and Jimo of Shandong Province enable us to achieve similar control over goat milk sourcing. As of December 31, 2024, we were the largest goat milk producer in Shandong Province.

In terms of manufacturing infrastructure, we have nine production facilities across domestic and overseas locations, ensuring not only production capacity and process quality, but also flexibility in product registration to support a broad formulation matrix.

Our nine facilities include four in China and five overseas. Domestically, our Laixi facility in Qingdao serves as the largest goat milk formula production site in China, ensuring stable output of high-quality capacity. Internationally, our production footprint includes one whey powder plant, one cheese plant, and one infant-formula-grade base powder plant in Spain. Our multi-factory strategy enables us to register a diversified product portfolio and respond precisely to market needs. As for technology, six of our facilities adopt advanced hybrid dry-wet mix process technology, combining wet blending (direct processing of liquid raw materials) and dry blending (mixing of powder ingredients). This hybrid approach retains the nutritional integrity of active ingredients while enhancing production flexibility and efficiency.

In terms of raw and auxiliary material sourcing, we work closely with leading global suppliers to ensure a stable supply of high-quality ingredients. To deliver premium products to consumers, we select raw material suppliers based on their quality, scale, and industry reputation. Our ingredient portfolio includes OPO-structured lipids from Spain and whey powder from Italy and New Zealand. We have adopted proactive procurement strategies to ensure supply chain stability and maintain cost efficiency. This allows us to achieve both efficiency and safety across our procurement processes.

We have established a comprehensive safety and quality control system, under which our products undergo multiple layers of stringent quality inspection during the production process, with end-to-end traceability enabled through a QR code-based tracking system for our infant formula.

From raw material intake to finished product release, our products are subject to over 900 quality inspection items, including precise tests for protein, fat, ash content, and a broad range of nutritional components. As of June 30, 2025, our in-house quality inspection centers were equipped with over 930 pieces of laboratory equipment and staffed by 157 quality control personnel. Our facilities and production management systems have obtained certifications under approximately 20 national and international standards, including GB, GMP, ISO 9001, ISO 22000, HACCP, CNAS, and FSSC 22000. Notably, our Bei'an facility was the first in China to receive GMP certification for FSMP manufacturing, establishing a strong quality foundation for our FSMP products. During the Track Record Period, we were not subject to any material penalties by regulatory authorities in the course of production and did not experience any food safety incidents.

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Trusted Allergy-Friendly Brand with Aerospace-Grade Quality Recognition

Rooted in a deep understanding of infant health needs, we have focused since inception on addressing the nutritional challenges of sensitive infants, positioning ourselves as a dedicated provider of professional solutions in the goat/sheep milk formula and FSMP sectors. We believe that “quality is the lifeline of a brand,” and this belief guides every aspect of our operations, from the careful selection of raw materials from golden dairy regions around the world, to full-chain quality control, continuous scientific research investment, and lean production management. Each step reflects our sincere commitment to consumers, laying the foundation for both consumer trust and sustainable brand development.

Since 2016, we have established a high-quality brand image through our original slogan, “Yeeper Pure Goat/Sheep Milk Formula – Not a Single Drop of Cow Milk,” earning widespread market trust for our commitment to purity and quality. As industry trends and consumer demands evolved, we updated our brand messaging to “Protecting Sensitive Infants – Yeeper Pure Goat/sheep Milk Formula,” reinforcing our position as a professional allergy-friendly brand. Through scientifically formulated products and targeted nutritional solutions, we continue to strengthen consumer recognition of our brand’s professional value.

Our commitment to professional quality has earned us recognition from leading institutions and industry authorities. Since 2018, we have been the exclusive goat milk formula partner of the China Space Foundation for seven consecutive years, a partnership that underscores our compliance with rigorous quality control standards and reinforces our reputation for aerospace-grade product quality. In 2019, we received the award of “World Dairy Innovation Awards – Best Allergy-Friendly Product. (世界乳品創新獎-低敏獎)” In 2023, we were named a “Model Enterprise for Scientific Innovation in China’s Dairy Industry.” Our products have also received multiple international and domestic awards, establishing a benchmark for quality in the goat milk formula segment and further enhancing our brand influence.

Product Series	Key Awards
Bekari and Anico goat milk formula	Gold Awards for four consecutive years at the Monde Selection Quality Awards
Bekari and Yeeper goat milk formula	Quality Gold Awards in 2022 and 2023 at the China Dairy Association’s Goat Milk Infant Formula Quality Competition
Yizhen formula	Grand Gold Awards for four consecutive years (2016-2019) at the Monde Selection Quality Awards

We maintain open and genuine communication with consumers through both online and offline channels, contributing to continuous growth in brand awareness and reputation. This engagement fosters a virtuous cycle of “professional recognition – emotional resonance – experiential conversion” between our brand and target consumers.

Offline, we focus on in-store activation across a wide network of mother-infant stores. Regular campaigns such as “Citywide Search for Sensitive Babies” provide trial opportunities for families, while educating consumers on scientific infant nutrition and building emotional connections with parents. Online, we center our content on topics such as “feeding for sensitive infants” and “nutritional solutions for special physical conditions.” Collaborating with parenting

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influencers, pediatricians, and nutritionists, we deliver product education and science-based insights that effectively drive product awareness and category interest. As of the Latest Practicable Date, our brand had achieved approximately 310 million impressions, 66.3 million reads, and 2.6 million engagements on Xiaohongshu, ranking first in category searches for “goat milk formula.” On Douyin and Weibo, our short videos had amassed 1.7 billion views and 26.1 million engagements, supporting the conversion from brand awareness to purchase.

We have also established strategic cooperation with a well-known domestic TV cartoon channel, having sponsored a well-known children’s variety program for seven consecutive years. Meanwhile, we created the exclusive “Pure Goat/Sheep Princess (純羊公主)” brand IP, conveying our “allergy-friendly care” message through child-friendly content integrated into everyday family settings. In addition, we have collaborated with popular domestic animation IPs to co-develop branded content and merchandise to deepen emotional connections with consumers.

In response to growing public attention on infant health and allergy prevention, we have actively contributed to public education by launching expert-led science communication campaigns tied to our product solutions. In June 2025, we jointly released the “2025 Yeeper Low-Allergen Nutrition White Paper (宜品2025低敏奶粉(營養)白皮書)” with Frost & Sullivan, showcasing research-backed insights that continue to shape public and industry understanding of allergy-friendly dairy nutrition, and reinforcing our position as a trusted, professional brand for sensitive consumers.

Led by a professional brand team and supported by ongoing consumer education, stringent quality standards, and diversified brand-building efforts, we have established a distinct competitive edge in the goat/sheep milk formula sector. Our brand identity, which is centered around “pure goat milk, allergy-friendly, and premium quality (純羊、護敏、高品質),” has achieved strong consumer recognition and emotional resonance, laying a solid foundation for continued market expansion.

Extensive Nationwide Distribution Network with Multi-Pronged Distributor Empowerment for Growth

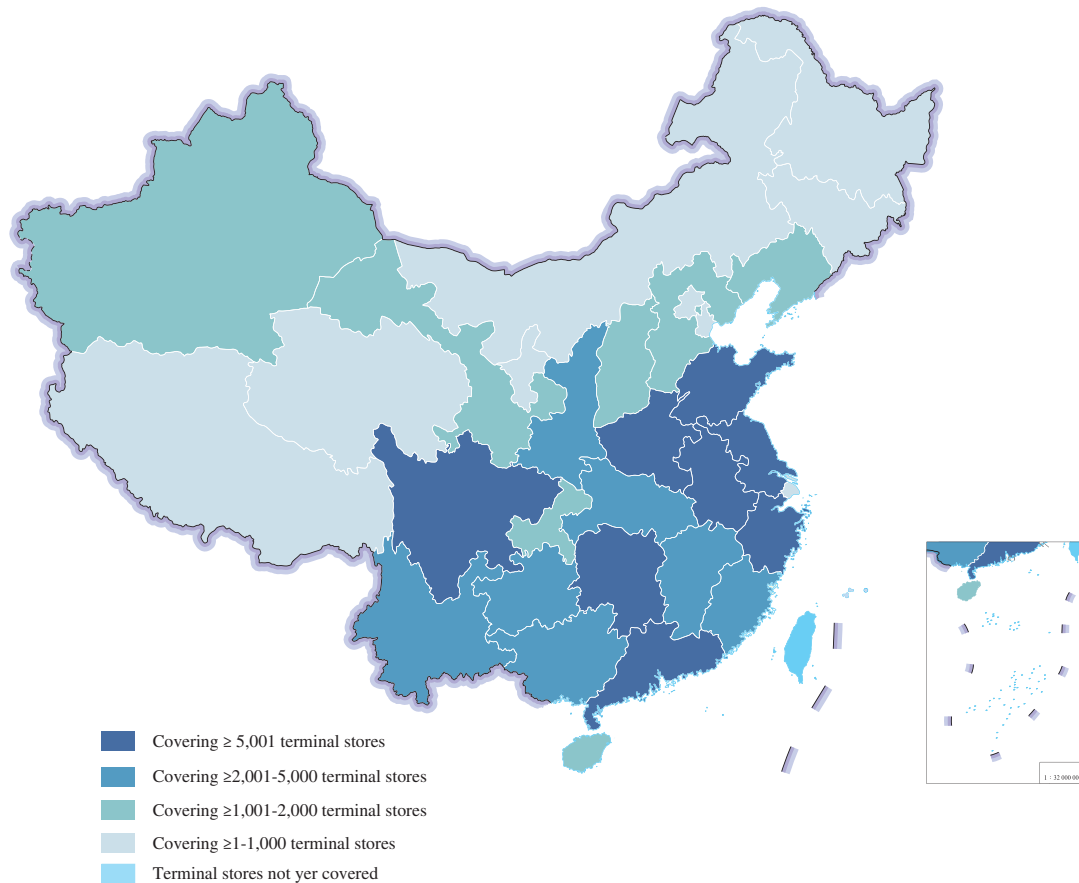
We conduct in-depth market analysis across China based on multiple factors, including regional birth rates, consumer preferences, and brand influence, and strategically expand our distributor network to achieve targeted nationwide coverage.

In lower-tier and emerging urban centers, we work closely with local distributor partners to drive deep penetration into maternal and infant stores. In first- and second-tier cities and provincial capitals, we adopt tailored strategies, engaging either local distributors or directly partnering with chain retail stores to ensure a balanced return on investment.

As of June 30, 2025, our products were available through both distributor and national chain channels in 31 provinces/autonomous regions/municipalities in China, covering 333 prefecture-level cities and over 2,700 county-level regions, with a total of approximately 61,000 terminal retail locations, among which over 7,000 are maternal-infant stores. Our FSMP product series is also distributed through some hospital and near-hospital pharmacy channels nationwide.

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The map below illustrates our retail store coverage across provinces in China as of June 30, 2025.



Number of terminal stores we covered through distributors or direct partnerships as of June 30, 2025

We have established in-depth cooperation with the leading maternal-infant retail channels in the industry. By leveraging these chains’ category education and consumer reach capabilities, we have accelerated product penetration throughout diverse market tiers. In parallel, we are building our international footprint.

Since our inception, we have maintained a deep understanding of the challenges faced by maternal and infant product distributors in an increasingly competitive environment, and have consistently upheld a win-win strategy for channel partnerships. We firmly believe that only by aligning the interests of our distributors with our long-term corporate development can we build strong, enduring relationships, as well as achieving joint development and sustainable growth.

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To that end, we have established a comprehensive distributor empowerment and support system:

- **Scientific network planning.** We have currently built an extensive distributor network across most regions in China, with geographic regions properly assigned to distributors based on local population density and consumption capacity to ensure sustainable operations.
- **Refined partnership model.** We have developed a transparent and standardized cooperation framework, including defined pricing guidelines and contractual mechanisms. We also implement a “payment-before-shipment” policy to mitigate credit risks and minimize working capital occupation.
- **Digital technology empowerment.** Leveraging innovative dual coding technologies, we enable full-chain traceability across the supply chain, from factory shipment to distributor circulation and end-user access, ensuring product shelf-life accuracy and high operational transparency.

Benefiting from this collaboration model, our distribution network has continued to expand in a healthy and orderly manner, supporting the sustained growth of our market share. Looking ahead, we will further unlock channel potential through deeper digital integration and continued innovation in our distributor engagement model, driving scalable and profitable growth across our business.

We have also established a comprehensive online sales network across major e-commerce platforms, including typical e-commerce platforms such as Tmall and JD.com, as well as content-driven platforms such as Douyin, where we operate branded online stores. Our online sales are primarily driven by a combination of self-operated stores and authorized distributor storefronts, enabling us to actively expand our share in the online market while achieving both breadth and depth in our e-commerce channel coverage.

Experienced and Visionary Leadership Team Driving End-to-End Operational Excellence

Our management team covers all critical segments of the entire dairy value chain. The core members each bring over a decade of in-depth experience across key functions including research and development, innovation, lean manufacturing, supply chain management, and channel marketing. This collective expertise has formed a synergistic engine that drives our sustained business growth.

Mr. Mu Shanbo, our Chairman, has around 30 years of experience in the dairy industry and possesses outstanding entrepreneurial and management capabilities. In 2007, Mr. Mu began his entrepreneurial journey. Leveraging his deep understanding of the entire dairy value chain and acute industry insight, he has led our product innovation and strategic expansion with a forward-looking vision for policies and market trends, spearheading our global strategy. Under his leadership, we have successfully integrated top-tier international resources with a lean domestic manufacturing system, creating a significant first-mover advantage for the development layout of high-whey-product of the Company. Mr. Mu’s achievements have received broad recognition. In 2018, he was awarded the Minister’s Prize (最佳長官獎) by the Ministry of Commerce of South Korea (韓國商務部) for his leadership in establishing our Korean factory and advancing cross-border dairy

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collaboration between enterprises from China and South Korea. In 2019, he was named a “Leading Figure in Revitalizing China’s Dairy Industry” (振興中國乳業領軍人物) by the Dairy Association of China. He was also recognized as the “Best Operator of the Year” at the NetEase Dairy Forum (網易乳製品峰會) in 2021, and in 2022, he was honored as an “Outstanding Contributor to China’s Dairy Industry” by the Dairy Association of China.

Mr. Zhang Zejun, our Vice general manager, brings over 30 years of extensive global experience in the dairy industry. Currently, Mr. Zhang oversees our nine domestic and overseas manufacturing facilities, demonstrating strong international perspective and cross-regional resource integration capabilities. Mr. Zhang is both a hands-on practitioner and an academic contributor in his field. He has served as a distinguished safety expert at the Heilongjiang Food Industry Association (黑龍江省食品工業協會), actively contributing to the development of industry standards. A research project under his leadership was awarded the Technology Progress Award (Second Class) by the China Dairy Industry Association and the Chinese National Committee of International Dairy Federation, reflecting his robust technical foundation and innovative capabilities. With a pragmatic and efficient management style, Mr. Zhang continues to drive product quality and operational efficiency across our Group.

Our research and development efforts are further supported by our Chief Scientific Advisor, Dr. Liu Yanwen, an interdisciplinary expert in infant and adult nutrition, medical foods, and functional foods. Dr. Liu holds a Ph.D. in Microbiology and Immunology from Indiana State University (USA), dual Master’s degrees in Computer Engineering and Statistics from the University of Illinois at Chicago, and a Bachelor’s degree in Clinical Medicine from Shandong First Medical University. He also serves as a Visiting Professor at East China University of Science and Technology. Currently, Dr. Liu focuses on translational research related to bioactive components such as proprietary probiotic strains, prebiotics, and functional peptides. His work provides critical scientific support for our technological advancements in low-allergen nutrition and foods for special medical purposes, strengthening our competitive edge in product innovation and formulation.

STRATEGIES

Enhance Our Professional Brand Image of Goat/Sheep Milk Powder and Build a Scientific Understanding System for Low-Allergen Feeding

An epidemiological survey in Chinese cities shows that among infants aged 0-24 months, 40.9% of parents reported that their children had experienced allergic symptoms, and the prevalence of allergic diseases symptoms in infants aged 0-24 months was 12.3%. The low-allergen needs of a large portion of the allergic population remain underserved, indicating considerable market potential for pure goat/sheep milk powder. Enhancing consumer awareness of pure goat/sheep milk powder is therefore a critical opportunity for the development of our goat/sheep milk powder business in the current market environment. We plan to systematically promote consumer education around the category, cultivating the scientific feeding concept of pure goat milk powder as a “high whey content, low allergenicity, and enhanced absorption” option. This initiative is expected to deepen our professional brand image in the goat milk powder sector and establish a scientific understanding system for low-allergen feeding. Meanwhile, we intend to continue investing in brand building, strengthening connections and interactions with consumers, and consolidating our leadership position in the goat/sheep milk powder market.

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Based on the above, our brand strategy upgrade is as follows:

Strengthen consumer education and convey the value of low-allergen and easily digestible goat/sheep milk powder. We plan to systematically promote the benefits of goat/sheep milk powder as a “high whey content, low allergenicity, and enhanced absorption” feeding solution. By collaborating with doctors and key opinion leaders (“KOLs”) in the relevant fields, we will educate consumers on the mechanisms, symptoms, and coping strategies of infant allergies, thereby deepening the penetration of goat/sheep milk powder in the market. We will also build trust within the maternal-child community by sharing real user reviews and expert analyses, providing strong backing for our products, to reinforce our leadership in the goat/sheep milk powder market.

Strengthen our aerospace IP. We aim to continue to leverage our status as the “Official Partner of China’s Aerospace Industry (中國航天事業合作伙伴)” by promoting our brand through activities built around aerospace IP. This endorsement is expected to reinforce the core values of safety and trustworthiness associated with our brand. Both online and offline initiatives will help strengthen these brand attributes, ensuring that our products are perceived as safe and reliable.

Build an omnichannel communication matrix. We will utilize platforms such as WeChat, Douyin, Weibo, and Xiaohongshu to convey in depth the knowledge of low-allergen feeding and the unique benefits of our goat/sheep milk powder. These efforts are expected to generate positive word-of-mouth and enable us to reach consumers through multiple touchpoints, further enhancing the brand’s visibility and reputation within the mother and baby sector.

Precisely target high-potential consumer groups. We plan to place advertisements in key airports and along major high-speed rail lines, ensuring frequent exposure to our target consumer base. This strategic placement aims to strengthen the professional image of our brand in the minds of potential consumers and improve brand awareness among high-potential audiences.

Expand brand influence. We aim to continue sponsoring parenting and mother and baby vertical TV programs and variety shows, creating a multi-dimensional brand recognition. Such initiatives are expected to extend our brand reach, strengthen emotional engagement with target consumers, and further enhance our presence in the mother and baby market (母嬰市場).

Strengthen Research and Development Innovation by Developing Products for Diverse Needs to Create a Second Growth Curve

We will continue to invest in the research and development of product formulas and production processes to enhance the competitiveness of our products. We will further deepen strategic cooperation with top domestic and foreign hospitals, colleges and universities as well as scientific research institutions, and jointly carry out basic research on gastrointestinal science with authoritative medical institutions to systematically guide the development of low-allergen formulas and provide scientific support for the advantages of our products. Meanwhile, we plan to continue focusing on making breakthroughs in the research and development of deep processing technology for functional goat milk raw materials, so as to empower the core competitiveness of our products with technology.

We intend to focus on high-barrier and specialized segments, with a particular emphasis on the FSMPs market, to capture the opportunities arising from its rapid penetration in China. On the other hand, we plan to expand into the health consumption scenarios. By capitalizing on the current aging trend, we aim to launch goat/sheep milk-based functional composite formula powder that meet the demands of middle-aged and elderly people and FSMPs tailored to the silver-haired economy, while developing goat/sheep whey high-protein nutritional supplements that meet the demands of athletic individuals and silver-haired people, etc. For a detailed discussion of our future plans, please refer to the section “Future Plans and [REDACTED]” in this document.

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Deepen Global Industry Chain Layout and Actively Explore Overseas Markets

We plan to further advance our global industry chain layout by strategically allocating production resources across Asia and Europe, organically integrating the efficiency advantages of China’s industry chain with the research, development, and advantages of raw materials of our production facilities in Spain and Korea. Meanwhile, we plan to upgrade and expand dedicated goat/sheep milk powder infant formula production lines at our Spain facility to prepare for sales in overseas markets.

We intend to conduct in-depth research on overseas markets, and plan to focus on markets in Southeast Asia and Africa, where population growth is rapid. Based on local market demand, we plan to match our product portfolio accordingly and accelerate market penetration through localized product formulation strategies. At the same time, we plan to advance product registration and market access approvals in the European and North American markets simultaneously. Riding the abovementioned business portfolio and Yeeper’s exclusive global supply chain, we are proactively tapping into overseas markets.

Further Enhance Product Competitiveness through Intelligent Manufacturing Industry Chain Upgrading

On the production side, we plan to further integrate upstream industry resources. We aim to invest in co-developing upstream dairy farm resources, continuously improving the self-sufficiency rate of raw milk and reinforcing our ability to control raw material quality at the source, thereby building a long-term safeguard mechanism for product safety and stability. In parallel, we intend to advance technology upgrades at both domestic and overseas production facilities, including the construction of deep-processing production lines for functional goat/sheep milk ingredients, to achieve the precise and intelligent manufacturing of new-generation, high value-added products. We will also focus on upgrading the automation equipment and digital quality inspection systems of our domestic production lines, enhancing operational efficiency through technological and equipment improvements.

Advance Strategic Digital Transformation to Build a Smart Dairy Ecosystem

We plan to continue upgrading and iterating existing digital management systems to optimize the connectivity between the entire supply chain and our business systems, achieving further integration and synergy. By establishing a fully digitalized management system covering the entire industry chain, from raw material procurement and production to channel sales, we aim to enable dynamic optimization of production planning and precise inventory control, empowering flexible manufacturing.

Meanwhile, we intend to develop a visualized digital guidance system that spans from the raw material stage to the consumer end, enhancing full-chain product traceability, enabling real-time collection of consumer feedback and supply chain data, and driving both product innovation and process re-engineering. We also plan to incorporate AI large-model technology to intelligently generate marketing strategies and new product development plans based on consumer demands data, thereby improving operational efficiency. These efforts are expected to form a closed loop of “data-decision-optimization (數據-決策-優化),” establishing us as a benchmark for digital transformation in the smart dairy industry.

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OUR BUSINESS MODEL

We are a vertically integrated dairy enterprise (全產業鏈乳製品企業) and a leading player in China’s goat/sheep milk infant formula and foods for special medical purposes (“FSMPs,” 特殊醫學用途配方食品) markets. We specialize in developing, manufacturing, and distributing low-allergen dairy products (低致敏乳製品) designed to meet the nutritional needs of sensitive populations, particularly infants, children, and health-conscious adults with dietary restrictions such as cow milk protein allergy, lactose intolerance, or digestive sensitivities. According to the F&S Report, low-allergen dairy products are formulated using specific ingredients and processing techniques to reduce allergenic components such as α s1-casein, while ensuring high digestibility and nutritional adequacy. These products often incorporate hydrolyzed proteins, high whey protein content, or lactose-free formulations, and form the cornerstone of our differentiated, consumer-centric product strategy.

Our vertically integrated model encompasses the full value chain of dairy production, from upstream self-owned dairy farming, raw milk procurement, and core ingredient (such as goat/sheep whey) supply and processing, through midstream formulation and manufacturing, to downstream branding, distribution, and consumer engagement. In the upstream segment, we operate self-owned dairy farms in Heilongjiang and Shandong, and maintain a strategic sourcing base in Spain. Our Spanish facility, according to the F&S Report, is one of the largest goat/sheep whey powder producers globally and produce approximately a quarter of all goat/sheep whey powder in the European Union in 2024. This upstream integration gives us rare access to high-quality, traceable raw materials, particularly demineralized goat/sheep whey powder (脫鹽羊乳清粉), a critical component in our infant formula offerings. As one of the earliest domestic enterprises to master D90-grade demineralized goat/sheep whey powder technology, we are uniquely positioned to ensure both supply security and technical compliance with infant-grade nutrition standards.

Building on this foundation, our midstream capabilities are centered on proprietary formula development and differentiated production processes. We adopt a hybrid dry-wet mixing process (乾濕複合工藝) that combines the nutrient uniformity benefits of wet blending with the formulation flexibility and retention rate of heat-sensitive nutrients of dry mixing. This allows us to tailor formulations for specific age groups and health conditions while preserving nutrient bioavailability and stability. All production is conducted within our own facilities, located both in China and overseas, and configured to support full in-house control of processing, blending, drying, packaging, labeling, and coding. The capabilities of these midstream functions ensures consistency in product quality, cost containment, and rapid response to consumer demands.

Downstream, we manage a comprehensive brand ecosystem supported by a nationwide distribution network that enables deep penetration into China’s lower-tier and emerging urban centers. Our region-specific marketing strategy, paired with a well-established distributor management system, has allowed us to build a robust presence. Through precise channel segmentation, full-chain traceability via product-level QR codes, and loyalty-building tools such as membership programs, we optimize reach and conversion across physical and digital platforms.

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Compared with non-integrated players who may rely on outsourced demineralized whey powder procurement, third-party contract manufacturers, or licensing models, our vertically integrated approach delivers structural advantages in three critical areas: quality assurance, speed of innovation, and supply chain resilience. By retaining control over raw material sources, proprietary ingredient processing, and end-market branding, we are able to align every aspect of the value chain with our product mission of making consumers around the world love high-quality milk powder made in China.

OUR PRODUCT CATEGORIES

We offer a comprehensive range of dairy products tailored to meet the nutritional needs of various consumer groups across different age stages, health conditions, and dietary preferences. Our product portfolio spans both finished formula-based products and semi-finished dairy ingredients. These categories are designed to address the specific needs of infants, children, adults, and consumers with special dietary requirements. The picture below shows part of our product portfolio for illustration purposes:



The following table sets forth the breakdown of our revenue by product categories during the Track Record Period.

	For the year ended December 31,						For the six months ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)	
Goat/sheep milk infant formula	771,780	55.1	926,438	57.4	1,032,745	58.6	550,019	61.2	447,818	55.6		
FSMPs	23,762	1.7	130,365	8.1	218,617	12.4	100,214	11.1	129,510	16.1		
Cow milk infant formula	215,555	15.4	158,929	9.8	138,771	7.9	71,053	7.9	55,075	6.8		
Adult & children milk powder	73,214	5.2	96,993	6.0	112,993	6.4	56,041	6.2	54,292	6.7		
OEM and dairy product related materials	304,918	21.8	290,610	18.0	247,805	14.1	117,737	13.1	113,739	14.1		
Others	12,383	0.8	10,923	0.7	11,298	0.6	3,936	0.5	5,458	0.7		
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0		

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Goat/Sheep Milk Infant Formula

Our goat/sheep milk infant formula is specifically developed to support infants with heightened sensitivity to conventional dairy products, offering an ideal nutritional alternative for babies with mild to moderate allergic tendencies or digestion-related issues. Goat/sheep milk is widely recognized for its superior digestibility and lower allergenic potential compared to cow milk, making it particularly suitable for infants with cow milk protein allergy or lactose intolerance.

The key physiological and biochemical differences that make goat/sheep milk more suitable for sensitive infants include significantly lower alpha-s1-casein content, which reduces the risk of immune overreaction. In addition, the fat globules in goat/sheep milk are smaller, allowing for easier digestion and absorption. These structural advantages help reduce the likelihood of allergic reactions and gastrointestinal discomfort.

A core differentiator of our goat/sheep milk powder lies in the high proportion of goat/sheep whey protein (羊乳清蛋白), which not only improves protein absorption and tolerance but also mimics the protein composition of human breast milk. All of our goat/sheep milk infant formula products are formulated to contain a significantly higher whey protein ratio than required under the New National Standard, underscoring our commitment to premium nutritional design and product functionality.

Our goat/sheep milk infant formula products are manufactured under strict quality and safety protocols, using advanced dry-wet mixing technology and traceable, high-quality raw materials sourced from our vertically integrated supply chain, ensuring optimal safety for daily feeding.

For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our goat/sheep infant milk formula products was RMB771.8 million, RMB926.4 million, RMB1,032.7 million, RMB550.0 million, RMB447.8 million, accounting for approximately 55.1%, 57.4%, 58.6%, 61.2%, and 55.6% of our total revenue in the correspondingly year/period, respectively.

The following table provides a portion of the selective product series of our goat/sheep milk infant formula brands and their key positioning during the Track Record Period:

Product Series	MSRP Range	Product Image	Product Description
	(RMB/g)		
Yeeper Yang (宜品羊)	RMB438/800g		A pure sheep formula with high whey protein ratio, recognized for its easy digestion, high absorption, and low allergenicity.

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Product Series	MSRP Range (RMB/g)	Product Image	Product Description
Yeeper Qihui (宜品啟輝)	RMB368/700g		A specialty sheep milk formula designed for infants with allergy risks or poor digestion and absorption. It contains up to 90% whey protein to support digestion and nutrient absorption, is made entirely from pure sheep A2 β -casein to reduce sensitivity.
Yeeper Bekari Qibo (宜品蓓康僖啟鉅)	RMB458/800g		An imported goat milk formula produced under stringent foreign and domestic quality standards with high whey protein ratio. The product has been awarded the “Best Hypoallergenic Formula” at the 13th World Dairy Innovation Awards, is made from pure Spanish goat milk, and contains optimized levels of structured triglycerides to reduce calcium soap formation and support nutrient absorption.
Bekari (蓓康僖) . .	RMB388/800g		A flagship hypoallergenic sheep milk formula with high whey protein ratio. It is formulated to meet the daily nutritional needs of sensitive infants and is recognized in the industry for its stable quality. This product has received the Gold Award in the quality competition organized by the China Dairy Industry Association (中國乳製品工業協會), and contains pure goat milk containing natural A2 β -casein.

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Product Series	MSRP Range (RMB/g)	Product Image	Product Description
Yeeper Xiaoyang (宜品小羊)	RMB418/800g		A domestic goat milk formula domestic sheep milk formula with a high proportion of sheep whey protein (羊乳清蛋白), designed to closely resemble the nutritional profile of human breast milk, thereby supporting digestibility, safety, and balanced nutrition. with a high proportion of goat/sheep whey protein designed to closely resemble the nutritional profile of human breast milk.

All of our infant formulas are registered under the Measures for the Administration of Registration of Formulas of Infant Formula Milk Powder Products in the PRC, and are priced across the mass to ultra-premium spectrum depending on source material and brand tier.

FSMPs

FSMPs are scientifically formulated nutritional products developed to meet the specific dietary requirements of individuals with particular medical conditions, such as metabolic disorders, gastrointestinal dysfunction, malabsorption syndromes, or other disease-related nutritional deficiencies. In China, FSMPs are subject to rigorous regulatory oversight, including full-formula registration and, where applicable, clinical validation in accordance with the requirements of the State Administration for Market Regulation (“SAMR”). As a result, FSMPs are characterized by high technical thresholds and stringent entry barriers, with only a limited number of qualified manufacturers able to participate in this specialized market segment.

We have established a dedicated FSMP product portfolio that addresses the diverse nutritional needs of both infant and adult patients across a range of medical conditions. Our FSMPs are developed in line with clinical dietary protocols and manufactured under pharmaceutical-grade conditions to ensure superior safety and efficacy. As of June 30, 2025, we had obtained four registered FSMP product approvals, covering a broad spectrum of indications including lactose intolerance, protein allergies, low birth weight and preterm conditions, and nutrition supplementation for individuals with restricted dietary intake.

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The following table provides an overview of FSMPs during the Track Record Period.

Product Series	MSRP Range (RMB/g)	Product Image	Product Description
Yeeper Yibei (宜品怡貝)	RMB398/800g		A partially hydrolyzed protein formula designed for infants (0–12 months) at high risk of cow milk protein allergy. Enriched with probiotics, prebiotics, DHA/ARA, and other essential nutrients to promote gut health and immune function.
Bao An Su (葆安素)	RMB198/400g		A lactose-free formula intended to reduce gastrointestinal strain during diarrhea episodes, featuring low osmolality and electrolyte balancing ingredients for optimal digestive comfort.
Zhen Er Ai (甄而藹)	RMB238/400g		Tailored for preterm and low birth weight infants, providing high caloric density and essential nutrients such as iron to support catch-up growth and mitigate feeding intolerance risks.
Yinuo An (益諾安) (sheep milk) . . .	RMB498/400g		A nutritionally complete formula for individuals over 10 years of age with limited food intake or digestive issues. It uses sheep milk to optimize amino acid absorption, and reduce lactose intolerance through lactose enzymatic removal.

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Product Series	MSRP Range (RMB/g)	Product Image	Product Description
Yibei Shenmin (怡貝深敏)	RMB368/400g		Enriched with human milk oligosaccharides (“HMOs”), this hypoallergenic formula is designed to replicate the functional benefits of breast milk, supporting immune modulation and cognitive development in infants with allergic predispositions.
Yibei Shendu (怡貝深度)	RMB358/400g		Similar to Yibei Shenmin, this formula targets infants with allergy risks, providing enhanced intestinal health, cognitive support, and immune modulation through HMO enrichment and small molecule protein peptides from deep hydrolysis.

For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our FSMP products was RMB23.8 million, RMB130.4 million, RMB218.6 million, RMB100.2 million, RMB129.5 million, accounting for approximately 1.7%, 8.1%, 12.4%, 11.1% and 16.1% of our total revenue in the corresponding year/period, respectively.

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Cow Milk Infant Formula

Our cow milk infant formula line provides infant balanced, easily digestible formulas designed to support healthy development. These formulas are crafted to cater to the growing demand for high-quality, safe, and nutritious alternatives to traditional milk formulas, offering a well-rounded nutritional profile that supports optimal growth.

The following table provides a portion of the selective product series of our cow milk infant formula brands during the Track Record Period.

Product Series	MSRP Range (RMB/g)	Product Image	Product Description
Yizhen (益臻) . . .	RMB328/800g		A domestically produced Jersey milk-based formula designed to support gentle digestion and nutritional balance in infants with mild lactose sensitivity. The product has received the Gold Award from the China Dairy Industry Association (中國乳製品工業協會) and the Super Gold Award at the Monde Selection (世界食品品質評鑑大會) for four consecutive years.
Organic (愛尼可) .	RMB398/800g		A domestically produced organic cow milk formula made from high-quality organic raw milk certified to stringent standards. The product has obtained full value chain organic certification for 14 consecutive years.
Euland (歐能多) . .	RMB398/800g		An imported organic cow milk formula compliant with the European Union standards. The formula features a mild taste suitable for infants during the weaning stage (斷乳期), with an organic whey-to-casein ratio of 7:3.

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For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our cow milk infant formula products was RMB215.6 million, RMB158.9 million, RMB138.8 million, RMB71.1 million, RMB55.1 million, accounting for approximately 15.4%, 9.8%, 7.9%, 7.9%, and 6.8% of our total revenue in the correspondingly year/period, respectively.

Adult & Children Milk Powder

Our adult and children milk powder product portfolio, comprising 88 product series, is specifically designed to meet the evolving nutritional needs of children aged 36 months and above, as well as adults with special dietary requirements. These products cater to children, adolescents, and adults, addressing various functional purposes such as supporting growth, immune function, bone health, and overall vitality.

- Children and Adolescents (36 months to 18 years): This subcategory is primarily focused on supporting children’s growth, particularly in height development, as well as promoting overall health during childhood and adolescence. These formulas provide key nutrients essential for healthy bone development, immune enhancement, and physical growth during these formative years.
- Adults: This subcategory targets adults with specific health concerns, including middle-aged adults and seniors, as well as pregnant women and postpartum mothers. The formulas address the nutritional needs of these groups, focusing on maintaining bone strength, supporting digestion, boosting immunity, and aiding in recovery during prenatal and postnatal stages.

The following table provides a portion of the selective product series of our adult and children milk powder products during the Track Record Period.

Product Series	MSRP Range	Product Image	Product Description
	(RMB/g)		
Bekari Stage 4 (蓓康僖4段) . . .	RMB298/800g		A formula designed for children aged 36 months and above, focusing on immune system support and digestive health for overall wellness.
Yeeper Shishigao (宜品時時高) . .	RMB398/800g		A nutritional supplement designed for children with higher energy needs. Supports both physical growth and vitality, ideal for active children requiring more energy.

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Product Series	MSRP Range (RMB/g)	Product Image	Product Description
Yeeper Changgao Gao Children’s Nutritional Milk Powder (宜品長高高兒 童營養奶粉) . . .	RMB318/800g		A formula designed to support height development in children, promoting healthy bone growth for those needing extra support in this area.
Yeeper Zhen Gao Children’s Growth Milk Powder (宜品臻 高兒童成長奶 粉)	RMB328/800g		A premium milk powder aimed at providing balanced nutrition for children, supporting their growth and vitality during the crucial years of development.
Yeeper 1956 Middle-Aged High Calcium Sheep Milk Powder (宜品 1956中老年高 鈣營養純羊奶 粉)	RMB288/800g		A high calcium sheep milk powder specifically formulated to meet the nutritional needs of middle-aged adults.

For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our adult and children nutrition formula products was RMB73.2 million, RMB97.0 million, RMB113.0 million, RMB56.0 million, RMB54.3 million, accounting for approximately 5.2%, 6.0%, 6.4%, 6.2%, and 6.7% of our total revenue in the corresponding year/period, respectively.

OEM and Dairy Product Related Materials

This category primarily involves non-core semi-finished dairy ingredients and raw materials. We provide Original Equipment Manufacturing (“OEM”) services, where we supply raw materials and process them based on customer-specific formulations. Under this model, we charge for the raw materials as well as a processing fee, allowing us to tap into external markets while ensuring that our core manufacturing resources are fully optimized.

This category includes dairy ingredients such as:

- Demineralized whey powder (脫鹽羊乳清粉),
- High-fat demineralized goat/sheep whey powder,
- Full cream milk powder (“FCMP”),

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- Low-lactose FCMP,
- Base powders (基粉),
- Milk cream powders and encapsulated dairy lipids.

For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, revenue generated from OEM and dairy product related materials was RMB304.9 million, RMB290.6 million, RMB247.8 million, RMB117.7 million, and RMB113.7 million, accounting for approximately 21.8%, 18.0%, 14.1%, 13.1%, and 14.1% of our total revenue, respectively.

Others

The “Others” category includes miscellaneous, one-time, or incidental revenues that are not directly tied to our core business operations. These revenues come from various non-recurring activities or operational adjustments. For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, revenue from this category was RMB12.3 million, RMB11.0 million, RMB11.3 million, RMB4.0 million, and RMB5.5 million, accounting for approximately 0.8%, 0.7%, 0.6%, 0.5%, and 0.7% of our total revenue, respectively.

OUR PRODUCTION

To support our vertically integrated business model and diversified product portfolio, we operate a fully integrated production system that encompasses both upstream farming and downstream processing capabilities. This system is designed to ensure high-quality supply of raw milk, efficient in-house manufacturing, and strong traceability across the entire production lifecycle.

Our production footprint consists of two primary components:

- **Farming facilities**, including our self-owned dairy farms located in Heilongjiang and Shandong provinces. These farms provide stable, high-quality supply of goat and cow milk, which form the foundation of our core product lines.
- **Manufacturing facilities**, comprising nine production facilities in China and overseas, are responsible for the full processing cycle of our dairy products, from ingredient blending and wet processing to packaging and final product inspection. These facilities are equipped to produce our full range of finished products and semi-finished dairy ingredients.

Our Farming Facilities

We operate a vertically integrated farming model encompassing both dairy cow and goat farming, which forms the foundation of our premium milk-based product portfolio. As of June 30, 2025, we owned and operated one dairy cow farm and two goat farms in China.

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Dairy cow farm in Bei'an, Heilongjiang

Our dairy cow farm is located in Bei'an, Heilongjiang Province, a region known for its clean environment, abundant water resources, and cool temperatures, which is ideal for high-quality raw milk production. As of June 30, 2025, the farm houses exceeding 4,000 head of dairy cows, including 2,139 milkable cows (產奶牛) and 2,125 heifers (小母牛) and calves (牛犢). By breed, the herd consists of 3,196 Jersey cows (娟珊牛) and 1,068 Holstein cows (荷斯坦奶牛), which are A2 cows.

The farm implements a structured feeding regime consisting of silage corn, alfalfa hay, and formulated concentrates, supported by a scientific herd management system. Milking operations are carried out in fully automated parlors, ensuring high efficiency and hygiene. Raw milk is stored in temperature-controlled tanks and delivered to nearby processing facilities within approximately 40 minutes of collection.

The total area of the sole dairy cow farm is approximately 230,000 square meters. The dairy cow farm utilizes management and monitoring software, enabling systematic collection, analysis, and reporting of production data. The sole dairy cow farm is equipped with a comprehensive monitoring system that covers different areas, providing real-time insights into various sectors. This technology ensures safety, enhances production efficiency, and guarantees the timely and accurate collection of data, contributing to streamlined herd management. It also has a veterinary management system that ensures the milk's quality by handling drug residue issues carefully and segregating milk for special processing when necessary.

Goat farm in Laixi, Shandong

Our Laixi goat farm in Laixi, Qingdao, Shandong Province serves as a key farming facility supporting our vertically integrated milk sourcing strategy. As of the June 30, 2025, the farm maintained approximately 3,300 head of goats. The site spans approximately 31,347 square meters, and is located adjacent to our Laixi production facility, enabling rapid cold-chain transfer of fresh goat milk and ensuring maximum retention of nutrient integrity.

We adopt an intensive farming model (集約化養殖模式) at this site, enclosing indoor housing to optimize animal welfare and milk yield. The farm is equipped with automated milking parlors designed for twice-daily collection. To maintain high hygiene and biosecurity standards, we implement rigorous milking procedures, including scheduled disinfection protocols, water quality testing, and veterinary health monitoring. All raw milk collected is subject to on-site initial quality screening before being swiftly transferred to the adjacent facility for further processing into our premium infant formula and FSMP products.

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Aote (奥特) goat farm in Jimo, Shandong

Our Aote goat farm in Jimo, Qingdao, Shandong Province was acquired in 2021 and plays an important role in supporting our integrated upstream milk sourcing strategy. As of the June 30, 2025, the farm maintained approximately 4,000 head of goats. Situated in a coastal area with a temperate climate and abundant local forage, the site provides favorable environmental conditions for animal welfare and contributes to improved milk yield and composition.

The facility spans approximately 97,333 square meters and is equipped with advanced infrastructure, including RFID-based systems for real-time monitoring of animal movement, feeding behavior, and milking cycles. We implement customized feeding plans and reproductive-stage profiling to optimize nutritional intake and ensure consistent milk production throughout the year. The site is designed to accommodate future herd expansion and operational upgrades, ensuring scalability of our upstream milk supply for premium infant formula and FSMP production.

Goat/Sheep farms Under Construction

To meet rising demand for our goat/sheep milk-based products, we have two new dairy farms under construction: one in Laixi (adjacent to our current farming facility) and another in Fuyu County, Heilongjiang Province. Each will be equipped with modern milking systems, quarantine infrastructure, and real-time digital monitoring platforms.

Construction of the new farm in Laixi began in February 2025, with trial operations commencing in June 2025. The Laixi farm is currently used for segregating and quarantining goats sourced from our other facilities and external suppliers, and has not yet commenced milk production. Once fully operational, the farm is expected to house approximately 1,600 lactating ewes at steady-state capacity.

In addition, we entered into a joint investment agreement with the local government of Fuyu for the development of a goat/sheep farm in Fuyu. Under such agreement, the local government provides the farm site and undertakes infrastructure investment and construction, while we, as the farm operator, undertakes the investment in equipment and biological assets. Upon the completion of construction, the Company will operate the farm by leasing the site from the local government. We expect trial operations of the Fuyu farm to commence by the first half of 2026.

Our Manufacturing Facilities

As of June 30, 2025, we had nine manufacturing facilities, comprising four in China and five overseas. All of our production facilities are fully self-operated, and most are strategically located in close proximity to our raw milk sources and core consumer markets. These facilities form the backbone of our vertically integrated production model, enabling us to uphold stringent quality control, enhance cost efficiency, and ensure timely, scalable delivery of our full product range, including infant formulas and FSMPs.

During the Track Record Period, we implemented a series of capacity reallocation measures among our domestic facilities to optimize overall production efficiency, reduce costs, and better align capacity with product demand.

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Domestic Manufacturing Facilities

Bei'an Yeeper Nuka Plant (“Bei'an Facility”)

Located in Bei'an, Heilongjiang Province, the Bei'an Facility Mainly produces functional milk powder and basic nutritional ingredients. As of June 30, 2025, the Bei'an Facility operates two fully automated spray-drying (噴霧乾燥) lines, with a combined annual design capacity of approximately 13,500 tons. The Bei'an Facility primarily processes raw milk from our adjacent dairy cow farm in Bei'an and focuses on the production of a wide range of dairy products, including infant formula, organic infant formula, full goat milk-based infant formula, whole milk powder, modified milk powder, FSMPs, high-fat demineralized whey powder, organic high-fat demineralized whey powder, and high-fat demineralized goat/sheep whey powder.

The Bei'an Facility also benefits from state-of-the-art production technology, including advanced spray-drying towers and automated packaging systems. The facility is designed for flexibility, enabling the production of a wide range of dairy products while maintaining strict standards for food safety and quality assurance. The Bei'an Facility operates under pharmaceutical-grade processes, with packaging areas meeting the 100,000-level international cleanroom standards. Additionally, the facility uses the most advanced MSD-type three-stage spray-drying towers to minimize heat damage to the nutritional value of milk powder during the drying process.

Each production line is equipped with programmable logic controllers (“PLCs”) and real-time monitoring systems to ensure consistent quality, product safety, and nutritional stability. The plant follows GMP standards for FSMP production, ensuring high-quality control for sensitive nutritional products.

The equipment of our Bei'an Facility also includes diode array near-infrared rapid test analyzers to ensure the final quality of the products and adjust process parameters in real-time. To maintain optimal production conditions, GMP-compliant monitoring systems regulate temperature, humidity, and pressure, ensuring that products are produced under ideal environmental conditions. Metal detectors are also used to ensure the safety and quality of outgoing products and other technologies.

Set out below is our spray-drying capacity, actual output, and utilization rate at the Bei'an Facility during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Design capacity					
(tons per					
year/period)	13,500	13,500	13,500	6,750	6,750
Actual output (tons) . . .	9,088	8,081	7,735	4,662	3,728
Utilization rate (%) . . .	67.3	59.9	57.3	69.1	55.2

BUSINESS

The average utilization rate for spray-drying capacity of our Bei’an Facility during the Track Record Period was approximately 61.5%. Utilization decreased from 67.3% in 2022 to 57.3% in 2024, primarily due to the commissioning of our new plant in Qingdao in the second half of 2022, after which certain production were shifted from Bei’an to Yeeper Qingdao Plant in 2023 and 2024. When comparing the first half of 2024 (69.1%) to the same period in 2025 (55.2%), the higher production output in the first half of 2024 was mainly attributable to a concentration of sales orders following the implementation of the New National Standard for milk powder.

Yeeper Heilongjiang Plant (“Fuyu Facility”)

Our Yeeper Heilongjiang Plant, located in Fuyu County, also known as “Fuyu Facility” Heilongjiang Province, primarily focuses on the production of functional milk powders and nutritional base ingredients. As of June 30, 2025, the Fuyu Facility operates one spray-drying line with an annual design capacity of 5,400 tons.

The Fuyu Facility specializes in shorter-batch, higher-value production runs, including customized nutritional blends and private-label formulations for international customers. It plays an important role in enhancing our formulation flexibility and supporting our export business. The facility is equipped with advanced, automated production lines and follows stringent GMP standards to ensure product quality and consistency.

The Fuyu Facility also meets high industry standards, having been recognized as a digital demonstration workshop by the Heilongjiang Provincial Department of Industry and Information Technology in September 2020. The Fuyu Facility has successfully passed ISO 9001, HACCP, and GMP certifications, reinforcing its commitment to food safety and quality assurance.

Set out below is our spray-drying capacity, actual production output, and utilization rate at the Fuyu Facility during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Design capacity (tons per year/period)	5,400	5,400	5,400	2,700	2,700
Actual output (tons) . . .	4,151	4,075	3,971	2,353	1,968
Utilization rate (%) . . .	76.9	75.5	73.5	87.1	72.9

The average utilization rate for spray-drying capacity during the Track Record Period was approximately 75.4%. Utilization decreased from 76.9% in 2022 to 73.5% in 2024, primarily due to certain industrial product orders were shifted from Heilongjiang to our Laxi Facility in Qingdao.

When comparing the first half of 2024 (87.1%) to the same period in 2025 (72.9%), utilization declined by 14.2 percentage points, the higher production output in the first half of 2024 was mainly attributable to a concentration of sales orders following the implementation of the New National Standard for milk powder.

BUSINESS

Aubecca Nutritional Plant (“Tieli Facility”)

Aubecca Nutritional Plant, also known as the Tieli Facility, located in Tieli City, Yichun, Heilongjiang Province, mainly for the production of functional milk powder and basic nutritional ingredients. As of June 30, 2025, the Tieli Facility runs one spray-drying line, with an annual design capacity of approximately 2,200 tons. It is GMP-compliant for FSMP production and features specialized zones for low-bioburden blending and sterile packaging.

Set out below is our spray-drying capacity, actual output, and utilization rate for the Tieli Facility during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Design capacity (tons per year/period)	2,268	2,268	2,268	1,134	1,134
Actual output (tons) . . .	1,469	967	616	402	65
Utilization rate (%) . . .	64.8	42.6	27.2	35.4	5.7

The average utilization rate for spray-drying capacity during the Track Record Period was approximately 44.8%. Utilization decreased significantly from 64.8% in 2022 to 27.2% in 2024, primarily due to the transfer of infant formula production from our Tieli Facility to other facilities as part of our capacity optimization strategy. When comparing the first half of 2024 (35.4%) to the same period in 2025 (5.7%), utilization declined, primarily due to our strategic deployment plan, the Tieli Facility is being upgraded to manufacture other nutritional ingredients in the future.

Yeeper Qingdao Plant (“Laixi Facility”)

Our Yeeper Qingdao Plant, located in Laixi, Qingdao, Shandong Province, also known as the Laixi Facility, is our largest integrated manufacturing facility by packaging capacity.

The Laixi Facility primarily processes fresh goat milk from our Laixi and Jimo farms and specializes in the production of goat milk-based infant formulas and FSMPs. It is equipped with crystallization and granulation systems to enhance powder solubility and stability, and houses a central laboratory for sensory testing and accelerated shelf-life studies.

Set out below is our spray-drying capacity, actual output, and utilization rate at the Laixi Facility during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Design capacity (tons per year/period)	16,200	16,200	16,200	8,100	8,100
Actual output (tons) . . .	1,289	5,261	6,987	3,766	2,553
Utilization rate (%) . . .	7.9	32.5	43.1	46.5	31.5

BUSINESS

The average utilization rate for spray-drying capacity of our Laixi Facility during the Track Record Period was approximately 27.8%. Utilization increased significantly from 7.9% in 2022 to 43.1% in 2024, mainly due to the ramp-up of operations following the plant’s commissioning in the second half of 2022. When comparing the first half of 2024 (46.5%) to the same period in 2025 (31.5%), primarily due to some of our production lines had been undergoing upgrades and renovations, during which those lines were temporarily suspended in the first half of 2025.

Overseas Manufacturing Facilities

South Korea Plants

We operate two manufacturing facilities in South Korea: the HAM plant and the Ohsung plant in Gwangyang. Both facilities are equipped with dedicated dry-blending lines. The HAM plant has a annual capacity of approximately 5,000 tons as of June 30, 2025, and primarily serves as a manufacturing base for infant formula and FSMPs.

The HAM plant is registered as a factory under the Act on Designation and Management of Free Trade Zones and holds livestock product processing business permits under the Livestock Products Sanitary Control Act. It also maintains multiple food safety management certifications (“HACCP”), including:

- HACCP certification for infant formula and mixed powdered milk under the Livestock Products Sanitary Control Act, valid from October 6, 2021 to October 5, 2026 (renewed every five years);
- HACCP certification for milk-containing processed products under the Food Sanitation Act, valid from September 26, 2024 to September 25, 2027 (renewed every three years); and
- HACCP certification for other processed products, valid from September 26, 2024 to September 25, 2027 (renewed every three years). These certifications are renewable upon meeting facility and management standards, and the [REDACTED] will not affect such renewals.

The Ohsung plant was newly constructed and had commenced trial production. It is designed to focus on the production of FSMPs.

The Ohsung plant holds a livestock product processing (dairy processing) license under the Livestock Products Sanitary Control Act obtained on June 20, 2023, as well as registration for food manufacturing and processing business under the Food Sanitation Act obtained on January 9, 2024. It has also obtained HACCP certification for infant formula and mixed powdered milk under the Livestock Products Sanitary Control Act, valid from June 27, 2024 to June 26, 2027 (renewed every three years). This certification is renewable upon meeting facility and management standards, and the [REDACTED] will not affect such renewals.

BUSINESS

Both facilities are fully compliant with the regulatory requirements of the Ministry of Food and Drug Safety (“MFDS”) of South Korea. Regular internal audits and external inspections are conducted to ensure alignment with international food safety standards. Their modular and clean-room compliant layouts support customized formula development and multi-stage packaging configurations tailored to export client specifications.

Set out below is the capacity, actual output, and utilization rate of the HAM plant during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Design capacity (tons per year/period)	5,000	5,000	5,000	2,500	2,500
Actual output (tons) . . .	3,588	2,512	3,126	2,038	1,008
Utilization rate (%) . . .	71.8	50.2	62.5	81.5	40.3

The average utilization rate for the HAM plant during the Track Record Period was approximately 61.4%. Utilization fluctuated from 71.8% in 2022 to 62.5% in 2024, mainly caused by fluctuations in production orders resulting from changes in our product mix. When comparing the first half of 2024 (81.5%) to the same period in 2025 (40.3%), utilization declined by 41.2 percentage points, primarily because the sales of our FSMPs were relatively high in the first half of 2024.

Set out below is the capacity, actual output, and utilization rate of our Ohsung plant during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Design capacity (tons per year/period)	—	—	—	—	2,600
Actual output (tons) . . .	—	—	—	—	75
Utilization rate (%) . . .	—	—	—	—	2.9

The Ohsung plant commenced trial production in early 2025 and had not been in operation during the years ended December 31, 2022, 2023, and 2024. As of June 30, 2025, it had a designed capacity of 2,600 tons, with actual output of 75 tons and a utilization rate of 2.9%. It is mainly because the Ohsung plant has just begun trial production and is still in the initial commissioning phase.

BUSINESS

Spanish Facilities

We have three manufacturing facilities in Spain, which play a critical role in supporting our global ingredient sourcing strategy and enhancing our regional market penetration. These facilities include:

- **Goat/sheep Whey powder plant** in Monforte de Lemos, Lugo, Galicia, primarily supplying goat/sheep whey power to our PRC manufacturing facilities for internal use.
- **Cheese plant** in Monforte de Lemos, Lugo, Galicia, which processes goat/sheep and cow milk into hard cheeses.
- **Infant-formula-grade base powder plant** in Talavera de la Reina, Toledo, which is currently undergoing a technical upgrade.

The goat/sheep whey powder plant has obtained ISO 9001, ISO14001 and Halal certification, while the cheese plant has obtained IFS Food certification. They are fully integrated into our global traceability and quality management system. Serving as a key platform for nutritional ingredient exports to overseas market.

The infant-formula-grade base powder plant in Talavera de la Reina acquired in October 2024, is currently undergoing substantial technical upgrade and had not yet commenced commercial operations. Accordingly, no production or utilization data is applicable for this facility.

Set out below is the production capacity, actual output, and utilization rate of our two Spanish facilities during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
Whey powder plant – drying capacity (tons per year/period)	6,300	6,300	6,300	3,150	3,150
Actual whey output (tons)	5,145	5,281	5,267	2,628	2,581
Utilization rate (%) . . .	81.7	83.8	83.6	83.4	81.9
Cheese plant – processing capacity (tons per year/period)	1,500	1,500	1,500	750	750
Actual cheese output (tons)	1,336	923	935	400	374
Utilization rate (%) . . .	89.1	61.5	62.3	53.3	49.9

BUSINESS

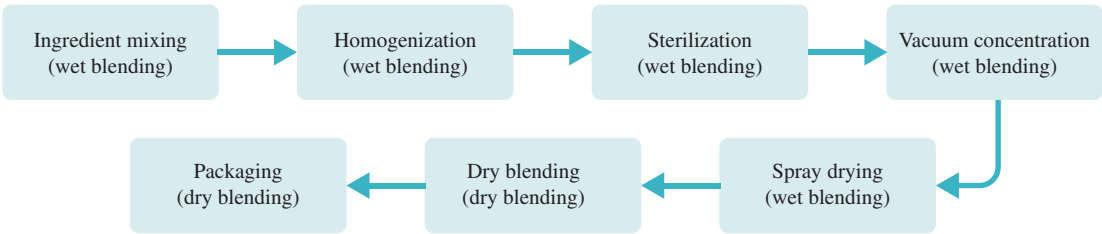
The average utilization rate for the whey powder plant during the Track Record Period was approximately 82.9%, remaining broadly stable between 2022 and 2024, at 81.7% and 83.6%, respectively. The average utilization rate for the cheese plant during the Track Record Period was approximately 63.2%. Utilization decreased from 89.1% in 2022 to 62.3% in 2024, mainly due to the ongoing adjustment of our product mix.

Our Production Process

Dry-wet mix process

We primarily manufacture our infant formulas using a dry-wet mixing process (乾濕複合工藝), integrating the nutritional preservation benefits of wet blending (濕法) with the formulation flexibility and operational efficiency of dry blending (乾法). This advanced method optimizes product quality, ensures uniform nutrient distribution, and enhances operational adaptability, outperforming traditional production techniques. Compared to the individual methods of wet blending and dry blending, the dry-wet mixing process combines the advantages of both. While wet blending ensures uniform nutrient distribution and minimizes microbial contamination risks, it can lead to the degradation of certain sensitive nutrients due to the high temperatures used. Dry blending, on the other hand, provides better preservation of sensitive ingredients, but it often results in uneven mixing of micronutrients.

Set out below is the key production stages, distinguishing between wet and dry processes.



- (1.) **Ingredient mixing (wet blending):** Fresh milk or liquid raw materials are mixed with lactose, oils, minerals, and vitamins under controlled vacuum conditions, forming a uniform emulsion (乳液). This ensures consistent nutrient quality and maximizes nutrient uniformity.
- (2.) **Homogenization (wet blending):** The emulsion is homogenized at high pressure (16-20 MPa), reducing fat globules (脂肪球) to sizes between 0.1 and 2μm, improving product stability and texture.
- (3.) **Sterilization (wet blending):** The emulsion undergoes sub-high-temperature sterilization at 100-120°C, eliminating harmful microorganisms while preserving nutrient integrity.
- (4.) **Vacuum concentration (wet blending):** The sterilized emulsion is concentrated via vacuum evaporation (真空濃縮) to approximately 40-50% solid content, increasing efficiency in the spray drying stage.

BUSINESS

- (5.) **Spray drying (wet blending):** The concentrated emulsion is rapidly dried in high-temperature airflow (160-200°C), forming powder particles with preserved nutritional content and solubility.
- (6.) **Dry blending (dry blending):** Heat-sensitive nutrients, including probiotics and select vitamins, are precisely blended into the dried powder, ensuring even distribution without compromising their biological efficacy.
- (7.) **Packaging (dry blending):** The final blended powder is packaged in nitrogen-flushed cans or sachets under vacuum conditions, enhancing shelf life and product safety.

The dry-wet mixing process offers several advantages over traditional production methods. It provides superior uniformity in nutrient distribution, maintains the stability of sensitive ingredients, and offers greater flexibility in operational parameters. By combining the strengths of both wet and dry blending techniques, it ensures the production of high-quality infant formulas tailored to meet the nutritional needs of sensitive populations.

Process design and product development synergy

We adopt a cross-functional innovation model that tightly integrates our research and development team with production and Regulatory Affairs units from the earliest stages of product conception. By embedding process design into formulation development, we ensure technical feasibility and manufacturing reproducibility throughout the product lifecycle. Each new product concept follows a structured co-development workflow:

- **Joint formulation workshops (聯合配方研討會):**

New product formulations undergo early-stage feasibility assessments involving both research and engineering teams, enabling us to anticipate scale-up risks and identify potential processing limitations before pilot production.

- **Pilot-scale trials and scalability testing (試點實驗與可擴展性測試):**

We operate pilot-scale pre-treatment to simulate key processing steps. This allows us to collect early-stage data on sensory performance, physicochemical properties (理化特性), and bioavailability, ensuring a smooth transition to commercial scale.

- **Iterative product lock-in (產品參數迭代鎖定):**

Final process parameters are validated through repeated production trials and regulatory-compliant stability assessments. Once confirmed, these parameters are embedded into our Manufacturing Execution System (“MES”) to ensure consistency and traceability across production chain.

BUSINESS

This integrated development framework enables us to accelerate time-to-market while safeguarding product efficacy and manufacturability in tandem.

Automation and quality management

Our manufacturing facilities are equipped with modern automation and digital control systems, including programmable logic controllers (“PLCs”), centralized Supervisory Control and Data Acquisition (“SCADA”) systems, and integrated batch execution tracking. Core production units such as spray dryers, sterilizers, and evaporators are digitally synchronized to support real-time process monitoring and quality assurance.

We maintain a Standard Operating Procedure (“SOP”) platform for each production site and utilize advanced inline analytics, such as ultra-high performance liquid chromatography (“UHPLC”), gas chromatography-mass spectrometry (“GC-MS”), high performance liquid chromatography (“HPLC”), and UHPLC-MS/MS, to monitor key nutritional and safety indicators.

The full chain of production is traceable via a unique QR code embedded on its packaging, linking it back to raw material inputs, batch records, and processing parameters. We do not outsource any stage of the production process, enabling full control over formulation integrity, food safety, and traceability.

In response to functional needs such as improved solubility and rehydration speed, we have developed a proprietary post-spray crystallization step, selectively applied to FSMPs and low-lactose formulations. This optional step enhances powder structure and performance in reconstitution-sensitive applications.

Environmental protection and sustainability

We are committed to reducing the environmental footprint of our production activities and integrating sustainability principles into our daily operations. Our major manufacturing sites are equipped with on-site wastewater treatment systems that meet or exceed local regulatory discharge standards. Effluent is processed through multi-stage physical filtration and biological treatment prior to safe release into the environment.

BUSINESS

We have implemented continuous improvement mechanisms focused on reducing energy consumption per ton of finished product. Select facilities have adopted thermal energy recovery systems that capture residual heat from spray drying and sterilization equipment for reuse in upstream processes.

We minimize raw material wastage through precision batch sizing and real-time formulation control. Solid by-products, including off-specification powder, are either reprocessed under stringent quality constraints or responsibly disposed of through certified waste management partners.

As part of our decarbonization strategy, we are in the process of upgrading selected facilities to support rooftop solar panel installation and alternative energy integration. In parallel, our regional warehousing and logistics optimization initiatives reduce transportation-related emissions and improve last-mile delivery efficiency.

Our Equipment and Machinery

Our manufacturing facilities are equipped with a full suite of integrated production lines supporting both wet and dry processing. Each facility features modular setups tailored to specific product categories, including infant formula, FSMPs, and general-purpose dairy powders.

Key equipment includes PLC-controlled vacuum mixers, high-pressure homogenizers, sterilizers, falling-film evaporators, vertical spray dryers (both single-stage and multi-stage), precision ribbon and cone mixers, and nitrogen-flushed packaging systems. Selected facilities are also equipped with crystallization units and fluid-bed agglomeration systems, which enhance solubility and flowability of powder-based products. Our equipment configuration supports scalable batch sizes and enables strict segregation of production runs involving allergen-sensitive or FSMP, ensuring both manufacturing flexibility and food safety compliance.

SALES AND DISTRIBUTION CHANNELS

Our sales model primarily comprises distribution partnerships, supplemented by direct sales. During the Track Record Period, the vast majority of our product sales were conducted through distribution partners. These distributors are typically responsible for localized retail coverage, including lower-tier cities and rural counties, and operate through their own retail networks.

BUSINESS

Set out below is a breakdown of our revenue by sales channel in absolute amounts and as a percentage of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	% of	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Direct sales	362,492	25.9	475,098	29.4	524,014	29.7	232,714	25.9	269,923	33.5
Distribution										
partnerships	1,039,120	74.1	1,139,160	70.6	1,238,215	70.3	666,286	74.1	535,969	66.5
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0

The following table sets forth a breakdown of our revenue by geographical market for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
The PRC	1,278,560	91.2	1,540,563	95.4	1,684,307	95.6	861,189	95.8	771,957	95.8
Spain.	115,982	8.3	62,520	3.9	57,181	3.2	29,045	3.2	26,629	3.3
Others ⁽¹⁾	7,070	0.5	11,175	0.7	20,741	1.2	8,766	1.0	7,306	0.9
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0

Note:

(1) Others primarily include Korea and Hong Kong.

Direct Sales

Our direct sales primarily comprise (i) the provision of OEM services, under which we manufacture milk powder products according to customers' own formulations, (ii) the sale of dairy ingredients, raw materials and other dairy-based semi-finished products to institutional customers, and (iii) sales through e-commerce platforms to end consumers. For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our direct sales amounted to RMB362.5 million, RMB475.1 million, RMB524.0 million, RMB232.7 million, RMB269.9 million, respectively, accounting for 25.9%, 29.4%, 29.7%, 25.9%, and 33.5% of our total revenue from product sales for the same periods.

Our online direct sales are mainly conducted through online stores on mainstream third-party platforms, including Weiyi Zhenxuan, Tmall, JD.com and Douyin, as well as our WeChat mini-programs. These platforms serve as key consumer-facing portals for brand exposure, product marketing, and direct order fulfillment.

BUSINESS

The following table sets forth the breakdown of revenue generated from online direct sales by platform during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Weiye												
Zhenxuan ^(Note 1) . . .	20,016	40.2	126,327	71.2	177,088	67.8	98,907	68.2	73,321	66.1		
WeChat mini- programs ^(Note 2) . . .	–	–	2,040	1.2	29,199	11.2	17,366	12.0	12,904	11.7		
Tmall	20,920	42.0	26,626	15.0	28,973	11.1	14,946	10.3	12,875	11.6		
JD.com ^(Note 3)	2,272	4.6	8,119	4.6	13,211	5.0	7,274	5.0	5,721	5.2		
Douyin	3,891	7.8	10,130	5.7	8,203	3.1	3,646	2.5	3,827	3.5		
Others	2,679	5.4	4,089	2.3	4,935	1.8	2,953	2.0	2,085	1.9		
Total	49,778	100.0	177,331	100.0	261,609	100.0	145,092	100.0	110,733	100.0		

Notes:

1. A WeChat mini-program operated by Supplier F.
2. WeChat mini-programs operated by us.
3. Excluding those operating under a JD.com selfrun model.

The salient terms of our agreements with e-commerce platforms typically include:

- *Duration:* Agreements are typically set for a fixed term, with the possibility of renewal upon mutual consent and based on performance.
- *Commission and promotional costs:* In addition to transaction-based commissions, platforms may charge for optional marketing services such as advertising packages, keyword bidding, or other promotional tools. These costs may be prepaid, settled upon budget confirmation, or charged after performance.
- *Pricing policy:* Pricing structures sometimes include a suggested retail price (“SRP”). Sometimes, it is required that the price should be comparable to the market price. Compliance with these is monitored, especially during promotional events.
- *Return and exchange:* Platforms usually specify policies for product returns and exchanges to protect consumers. These arrangements can differ based on product value and platform-specific rules.
- *Payment terms:* Settlement is based on completed orders, with payment timelines varying by platform policy, merchant performance, and product type.

BUSINESS

Distribution Partnerships

We adopt a distribution model as one of our core sales strategies, particularly for coverage in lower-tier cities. This model enables us to scale rapidly, penetrate local markets with limited in-house resources, and leverage the market insights and distribution capacity of experienced third-party partners. Our distributors purchase our products on a wholesale basis and sell them to downstream retailers or end-customers. We recognize revenue from such sales when control over the products has been transferred, which typically occurs upon delivery to the distributor. For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our distribution partnership amounted to RMB1,039.1 million, RMB1,139.2 million, RMB1,238.2 million, RMB666.3 million, and RMB536.0 million, respectively, accounting for 74.1%, 70.6%, 70.3%, 74.1%, and 66.5% of our total revenue from product sales for the same periods.

As of June 30, 2025, we cooperated with distributors across over 30 provinces, municipalities and autonomous regions in China. During the Track Record Period, we did not rely on any single distributor for more than 10% of our total revenue in any given year/period.

Cannibalization risk management

We implement strategic measures to mitigate the risk of cannibalization within our distribution network. Cannibalization occurs when products within the same brand or product category compete with one another, undermining overall sales performance or damaging brand positioning. To avoid this risk, we have developed a comprehensive strategy:

- *Clear product segmentation and positioning:* We ensure that each product line targets distinct customer segments, minimizing overlap between products. Our product portfolio is segmented based on consumer needs, such as infant formula, adult milk powder, specialty formulas, and organic offerings, with tailored marketing and sales strategies for each category. This segmentation prevents our products from competing against one another in the market.
- *Differentiated pricing strategy:* We adopt a tiered pricing strategy, where premium products are positioned at higher price points and value products are priced competitively for mass-market appeal. This approach creates a clear price differentiation, ensuring that consumers are drawn to the products that best suit their needs without causing internal competition for market share. Regular audits ensure that products within the same category do not conflict in terms of retail pricing.
- *Geographical exclusivity and territory control:* To further reduce the risk of cannibalization, distributors are responsible for their specific regions, and we implement these territorial boundaries rigorously to ensure that products are not sold in overlapping markets. This allows us to control and prevent any internal competition between distributors and sales teams.

BUSINESS

- *Distributor performance monitoring:* We continuously track distributor performance through a combination of sales data, market feedback, and customer surveys. Regular assessments help us identify areas where cannibalization risks might arise, particularly when distributors may divert sales efforts between overlapping product categories. Our sales management team works closely with distributors to ensure they understand the importance of managing product focus and target markets.
- *Brand loyalty and consumer education:* We invest heavily in consumer education to ensure that our customers understand the distinct benefits of each product within our portfolio. By fostering strong brand loyalty and educating consumers on the specific advantages of each product category, we reduce the risk of consumers confusing or substituting products within our brand. This helps maintain clear distinctions in the minds of consumers, further mitigating the potential risk of cannibalization.

Channel Stuffing Risk Management

Channel stuffing refers to the practice of pushing excessive inventory into the distribution channels, leading to inflated sales figures but unsustainable inventory levels, which can distort demand signals and strain distributor relationships. To protect our distribution channels from such practices, we have implemented a strict set of controls and protocols:

- *Payment-in-advance policy:* For most of our distributors, we follow a payment-in-advance policy, which largely prevents inventory buildup.
- *Safety stock limits and dynamic adjustments:* To prevent overstocking, we suggest safety stock levels for each distributor based on historical sales data and regional demand forecasts. Our team closely observe sales trends and adjusts these limits dynamically to accommodate fluctuations in demand.
- *Returns and reverse logistics policies:* Returns are generally only permitted in cases of confirmed product defects or logistical errors. Additionally, we proactively engage in discussions with distributors on inventory management to avoid significant channel stuffing issues.
- *Collaborative sales forecasting:* We work closely with our distributors to develop sales forecasts that reflect realistic market demand. By collaboratively forecasting sales and replenishment needs, we avoid pushing excessive inventory into the market. Our sales teams and distributors collaborate to adjust forecasts based on actual sales data, reducing the risk of overstocking products that are not selling as anticipated.
- *Sales and distribution monitoring:* Our regional sales management teams conduct routine visits to distribution points to audit inventory levels and product movement. This ensures that products are moving through the channel at a healthy pace and that no distributor is holding excessive quantities of stock. We also pay attention to distributors’ operating data and ensure compliance with our channel management policies.

BUSINESS

- *Penalties for non-compliance:* We implement penalties for distributors who engage in channel stuffing practices. These penalties may include a reduction in future product shipments, suspension of distribution rights, or termination of the distributor agreement. This ensures that our distributors remain focused on maintaining a balanced inventory and are held accountable for the violation of contract terms.

Distributor engagement and segmentation

Generally, our distributors are directly engaged by us through standard distribution agreements. Our distributors may engage sub-distributors at their own discretion. However, we do not directly participate in the operations of any sub-distributors, nor do we enter into any tripartite agreements with them.

To minimize regional overlap and channel conflict, distributors are generally expected to operate retail points of sale in their assigned areas.

Distributor selection and management

We carefully select distributors based on a set of criteria including their industry experience, financial health, warehousing and logistics capacity, coverage of retail outlets, and alignment with our brand strategies. A formal evaluation and approval process is required before engagement, typically involving assessment by regional sales managers and final approval by the central sales department.

We execute standard distribution agreements with distributors prior to cooperation. The salient terms of our standard distribution agreements during the Track Record Period include the following:

- *Distribution area:* Exclusive or recommended geographic areas are designated to avoid regional overlap.
- *Pricing policy:* In some cases, purchase prices and SRPs are specified. We reserve the right to adjust ex-factory prices upon written notice, based on market conditions and other considerations. On the other hand, in other some cases, it is required that the actual retail prices must not be lower than the purchase prices.
- *Payment terms:* Full advance payment is generally required prior to product delivery. Credit terms are not generally extended to avoid overstocking risks.
- *Sales targets and rebates:* Sales targets may be set for performance-based rebates. Failure to meet targets may lead to a revision of cooperation terms upon renewal, potentially resulting in outcomes such as a reduction in collaboration or non-renewal of the agreement.
- *Inventory management:* Distributors are generally required to maintain safety stock within specified limits and report inventory balances monthly to ensure consistent supply and prevent stockouts or overstocking.

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- *Marketing obligations:* Distributors generally must participate in promotional activities, adhere to brand guidelines, and undergo compliance training to ensure proper representation of our products.
- *Restrictions and anti-cannibalization:* Cross-regional sales and unauthorized online sales are prohibited. Violations may result in penalties, including forced repurchase and termination of the contract.
- *Termination:* We may unilaterally terminate cooperation for breaches including cannibalization, fraudulent behavior, or sustained underperformance, with a formal notice and compliance with contract exit terms.

Distributors movements

The table below sets forth the movements of our distributors during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
Number of distributors at the beginning of the period	1,176	1,288	1,620	2,032
Number of new distributors .	210	399	457	102
Number of withdrawn distributors	98	67	45	15
Number of distributors at the end of the period	1,288	1,620	2,032	2,119

During the Track Record Period, we saw a sustained increase in the number of distributors, driven by our ongoing market expansion and intensified regional channel development efforts. As of June 30, 2025, the number of distributors increased to 2,119, compared with the number of 1,176 at the beginning of 2022. We phased out over 200 inactive or underperforming distributors, and additionally, we terminated and closed accounts of distributors involved in unauthorized market activities. Despite this reduction, the addition of over 1,000 new distributors during the Track Record Period indicates that while the churn rate was elevated, our distributor network continued to expand steadily.

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During the Track Record Period, the shareholders or key personnel of a few of our distributors were our employees and former employees during their employment or after their employment relations were terminated with our company. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, we had 2, 3, 3 and 1 such distributors, respectively, with aggregate sales of RMB43.4 million, RMB33.0 million, RMB46.7 million and RMB0.7 million, representing approximately 3.1%, 2.0%, 2.7% and 0.1% of our total revenue for the respective year/periods. Our Directors confirm that sales to these distributors were conducted on normal commercial terms and on an arm’s length basis. As of the Latest Practicable Date, to the best of our knowledge, we had ceased the business relationship with such distributors; and none of the principal shareholders and key personnel of these distributors was our employees or former employees. In addition, we have adopted the policy that our employees are not permitted to act as our distributors, and we require new hires to submit independence declarations and conduct background checks to identify any links between distributors and our employees.

During the Track Record Period, a small number of our connected persons and/or their relatives being shareholders or key personnel of certain distributors. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, we had 8, 6, 6, and 5 such distributors, respectively, with aggregate sales of approximately RMB64.1 million, RMB59.1 million, RMB29.5 million and RMB4.4 million, representing approximately 4.6%, 3.7%, 1.7% and 0.5% of our total revenue for the respective year/periods. Among the aforementioned sales during the Track Record Period, the major portion was the sales to two entities, which are respectively controlled by an associate of a director of one of our subsidiaries and such associate’s spouse. Our transactions with these two entities (being our connected persons at the subsidiary level) will constitute our continuing connected transactions upon [REDACTED]. For more details, please refer to the section headed “Connected Transactions.” As of the Latest Practicable Date, to the best of our knowledge, save as disclosed above, we had ceased the business relationship with the connected persons distributors; and save as disclosed above, none of our distributors was our connected persons.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with these terminated distributors.

MARKETING AND PROMOTION

Marketing Strategies

We employ an integrated marketing strategy that combines consumer education, brand storytelling, digital marketing, and localized offline activation to enhance brand recognition, drive product demand, and support our distributor network. Central to this strategy is our distinctive positioning in goat/sheep milk-based nutrition, which offers a premium alternative to traditional cow milk. This positioning emphasizes low allergen content and superior digestibility, making it particularly appealing to health-conscious mothers, middle-aged adults, and individuals with dietary sensitivities. Our messaging is tailored for segmented audiences, focusing on parents with young children, individuals seeking high-quality nutritional solutions, and those with special dietary needs.

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Our digital marketing efforts are reinforced through a strong presence across leading e-commerce and content platforms. We support online sales through in-platform advertising on popular platforms such as Weiyi Zhenxuan, Tmall, JD.com, and Douyin, while also driving broader brand engagement through Xiaohongshu, Weibo, and WeChat official accounts. Our content strategy includes producing short videos, expert-backed parenting advice, and livestreaming campaigns, all designed to foster consumer trust and engagement. These campaigns are managed by our internal digital operations team, working in collaboration with third-party creative agencies that have been retained under long-term service arrangements, typically governed by one-year contracts.

To expand our reach in lower-tier cities, we coordinate closely with distributor partners on various co-branded and standalone promotional activities, including seminars, health fairs, localized roadshows, and retail site activations. These initiatives are designed to strengthen offline conversions and boost brand penetration in these regions. We also provide standardized marketing toolkits to distributors, which include Point of Sale (“POS”) displays, sample packs, and localized advertising materials tailored to regional preferences.

Our national brand visibility is further supported by strategic investments in out-of-home (“OOH”) advertising. We place targeted advertisements in high-traffic areas across 19 provinces, municipalities, and autonomous regions, including LED screens in major airports such as Sichuan, Anhui, Shaanxi, Jiangxi, Guangxi, Shandong, Heilongjiang, Fujian, Guizhou, and Zhejiang. In the high-speed rail segment, our advertisements are featured across stations in Hunan, Guangdong, and Hainan. In addition, we utilize parcel locker media networks such as Hive Box (豐巢) in 11 provinces, including Zhejiang, Anhui, Jiangsu, Henan, Guangdong, Hunan, Shandong, Sichuan, Guangxi, Shaanxi, and Guizhou. These OOH placements are designed to reinforce brand recognition among urban consumers and traveling parents by maintaining consistent visibility across high-traffic environments throughout the country.

The management of our advertising and promotion budget follows a data-driven KPI system, where we track key metrics such as Return on Advertising Spend, click-through rates, conversion ratios, and customer acquisition costs by channel. Budget allocation is adjusted dynamically in response to seasonal demand, product life cycles, and strategic product priorities, ensuring maximum efficiency. We also rely on a dedicated in-house sales force to support distributor management, business development, and channel governance.

This cohesive approach allows us to seamlessly integrate online and offline sales strategies, optimizing consumer engagement and maximizing revenue potential. By focusing on both digital channels and physical retail activations, we aim to create a unified and efficient marketing ecosystem that supports long-term brand growth and consumer loyalty.

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Sales Team

Our in-house sales team plays a central role in supporting distributor management, executing channel strategies, and facilitating direct sales operations. As of June 30, 2025, we employed over 600 full-time front-line sales personnel, most of whom are assigned to provincial or regional offices that correspond to our key distribution territories.

Our sales personnel are responsible for maintaining ongoing relationships with distributors, overseeing pricing compliance, monitoring shelf performance, and assisting with local promotional campaigns. In lower-tier markets, our sales team frequently works alongside distributors to conduct site visits, organize retail activations, and train store staff on product features and consumer education messaging. To support these efforts, we operate a structured performance review mechanism with KPIs tailored to both revenue targets and qualitative objectives such as brand compliance and inventory rotation.

In addition to distributor engagement, our digital commerce division includes a specialized team dedicated to operating our online stores on platforms. This team is responsible for store design, campaign planning, livestream coordination, customer service, and logistics liaison, ensuring seamless user experience and end-to-end order fulfillment.

We also maintain a centralized training system to ensure consistency in product knowledge and channel execution across all sales personnel. Training sessions are primarily delivered through offline workshops organized by each regional sales company, supplemented by timely online sessions to address urgent or localized training needs. The content and frequency of such training are determined independently by each sales unit based on their respective team structures and operational priorities. In addition to ongoing regional training, we host an annual offline training event on June 6, the anniversary of our founding, bringing together selected frontline sales personnel and distributor-facing staff at our headquarters or other designated locations. These centralized sessions reinforce unified messaging, enhance cross-regional coordination, and promote a consistent go-to-market strategy across all distribution channels.

Our sales team structure allows for agile response to local market feedback, while maintaining centralized control over pricing, promotion, and brand positioning. This enables us to implement differentiated channel strategies across diverse regional markets, and to maintain consistent retail experience while working with distributor-operated stores. Key account management for large clients is handled regionally, allowing each sales unit to tailor engagement strategies and service models based on local market dynamics and client-specific needs.

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OUR CUSTOMERS

Major Customers

During the Track Record Period, our major customers generally comprised the below.

- Large-scale regional distributors with established sales networks in provinces such as Guangdong, Hunan, Sichuan, and Jiangxi;
- E-commerce distributor with a focus on online channels; and
- Manufacturers and food companies as well as OEM brand owners purchasing our OEM services and dairy ingredients for production of infant formula, functional nutrition products, or other dairy-based consumer goods.

Distributors are our major commercial partners who purchase products from us and resell them through their respective retail networks, especially in lower-tier cities and regional markets. They are regarded as our customers from both contractual and revenue recognition perspectives, as they purchase products directly from us under formal distribution agreements.

Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB283.8 million, RMB291.8 million, RMB255.8 million, and RMB112.0 million for the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, respectively, representing 20.3%, 18.0%, 14.6%, and 13.9% of our total revenue for the same year/period. Revenue from our largest customers in each year/period during the Track Record Period amounted to RMB83.1 million, RMB80.9 million, RMB59.7 million, and RMB31.3 million for the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, respectively, representing 5.9%, 5.0%, 3.4%, and 3.9% of our total revenue for the same year/period. During the Track Record Period, there was no overlap between our five largest customers and our five largest suppliers.

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The following tables set forth the details of our five largest customers in each year/period during the Track Record Period:

For the year ended December 31, 2022

Customer	Customer type	Customer's background	Revenue	% of our total revenue	Credit terms	Payment method	Years of relationship
			RMB'000				
Customer A	Distributor	Engaged in retail distribution of some of our milk powder products in Hunan	83,085.1	5.9	Prepayments	Bank transfer	7
Customer B	Distributor	Engaged in retail distribution of some of our milk powder products in Sichuan, Chongqing and Tibet Autonomous Region	68,710.6	4.9	Prepayments	Bank transfer	4
Customer C	Direct sales customer	A company dedicated to children's height management and developed children's growth milk powder suitable for the physical constitution of Chinese children	48,805.0	3.5	Prepayments	Bank transfer	5
Customer D	Distributor	Engaged in retail distribution of some of our milk powder products in Zhejiang	43,061.5	3.1	Prepayments	Bank transfer	4
Customer E	Distributor	Engaged in retail distribution of some of our milk powder products in Jiangsu	40,103.5	2.9	Prepayments	Bank transfer	7
Total			283,765.7	20.3			

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For the year ended December 31, 2023

Customer	Customer type	Customer's background	Revenue	% of our total revenue	Credit terms	Payment method	Years of relationship
			<i>RMB'000</i>				
Customer A	Distributor	Engaged in retail distribution of some of our milk powder products in Hunan	80,852.5	5.0	Prepayments	Bank transfer	7
Customer F	Distributor	Engaged in retail distribution of some of our milk powder products in various provinces including Shandong, Shanxi, Hebei, Henan and Xinjiang Autonomous Region	58,496.2	3.6	Prepayments	Bank transfer	6
Customer B	Distributor	Engaged in retail distribution of some of our milk powder products in Sichuan, Chongqing and Tibet Autonomous Region	57,720.2	3.6	Prepayments	Bank transfer	4
Customer G	Direct sales customer	An affiliated company to a group with principal business of the production of infant and toddler nutrition foods	50,377.9	3.1	30 days	Bank transfer	6
Customer E	Distributor	Engaged in retail distribution of some of our milk powder products in Jiangsu	44,318.8	2.7	Prepayments	Bank transfer	7
Total			291,765.6	18.0			

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For the year ended December 31, 2024

Customer	Customer type	Customer's background	Revenue	% of our total revenue	Credit terms	Payment method	Years of relationship
			<i>RMB'000</i>				
Customer F	Distributor	Engaged in retail distribution of some of our milk powder products in various provinces including Shandong, Shanxi, Hebei, Henan and Xinjiang Autonomous Region	59,688.6	3.4	Prepayments	Bank transfer	6
Customer A	Distributor	Engaged in retail distribution of some of our milk powder products in Hunan	58,110.3	3.3	Prepayments	Bank transfer	7
Customer H	Distributor	Engaged in retail distribution in Hunan and online distribution	57,741.9	3.3	Prepayments	Bank transfer	4
Customer G	Direct sales customer	An affiliated company to a group with principal business of the production of infant and toddler nutrition foods	45,644.5	2.6	30 days	Bank transfer	6
Customer I	Distributor	Engaged in retail distribution of some of our milk powder products in Sichuan and Tibet Autonomous Region	34,570.8	2.0	Prepayments	Bank transfer	2
Total			255,756.1	14.6			

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For the six months ended June 30, 2025

Customer	Customer type	Customer's background	Revenue	% of our total revenue	Credit terms	Payment method	Years of relationship
			<i>RMB'000</i>				
Customer F	Distributor	Engaged in retail distribution of some of our milk powder products in various provinces including Shandong, Shanxi, Hebei, Henan and Xinjiang Autonomous Region	31,286.6	3.9	Prepayments	Bank transfer	6
Customer H	Distributor	Engaged in retail distribution in Hunan and online distribution	29,833.1	3.7	Prepayments	Bank transfer	4
Customer G	Direct sales customer	An affiliated company to a group with principal business of the production of infant and toddler nutrition foods	18,596.3	2.3	30 days	Bank transfer	6
Customer C	Direct sales customer	A company dedicated to children's height management and developed children's growth milk powder suitable for the physical constitution of Chinese children	17,909.1	2.2	Prepayments	Bank transfer	5
Customer J	E-commerce distributor	An e-commerce company affiliated with a major e-commerce platform	14,379.6	1.8	7 workdays	Bank transfer	5
Total			112,004.7	13.9			

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Customer E, one of our five largest customers during the Track Record Period, is our connected person, which is controlled by an associate of a director of one of our subsidiaries. As of the Latest Practicable Date, except as disclosed above, none of our Directors, their close associates or any of our Shareholder which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our five largest customers in each year/period during the Track Record Period.

Consumer Support

To ensure timely and direct consumer engagement, we operate multiple service channels, including our official website, a dedicated national 400 hotline, and professional consultation through our team of infant nutrition advisors (嬰幼兒營養顧問). These channels are designed to assist with inquiries related to product usage, preparation and storage guidelines, allergy risks, and suitability based on age group or specific dietary needs.

Our service hotline and consultation services are fully operated in-house by trained personnel, supported by a knowledge base system to ensure consistent and accurate responses. We track key service metrics such as response time, resolution efficiency, and customer satisfaction on an ongoing basis to identify areas for improvement and ensure service quality.

We also operate a group-wide membership system accessible via our official website, hotline, and designated WeChat mini-program. Members may accumulate points through purchases, participation in promotional events, and referrals, which can be redeemed for gifts, vouchers or exclusive offers. Personalized features and curated content are continuously developed to enhance consumer engagement and loyalty.

Customer Complaint Handling

We have established a structured, transparent and time-bound complaint handling system that spans all sales channels and touchpoints. This system is managed under our centralized after-sales management team (售後管理專責小組), in coordination with the Quality Department (質量管理部), Supply Chain, and relevant production sites.

All consumer complaints are logged into our centralized complaint management system, assigned a unique case ID, and categorized based on their nature and severity. Complaints are typically classified into: quality-related issues; logistics or service-related issues; and business procedures or usage and experience issues.

We apply a unified after-sales policy across all distribution channels to ensure fairness and consistency. Purchases made through e-commerce platforms, maternal-child specialty stores, or authorized distributors are all covered under the same complaint resolution protocol. In addition, we maintain a traceable and auditable record for our product chain through our ERP-based QR code system, which enables full-chain traceability.

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Third-Party Payment Arrangements

Background

During the Track Record Period, certain customers (the “**Relevant Customers**”) settled payments with us through accounts belonging to certain third parties (the “**Third-Party Payers**”) designated by such customers (the “**Third-Party Payment Arrangements**”). No Third-Party Payer shall have pricing discretion, rebate entitlement or ownership of the goods; such arrangements constitute a settlement method only and do not change the identity of the purchasing customer.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the number of the Relevant Customers who settled payments through the Third-Party Payment Arrangements was 442, 495, 542 and 475, respectively. During the Track Record Period, the Relevant Customers were primarily distributors who we engaged in reaching out to the local maternal-child specialty stores channels, where stores are often family-run and operations are closely tied to local relationship networks. They occasionally settled payments through the Third-Party Payers primarily included family members, employees, sub-distributors, downstream customers, or other affiliated individuals connected to the Relevant Customers. Certain of our employees and former employees (during or after their employment with us) and our connected persons were shareholders or key personnel of certain Relevant Customers, and the aggregate amounts settled by which through Third-Party Payment Arrangements accounted for approximately 4.5%, 1.7%, 2.4% and nil of the total revenue for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. In addition, certain Third-Party Payers were our employees, former employees or connected persons, the aggregate amounts settled of which represented approximately 0.7%, 0.1%, 0.1% and 0.3% of the total revenue for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. To the best knowledge of our Directors and based on publicly available information and confirmations obtained, save as disclosed above, none of our employees or former employees (during or after their employment with us) or our connected persons were shareholders or key personnel of the Relevant Customers or Third-Party Payers involved in the Third-Party Payment Arrangements during the Track Record Period.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the aggregate amounts settled through the Third-Party Payment Arrangements were RMB553.9 million, RMB472.3 million, RMB348.3 million and RMB119.9 million, respectively, representing approximately 39.5%, 29.3%, 19.8% and 14.9% of the total revenue in the same periods, respectively. The relevant amount settled by each Relevant Customer through Third-Party Payment Arrangements did not individually make a material contribution to our revenue during the Track Record Period.

Reasons for Third-Party Payment Arrangements

According to Frost & Sullivan, it is not uncommon in China’s infant-formula and nutrition distribution channels, particularly in distributor-led networks to settle payments through third-party payers. The Third-Party Payment Arrangements used by the Relevant Customers arise from practical and commercially sound reasons and facilitate channel operations without altering the buyer’s identity or our delivery practices:

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- **Payment convenience and settlement efficiency.** Some customers designated their relatives, employees or business partners with readily available funds to make payments on their behalf. This ensured timely settlement and reduced inefficiencies caused by transfer limits, bank cut-off times or geographical constraints, thereby improving overall settlement efficiency.
- **Temporary funding flexibility.** Certain customers occasionally required short-term cash support from trusted relatives, employees or sub-distributors to complete advance payments prior to our delivery. This practice reflects the working-capital realities of family-run or small-scale distributors, enabling them to replenish inventory without delaying deliveries.
- **Lack of comprehensive financial system of certain of our customers.** Certain small-scale or sole-proprietor customers in county- and township-level markets are still in the process of establishing comprehensive financial and treasury systems. In such cases, they relied on family members or affiliated parties with available bank accounts or mobile transfer facilities to fulfill settlement obligations in a timely manner.

During the Track Record Period and up to the Latest Practicable Date, we did not provide any discount, commission, rebate or other benefits to any Relevant Customer or any Third-Party Payer to facilitate or incentivize Third-Party Payment Arrangements, and such arrangements were not initiated or encouraged by us but were made at the request of customers for settlement convenience.

Analysis for Third-Party Payment Arrangements

As advised by our PRC Legal Advisers, having regard to the facts and information described above, (i) the Third-Party Payment Arrangements adopted during the Track Record Period and as of the Latest Practicable Date did not contravene any mandatory requirements of applicable PRC laws or regulations; (ii) where the Relevant Customers and their designated Third-Party Payers executed the required written delegation or supplemental confirmation, the risk of us being found obligated to return funds to such Relevant Customers or their designated Third-Party Payers is low; (iii) the anti-money-laundering risk posed by the Third-Party Payment Arrangements is low on the basis that the payments were made to settle bona fide underlying sales with clear goods flows and tax invoices, that funds were transferred through regulated financial institutions, which are obligated to perform customer due-diligence and anti-money-laundering procedures under the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), and (iv) that there is no evidence suggesting any purpose of concealing or disguising the source or nature of proceeds or gains. On this basis, our PRC Legal Advisers are of the view that the Third-Party Payment Arrangements are unlikely to be deemed as constituting the crime of money laundering under Article 191 of the Criminal Law of the PRC (《中華人民共和國刑法》).

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Our Directors confirm that, to the best of their knowledge and belief after having considered the factual circumstances of the Third-Party Payment Arrangements and the internal control measures implemented during the Track Record Period and up to the Latest Practicable Date, (i) the relevant payments were made to settle bona fide underlying transactions pursuant to valid contractual relationships, (ii) there were no instances identified of commercial bribery, money laundering or tax evasion in connection with such arrangements, and (iii) there were no existing or threatened material disputes or refund claims against us arising from such arrangements. Our Directors further confirm that we had not been subject to any penalties, administrative sanctions or investigations relating to money laundering or other financial-crime matters due to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

Enhanced internal control measures of Third-Party Payment Arrangements

To safeguard our interests and rectify the risks associated with Third-Party Payment Arrangements, we have significantly enhanced and implemented a series of internal control measures that have been reviewed by our internal control consultant. Our enhancements include, among others:

- **Contract hardening and documentary framework:** our updated sales documentation to ensure all rights and obligations flow within the contract and settlement is affected strictly by contractual counterparties.
- **Checkpoints before shipment:** our finance and sales team jointly verify that each remittance matches the pre-filed account before goods are released; unmatched or abnormal receipts automatically trigger holds and escalation.
- **Know-your-customer and ongoing monitoring:** strengthened onboarding KYC, periodic profile refresh for customers, and order-level reconciliation of funds flow to contract terms; deviations require prior approval and documented remedies.
- **Policy codification and staff accountability:** Our revised sales management policy specifies the limited scenarios under which a non-customer payer may be recognized, mandates written authorization and contract inclusion, and imposes step-by-step responsibilities on the sales and finance teams with audit trails; receipts from un-filed accounts are treated as invalid payments unless cured through prescribed procedures.
- **Anti-bribery and AML integration:** zero-tolerance policies, routine trainings, whistleblowing channels, and contract/legal reviews are embedded into daily workflows.

As of the Latest Practicable Date, we had ceased all Third-Party Payment Arrangements. For future sales, we accept payments only from the customer’s own account or from a contractual party recognized in the sales documentation.

Having considered the above measures and the status of implementation, our Directors are of the view that the cessation of Third-Party Payment Arrangements and our enhanced internal control measures will not have a material adverse effect on our business operations or financial condition.

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SUPPLIERS AND PROCUREMENT

We place strong emphasis on the quality and traceability of our inputs, as we believe the foundation of premium dairy nutrition lies in the quality of our raw materials. As of June 30, 2025, our procurement portfolio covered over 200 SKUs spanning the aforementioned categories, supporting our integrated supply chain and product quality standards.

Major Suppliers

Our major suppliers during the Track Record Period can be broadly categorized into:

- (i) Raw milk suppliers, providing goat/sheep whey liquid, raw sheep/goat milk and raw cow’s milk for our infant formula and other dairy production;
- (ii) Dairy ingredient suppliers, supplying demineralized whey powder, partially hydrolyzed whey protein powder, whey protein concentrate and other functional nutritional fortifiers;
- (iii) Packaging materials and equipment suppliers, providing packaging materials, labeling, and fully automatic formula production lines and facilities; and
- (iv) Service providers, including e-commerce platforms for sales and media and advertising companies.

We source certain key raw materials from overseas suppliers in Spain, which are long-established dairy companies specializing in high-quality goat/sheep milk and goat/sheep whey liquid.

Domestically, we procure from leading suppliers of materials such as compound vegetable oil and functional nutritional fortifiers, as well as from equipment manufacturers for our production lines.

Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB209.8 million, RMB283.5 million, RMB301.6 million and RMB161.1 million for the years ended December 31, 2022, 2023 and 2024, and six months ended June 30, 2025, respectively, representing 18.8%, 23.8%, 26.0%, and 30.3% of our total purchases for the same year/period. Purchases from our largest suppliers in each year/period during the Track Record Period amounted to RMB60.7 million, RMB89.4 million, RMB130.9 million and RMB74.9 million for the years ended December 31, 2022, 2023 and 2024, and six months ended June 30, 2025, respectively, representing 5.4%, 7.5%, 11.3%, and 14.1% of our total purchases for the same year/period.

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The following tables set forth the details of our five largest suppliers in each year/period during the Track Record Period:

For the year ended December 31, 2022

Supplier	Supply type	Supplier’s background	Purchase amount	%	Credit terms	Payment method	Years of relationship
			<i>RMB’000</i>				
Supplier A	Raw sheep milk and sheep and goat whey	A Spanish raw cow’s and sheep’s milk and sheep and goat whey raw material supplier based in Asturias, Spain	60,668.1	5.4	Within 30 days	Bank transfer	6
Supplier B	Machinery and equipment	A PRC-based equipment supplier, providing us with fully automatic tin-can infant-formula packaging lines	46,595.6	4.2	Prepayment	Bank transfer	12
Supplier C	Raw cow’s milk	A Spanish A2 raw cow’s milk supplier headquartered in Santiago de Compostela, Galicia, Spain	43,064.2	3.9	Within 10 days	Bank transfer	4
Supplier D	Raw cow’s milk	A PRC-based cow’s milk and cow supplier	35,702.5	3.2	On demand	Bank transfer	11
Supplier E.	Advertising supplier	Operator of a domestic TV cartoon channel.	23,750.9	2.1	Prepayment	Bank transfer	7
Total			209,781.3	18.8			

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For the year ended December 31, 2023

Supplier	Supply type	Supplier's background	Purchase amount	%	Credit terms	Payment method	Years of relationship
			<i>RMB'000</i>				
Supplier F	E-commerce platform	An e-commerce platform providing full-service package	89,397.1	7.5	Within 10 days	Bank transfer	3
Supplier A	Raw sheep milk and sheep and goat whey	A Spanish raw cow's and sheep's milk and sheep and goat whey raw material supplier based in Asturias, Spain	80,541.6	6.8	Within 30 days	Bank transfer	6
Supplier D	Raw cow's milk and cows	A PRC-based cow's milk and cow supplier	47,977.1	4.0	On demand	Bank transfer	11
Supplier G	Demineralized whey powder, oil and fats	A PRC-based supplier delivering Dutch-origin demineralized whey powder D90, oil and fats	43,173.8	3.6	Within 60 days	Bank transfer	13
Supplier H	Corn and fertilizer treatments	A PRC-based organization formed by farmers/rural producers, providing us corns and solid and liquid fertilizers handling	22,388.9	1.9	Within 200 days	Bank transfer	12
Total			283,478.5	23.8			

BUSINESS

For the year ended December 31, 2024

Supplier	Supply type	Supplier's background	Purchase amount	%	Credit terms	Payment method	Years of relationship
			RMB'000				
Supplier F	E-commerce platform	An e-commerce platform providing full-service package	130,871.6	11.3	Within 10 days	Bank transfer	3
Supplier A	Raw sheep milk and sheep and goat whey	A Spanish raw cow's and sheep's milk and sheep and goat whey raw material supplier based in Asturias, Spain	85,659.9	7.4	Within 30 days	Bank transfer and bill of exchange	6
Supplier G	Demineralized whey powder, oil and fats	A PRC-based supplier delivering Dutch-origin demineralized whey powder D90, oil and fats	37,295.4	3.2	Within 60 days	Bank transfer	13
Supplier H	Corn and fertilizer treatments	A PRC-based organization formed by farmers/rural producers, providing us corns and solid and liquid fertilizers handling	24,900.7	2.1	Within 200 days	Bank transfer	12
Supplier I	Sweet or demineralized sheep & goat whey powder (D70/D90) and sheep & goat skimmed-milk powder	A supplier based in Melide, A Coruña, Spain, producing and providing sweet or demineralized sheep & goat whey powder (D70/D90) and sheep & goat skimmed-milk powder exclusively for us	22,912.8	2.0	Within 30 days	Bank transfer	6
		Total	301,640.4	26.0			

BUSINESS

For the six months ended June 30, 2025

Supplier	Supply type	Supplier's background	Purchase amount	%	Credit terms	Payment method	Years of relationship
			<i>RMB'000</i>				
Supplier F	E-commerce platform	An e-commerce platform providing full-service package	74,860.5	14.1	Within 10 days	Bank transfer	3
Supplier A	Raw sheep milk and sheep and goat whey	A Spanish raw cow's and sheep's milk and sheep and goat whey raw material supplier based in Asturias, Spain	41,351.8	7.8	Within 30 days	Bank transfer	6
Supplier J	Various raw materials including partially hydrolyzed whey protein powder, WPC70 (enriched with MFGM), a 0.5 % lutein premix, and dry-blend nutritional fortifiers	A PRC-based supplier for internationally sourced (Danish brand) partially hydrolyzed whey protein powder, WPC70 (enriched with MFGM), a 0.5 % lutein premix, and dry-blend nutritional fortifiers	17,523.5	3.3	Within 60 days	Bank transfer	12
Supplier G	Demineralized whey powder, oil and fats	A PRC-based supplier delivering Dutch-origin demineralized whey powder D90, oil and fats	14,993.9	2.8	Within 60 days	Bank transfer	13
Supplier K	Various raw materials including lactose and Bifidobacterium animalis ssp. lactis Bb-12.(動物雙歧桿菌Bb-12)	A PRC-based supplier specializing in various raw materials including lactose and Denmark-sourced Bifidobacterium animalis ssp. lactis Bb-12	12,332.0	2.3	Within 60 days	Bank transfer	10
Total			161,061.7	30.3			

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Supplier D, one of our five largest suppliers during the Track Record Period, is our connected person, which is controlled by Mr. Mu, our Controlling Shareholder. As of the Latest Practicable Date, except as disclosed above, none of our Directors, their close associates or any of our Shareholders which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers in each year/period during the Track Record Period.

Raw Material Suppliers

We procure a wide variety of raw materials and packaging supplies from a network of qualified domestic and international suppliers. These include:

- **Dairy-based ingredients:** such as goat/sheep whey liquid, raw sheep/goat milk, raw cow’s milk, milk protein concentrate, lactose, and specialty fats.
- **Packaging materials:** including composite cans, paper cartons, foil seals, labels, and scoopers, which are sourced from qualified packaging suppliers to meet hygiene and traceability standards.

For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, raw materials accounted for approximately 69.1%, 67.0%, 66.1%, 67.2% and 65.9% of our cost of sales, respectively.

We source exclusively from pre-approved suppliers who meet our quality, safety, and regulatory compliance requirements. Most of our international suppliers are long-standing industry participants with established reputations in food-grade dairy production. Our procurement of specialty nutritional components such as demineralized goat/sheep whey liquid, specialty oils and compound nutrients often relies on suppliers based in Europe and Oceania.

We adopt standardized procurement contracts across our major raw material categories. Key contractual terms typically include:

- *Volume:* either fixed or forecast-based quantities based on production planning;
- *Pricing:* negotiated per batch or under annual framework agreements with escalation or adjustment clauses;
- *Payment terms:* varying among product types and customers, typically 30 days to 60 days after acceptance and invoicing;
- *Quality requirements:* including supplier-side factory inspection reports, certificates of analysis (“COAs”), and conformity with internal testing protocols;
- *Delivery and inspection:* detailed requirements regarding delivery time, method, inspection procedures and acceptance criteria;
- *Breach and remedies:* provisions covering quality disputes, liability for substandard products, and sometimes procedures for third-party arbitration or court proceedings.

BUSINESS

We typically require suppliers to provide inspection reports and adhere to national standards and our internal benchmarks. Delivery is arranged by suppliers with clearly defined risk-transfer and inspection procedures upon arrival. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any shortages, material delivery delays or quality-related disputes that had a material adverse impact on our business operations.

Suppliers Management

To ensure the safety, stability, and efficiency of our supply chain, we have established a comprehensive supplier management framework covering supplier qualification, procurement control, ongoing monitoring, and full-process traceability.

Our supplier management system incorporates the following key components:

- *Approved supplier system:* We maintain a rigorously controlled approved supplier list. All critical raw materials must be sourced from pre-qualified suppliers that hold food safety certifications recognized under the Global Food Safety Initiative (“GFSI”), such as FSSC 22000 or ISO 22000. We conduct initial audits, annual performance assessments, and requalification reviews to ensure continued compliance and reliability.
- *Full-chain traceability:* Each batch of incoming raw materials is assigned a unique identification code upon receipt and registered in our centralized ERP system. This enables real-time forward and backward traceability throughout our manufacturing, inventory, and distribution processes, supporting efficient recall management and quality assurance.
- *Multi-tier quality verification:* We implement stringent inbound quality control protocols. Each lot is subject to COA verification, supplemented by heavy metal and pesticide residue testing, microbiological assays, and sensory evaluations. Depending on the risk profile and regulatory requirements, testing is performed either in-house or by qualified third-party laboratories.
- *Compliance for imported ingredients:* For imported ingredients, we require full import documentation. This includes customs clearance records, health certificates, pesticide residue reports, and third-party laboratory results recognized under international standards.
- *Backward integration and strategic sourcing:* To reduce price volatility and mitigate supply risks for key ingredients such as demineralized goat/sheep whey powder and hydrolyzed proteins, we are pursuing backward integration initiatives. These include entering into long-term supply agreement with upstream suppliers and acquisitions of regional processing plants. We also work closely with our core raw materials and package materials suppliers to ensure long-term consistency in critical materials.

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QUALITY CONTROL

We regard quality control as a critical pillar of our operations, underpinning both regulatory compliance and brand integrity. As manufacturers of infant formula and FSMP, our production activities are subject to comprehensive safety, nutritional, and labeling standards established by PRC and international authorities. We have established a vertically integrated quality management system that covers raw material sourcing, in-process control, final product testing, and post-sale monitoring.

As of June 30, 2025, we had approximately 157 full-time quality control personnel across our facilities, most of whom hold formal certifications or relevant technical backgrounds in food safety and inspection, with an average of eight to nine years of industry experience. Our quality assurance operations are built on internationally recognized systems, including ISO 9001, ISO 22000, HACCP, and applicable national food safety standards such as GB 10765/10766/10767 for infant formula and GB 29923-2023 for FSMPs.

We maintain a centralized Quality Management System (“QMS”) integrated into our ERP and Manufacturing Execution System (“MES”) platforms. Through this system, we manage cross-departmental documentation, implement automated batch controls, and ensure traceability across all production stages.

Raw Material and Packaging Quality Control

For all critical inputs such as dairy-based powders, vitamins, minerals, and packaging components, we implement multi-point inspections before release into production. These include COA validation, heavy metal and microbial testing, and visual organoleptic checks. Each batch of our infant formula is assigned a unique QR code that links to supplier information, delivery records, and analytical results, forming the backbone of our traceability protocol.

Imported raw materials, such as demineralized goat/sheep whey powder, specialty fats, and lactose, are accompanied by veterinary health certificates, customs clearance records, and third-party test reports. Supplier performance is reviewed on a rolling basis, with mandatory requalification audits. For our supplier management framework, please refer to “– Suppliers and Procurement.”

Production Process Quality Control

Production-stage quality control is implemented at over 100 checkpoints across core manufacturing steps. In-line systems, including high-pressure homogenization monitoring, sterilization control, and spray drying thermal curves, are governed by digitally pre-programmed thresholds to ensure consistency and minimize human error.

Parameters such as protein–fat–carbohydrate ratios, water activity (target $\leq 3\%$), and foreign body detection (metal, plastic, or organic debris) are actively monitored. Production environments conform to Class D cleanroom standards, and all mixing, drying, and packaging operations are subject to real-time SCADA oversight.

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Final product evaluation covers nutritional, microbiological, and physical attributes. Our quality labs are equipped with UHPLC, GC-MS, laser dust particles counters, and rapid microbial detection systems to ensure accuracy and efficiency. For select product lines, we conduct accelerated shelf-life simulations to validate long-term stability.

INVENTORY AND LOGISTICS MANAGEMENT

Our inventory primarily comprises raw and auxiliary materials, packaging materials, semi-finished products and finished products. We manage inventory levels based on production planning, demand forecasts, order volume, and shelf-life constraints.

As of June 30, 2025, we operated two major self-managed warehouses located in Laixi, Shandong and Changsha, Hunan, both of which are primarily used for the storage of finished products prior to dispatch. In addition, we lease or co-locate multiple third-party logistics warehouses adjacent to our key manufacturing facilities in Tianjin, Qingdao and Bei'an to support raw material intake, in-process inventory, and regional distribution. These inventory nodes form a regionalized warehousing network designed to improve fulfillment efficiency and optimize delivery time to downstream distributors and retail channels.

We have implemented a three-tiered inspection mechanism for inbound raw materials based on batch age, remaining shelf life, and upcoming production plans. The raw materials are retested prior to production use to verify compliance with technical specifications, including microbiological safety, stability, and composition metrics. Monthly physical inventory checks are conducted and reconciled against ERP-generated stock reports. Spot checks are performed on high-turnover or high-value materials. We adopt the weighted average cost method for inventory costing.

To support scalability and delivery consistency, we outsource our transportation and warehousing services to independent third-party logistics providers from time to time. These providers are selected through a structured bidding and assessment process based on service quality, geographic coverage, pricing transparency, and historical performance. The engagement is governed by a master logistics framework agreement, which sets forth service-level expectations including timeliness, temperature control, damage liability, insurance coverage, and incident response.

As of June 30, 2025, we maintained long-term partnerships with over ten qualified logistics service providers, covering full-truckload, less-than-truckload, and cold-chain transportation requirements. These providers handle both raw material inbound shipments and outbound finished product deliveries. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material transportation delays, cargo disputes, or logistics-related losses.

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RESEARCH AND DEVELOPMENT

Our research and development activities are guided by our mission to offer differentiated, science-backed nutrition solutions, with the emphasis on digestive tolerance, reduced allergenicity, and nutritional functionality across different life cycles (不同生命周期的營養功能).

As of June 30, 2025, we had a dedicated research and development team at our research and development center, including several PhDs and master’s degree holders. In addition, each of our manufacturing facilities is staffed with qualified technicians and production specialists with relevant research and development capabilities.

Our research and development center is comprised of a formulation laboratory, pilot-scale processing suite, physicochemical and microbiological testing units, and accelerated shelf-life testing chambers. Our in-house equipment suite includes membrane filtration systems, UV-Vis spectrophotometers, capillary electrophoresis units, and high-performance liquid chromatographs (“HPLC GC-MS”), enabling end-to-end formulation development and validation under near-commercial conditions.

Our research and development activities are organized around three pillars: (i) consumer-centric product development, (ii) enhancement of processing technologies, and (iii) regulatory-grade technical documentation for formula registration. We have developed a structured research and development protocol encompassing feasibility screening, pilot validation, sensory testing, digital process simulation, and registration dossier finalization.

Core Technologies

Our proprietary technological capabilities primarily focus on enhancing the digestibility, functionality, and nutritional suitability of goat/sheep milk for use in sensitive formulations. We have developed two core processing technologies, both completed in 2021 and now widely applied across our flagship goat/sheep milk infant formula and FSMP product lines.

- **High-whey-ratio base powder formulation (高乳清蛋白佔比配方技術)**

This proprietary formulation system enables a whey-to-casein protein ratio as high as 80:20, significantly exceeding the minimum regulatory standards under the 2021 PRC national requirements. By increasing the proportion of goat/sheep whey protein (羊乳清蛋白), the system improves protein digestibility and better mimics the amino acid profile of human breast milk. This technology is implemented in key products such as Yeeper Bekari Qibo and Yeeper Yang, which are targeted at infants with heightened sensitivity to conventional milk formulas. The elevated whey ratio contributes to improved nutrient absorption, reduced allergenicity, and enhanced gastrointestinal tolerance.

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- **Demineralization of goat/sheep whey (羊乳清脫鹽技術)**

This proprietary process reduces the mineral content to meet the stringent nutritional and sensory requirements of infant formula and FSMP applications. The demineralized whey produced using this technique has high protein purity and improved palatability, making it suitable for premium formulas and special medical foods. The technology is applied both at our facility in Spain, which is the world’s largest dedicated goat/sheep whey processing site, and in our domestic production lines. It forms the foundation for our ingredient-grade demineralized goat/sheep whey powder used in both self-branded and OEM nutritional products.

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

We have developed a comprehensive safety production management system that includes specific policies, procedures, and guidelines to ensure compliance with PRC laws and regulations on occupational safety and health. The system is designed to manage all aspects of production safety, including hazard identification, risk assessments, emergency preparedness, and incident reporting. We continuously review and update our safety protocols to adapt to new regulations, industry best practices, and internal operational needs.

Safety Production Management System and Rules

The company’s safety production management system is aligned with national regulatory requirements, including the Work Safety Law of the People’s Republic of China (中華人民共和國安全生產法) and industry-specific standards. The primary objective of this system is to ensure a safe working environment for all employees, reduce workplace accidents, and safeguard public health.

Our safety management system consists of the following key components:

1. **Risk assessment and hazard identification:** We have established internal “food safety risk assessment and control procedure (食品安全風險評估控制程序)” to standardize risk assessment and reporting processes. Additionally, the hazard item list has been established and is regularly inspected and updated to ensure production risks have been effectively controlled.
2. **Employee training and awareness:** New employees are required to undergo both orientation and pre-job training and are permitted to work only after passing corresponding assessments. We also conduct regular production safety training sessions and provides periodic updates to production staff in response to changes in production lines or processes.
3. **Emergency response plans:** We have developed production emergency response plans to ensure efficient handling of urgent incidents.
4. **Monitoring and compliance:** Each production workshop has assigned safety officers who conduct full-day inspections to ensure that production operations comply with standards. Any violations are promptly addressed. Additionally, serious cases might lead to retraining, and the personnel cannot resume work unless after demonstrating compliance.

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Food Safety

Our company adheres to stringent food safety standards and regulations to ensure that all of our products meet the required quality and safety standards. We are fully compliant with the Milk Quality Safety Supervision and Management Regulations (《乳品質量安全監督管理條例》), and we have obtained relevant certifications for Good Manufacturing Practices (“GMP”) and Hazard Analysis and Critical Control Points (“HACCP”) for our production activities involved in dairy product manufacturing subject to requirements under rules and regulations.

We hold the following certifications for our dairy production facilities.

Certificate Type	Certification Number	Major Scope	Certification Authority	Expiration Date
GMP	020GMP1500005	Production of FCMP, formulated milk powders, whey powders, specialty dairy products, and infant formula manufactured using a dry-wet mixing process	Beijing Zhongda Huayuan Certification Center (北京中大華遠認證中心有限公司)	September 2025
GMP	02023Gmp0001R0M	Production of FSMPs, including lactose-free formula and formula for premature or low birth weight infants	Beijing Zhongda Huayuan Certification Center (北京中大華遠認證中心有限公司)	October 2026
HACCP	020HACCP1500053	Production of FCMP, formulated milk powders, whey powders, specialty dairy products, infant formula manufactured using a dry-wet mixing process, and FSMPs, including lactose-free formula and formula for premature or low birth weight infants	Beijing Zhongda Huayuan Certification Center (北京中大華遠認證中心有限公司)	September 2026
GMP	CQC24DG0018R0S/2300	Production and processing of modulation milk powders and infant formula manufactured using a dry-wet mixing process, packaged in iron-tin-plated and nitrogen-filled metal tanks (鐵鍍錫金屬罐充氮包裝)	China Quality Certification Center (中國質量認證中心有限公司)	July 2026

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Certificate Type	Certification Number	Major Scope	Certification Authority	Expiration Date
HACCP . . .	001HACCP2400529	Production and processing of formulated milk powders and infant formula manufactured using a dry-wet mixing process, packaged under nitrogen	China Quality Certification Center (中國質量認證中心有限公司)	July 2027
GMP	020GMP1300005	Production of milk powders (FCMP and formulated milk powders), other dairy products (specialty dairy products), and infant formula manufactured using a dry-wet mixing process	Beijing Zhongda Huayuan Certification Center (北京中大華遠認證中心有限公司)	March 2027
HACCP . . .	020HACCP1300034	Production of milk powders (FCMP) and formulated milk powders), other dairy products (specialty dairy products), and infant formula manufactured using a dry-wet mixing process	Beijing Zhongda Huayuan Certification Center (北京中大華遠認證中心有限公司)	March 2026
GMP	001GMP2200009	Production of formulated milk powders, FCMP, whey powders, specialty dairy products (high-fat whey powders), and infant formula	China Quality Certification Center (中國質量認證中心有限公司)	September 2026
HACCP . . .	001HACCP2200566	Production of formulated milk powders, powdered oil, FCMP, whey powders, specialty dairy products (high-fat whey powders), and infant formula	China Quality Certification Center (中國質量認證中心有限公司)	September 2025

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LICENSES, PERMITS AND APPROVALS

We are required to obtain and maintain various licenses, permits, and approvals in order to legally conduct our business operations. Each license is tied to specific production lines and product types. Product sales and labeling must conform to the scope and specifications set out in the corresponding licenses.

The following table sets out a list of material licenses and permits currently held by us.

Certificate/License/Permit	Issuing Authority	Expiry Date/Renewal Date
Animal Epidemic Prevention License (動物防疫許可證) . .	Bei'an Municipal Bureau of Agriculture and Rural Affairs (北安市農業農村局)/Jimo District Administrative Approval Service Bureau of Qingdao City (青島市即墨區行政審批服務局)/Laixi Municipal Bureau of Agriculture and Rural Affairs (萊西市農業農村局)	N/A
Breeding Livestock Production and Operation License (種畜禽生產經營許可證)	Heilongjiang Provincial Agricultural Bureau (黑龍江省農業農村廳)	March 2027
Infant Formula Milk Powder Registration Certificate (Stage 1) (嬰幼兒配方奶粉註冊證書1段)	SAMR (國家市場監督管理總局)	October 2027 February 2028 February 2028 June 2028 June 2028 July 2028 July 2028 August 2028 November 2028 December 2028 February 2029 February 2029 April 2029
Infant Formula Milk Powder Registration Certificate (Stage 2) (嬰幼兒配方奶粉註冊證書2段)	SAMR (國家市場監督管理總局)	October 2027 February 2028 February 2028 June 2028 June 2028 July 2028 July 2028 July 2028 August 2028 November 2028 February 2029 February 2029 April 2029

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Certificate/License/Permit	Issuing Authority	Expiry Date/Renewal Date
Infant Formula Milk Powder Registration Certificate (Stage 3) (嬰幼兒配方奶粉註冊證書3段)	SAMR (國家市場監督管理總局)	October 2027 February 2028 February 2028 June 2028 June 2028 July 2028 July 2028 July 2028 August 2028 November 2028 February 2029 February 2029 April 2029 April 2026
Special Medical Use Lactose-Free Formula Registration Certificate (Infants) (特殊醫學用途嬰兒無乳糖配方食品註冊證書)	SAMR (國家市場監督管理總局)	
Special Medical Use Formula Registration Certificate (Preterm/low birth weight infants) (特殊醫學用途早產/低出生體重嬰兒配方食品註冊證書)	SAMR (國家市場監督管理總局)	April 2026
Special Medical Use Formula Registration Certificate (Partially Hydrolyzed Milk Protein)) (特殊醫學用途嬰兒乳蛋白部分水解配方食品註冊證書)	SAMR (國家市場監督管理總局)	November 2028
Special Medical Use Formula Food (Complete Nutrition) (特殊醫學用途全營養配方食品)	SAMR (國家市場監督管理總局)	November 2028
Food Production License (食品生產許可證)	Heilongjiang Provincial Market Regulation Bureau (黑龍江省市場監督管理局)/Qingdao Administrative Service Bureau (青島市行政審批服務局)	January 2027 January 2027 January 2027 March 2027

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Certificate/License/Permit	Issuing Authority	Expiry Date/Renewal Date
Quality Management System Certification (質量管理體系認證證書)	China Quality Certification Center (中國質量認證中心有限公司)/Beijing Zhongda Huayuan Certification Center Co., Ltd. (北京中大華遠認證中心有限公司)	September 2025 March 2026 September 2026 July 2027
Organic Product Certification (有機產品認證證書)	China Quality Certification Center (中國質量認證中心有限公司)/Liaoning Fangyuan Organic Food Certification Co., Ltd. (遼寧方園有機食品認證有限公司)	February 2026 September 2025 September 2025 September 2025 December 2025 January 2026 April 2026
Raw Milk Purchase License (生鮮乳收購許可證)	Lai Xi Municipal Bureau of Administrative Approval and Service (萊西市行政審批服務局)/Bei'an Municipal Bureau of Agriculture and Rural Affairs (北安市農業農村局)/Jimo District Bureau of Administrative Approval and Service, Qingdao City (青島市即墨區行政審批服務局)	October 2025 June 2026 July 2027

We continually monitor our compliance with relevant laws and regulatory requirements to ensure that all necessary approvals, licenses, and permits are properly obtained and maintained. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining, renewing, or complying with the terms of the above licenses and certificates. Based on our operating history and the current status of our certifications, we do not expect to face any material difficulties in renewing these licenses and certificates upon expiration, nor do we anticipate that any issues arising from the regulatory status of these permits would have a material adverse effect on our business operations or financial condition.

PROPERTIES

Our corporate headquarters is located in Qingdao, Shandong Province, China.

As of June 30, 2025, we did not own any single property with a book value accounting for 15% or more of our total assets. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirement under section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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Owned Properties

As of June 30, 2025, we owned a total of six parcels of land in China for production, warehousing, and management purposes, with a combined site area of over 238,802.6 sq.m. These include properties located in Laixi (Shandong Province), Bei'an (Heilongjiang Province), and Fuyu (Heilongjiang Province), Tieli (Heilongjiang Province), among others.

We also owned production, storage, and administrative land in Spain and South Korea. In Spain, our subsidiaries have manufacturing and processing facilities across several regions, while in South Korea, we have five building assets owned by our subsidiary HAM Corporation.

In Spain, we own several properties used for our operations. These include:

- A whey powder plant in eight adjoining plots of land in Monforte de Lemos with a total site area of approximately 43,858 m².
- A cheese plant in adjoining plots of land in Monforte de Lemos with a total site area of approximately 1,000 m².
- A plant in Talavera de la Reina acquired with a site area of approximately 8,678 m².

As of June 30, 2025, we owned property ownership certificate for buildings with an aggregate floor area of approximately 86,938.9 sq.m. in China, which were primarily for production, warehousing and office use. To the best of our knowledge, there have been no third-party challenges or claims relating to our ownership of these properties as of the Latest Practicable Date.

As of June 30, 2025, certain factory buildings at our facilities in Bei'an, Tieli, and Fuyu were constructed on land where we hold valid land use rights. However, these buildings have not obtained property ownership certificates due to the failure to complete the required construction planning procedures at the time of construction or because they are classified as temporary structures. These buildings serve various functions including storage, administrative offices, and auxiliary production functions.

At the Bei'an Facility, the buildings include auxiliary storage areas and production facilities. The storage buildings are used for the warehousing of raw materials, semi-finished products, and finished goods. These storage areas span approximately 8,959 square meters. In addition, the production facilities at the Bei'an Facility consist of a demineralization workshop and a small-packaging production line. These production areas total approximately 3,241 square meters, which are not part of our core production. There are also auxiliary facilities, including residential areas, wastewater treatment rooms, ice machine rooms, and gatehouses, which occupy a total area of approximately 1,104 square meters.

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At the Tieli Facility, the buildings include warehouses used for the storage of raw materials, semi-finished products, finished goods, and other materials. These warehouse spaces cover approximately 2,720 square meters. Additionally, there are production areas, including dry mixing workshops and large packaging production lines, which span approximately 304 square meters. The Tieli Facility also has administrative and auxiliary facilities, such as office spaces, storage rooms, and other support areas, which cover approximately 812 square meters.

At the Fuyu Facility, the buildings include storage areas for raw materials, semi-finished products, and finished goods, covering approximately 5,170 square meters. There are also production facilities including boiler rooms and water treatment rooms, which occupy around 530 square meters. The Fuyu Facility also has auxiliary facilities such as power distribution rooms and pump rooms, covering approximately 873 square meters.

Our PRC Legal Advisers have clarified that these buildings are considered not fully compliant with the Urban and Rural Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》) (2019 revision), as they were constructed without the necessary planning permits. According to this law, the authorities are required to order the cessation of construction if the appropriate permits have not been obtained. If the violation can be corrected, the authorities may issue a correction notice and impose a fine ranging from 5% to 10% of the construction cost. If the violation cannot be rectified, the authorities may order the demolition of the structures within a specified period. If demolition cannot be carried out, the authorities may confiscate the physical structure or any unlawful income derived from it, and impose a fine of up to 10% of the construction cost. Additionally, the Guidelines on the Discretionary Power of Administrative Penalties in Urban and Rural Planning (《關於規範城鄉規劃行政處罰裁量權的指導意見》) provide further clarification on how violations are handled. According to these guidelines, no fine will be imposed if the structure is demolished within the prescribed period.

If the relevant authorities mandate the demolition of these buildings, we will transfer our production capacity to our new Laixi facility, which has received all necessary planning and construction approvals. This new facility will provide a fully compliant, long-term solution for our operations while ensuring uninterrupted production capacity.

Furthermore, we have confirmed that all four of our facilities in China are qualified to produce milk powder and infant formula. These qualifications have been granted following approval from the State Administration for Market Regulation. Additionally, we have received approval for production interchange under formula registration, which means that we are permitted to transfer production capacity for specific infant formula products across our facilities. Should any of these facilities be required to decommission certain buildings, we have the flexibility to transfer production capacity to other qualified facilities, ensuring business continuity. Additionally, any storage needs can be addressed through nearby leasing options in the respective industrial areas. Therefore, we believe that even if these structures were to face demolition, it would not have a material impact on our operations or financial performance.

Leased Properties

As of June 30, 2025, we leased six parcels of land use rights with an aggregate site area of approximately 645,155.5 sq.m. in the PRC, which are primarily used for dairy farming and organic feed cultivation. The lease terms vary, with the longest lease term extending through 2042, while certain leases are renewed on an annual basis depending on operational needs.

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As of June 30, 2025, we lease a total of 14 buildings that occupied over 1,000 sq.m. or served as our primary business premise, with an aggregate floor area of approximately 33,135.7 sq.m., in the PRC. These properties are primarily used for production support, warehousing, and administrative functions.

As of June 30, 2025, our Korean subsidiaries have entered into the following lease agreements.

- HAM Co., Ltd. leases 6,927 square meters of state-owned land and buildings located in the Gwangyang Bay Area Free Economic Zone from Yeosu Gwangyang Port Authority and operates production facilities for manufacturing products thereon. Of this area, the manufacturing facilities occupy 2,293.045 square meters, with the remaining area used for warehouses and office facilities. The lease term is ten years, but upon renewal, the lease term may be extended to 50 years in accordance with the Special Act on Designation and Operation of Free Economic Zones.
- Ohsung Co., Ltd. leases 86,315.8 square meters of state-owned land located in the Gwangyang Bay Area Free Economic Zone from Yeosu Gwangyang Port Authority and owns newly constructed factories, warehouses, and research facilities thereon. The Ohsung plant occupies a land area of approximately 86,315 square meters and comprises five buildings with a total gross floor area of 16,113.8 square meters, including factory buildings, office buildings, warehouses, and a research institute building. The lease term is 50 years and is renewable, allowing for a total lease period of up to 100 years.

Tieli Facility: risk of lease agreement invalidity

Adjacent to the Tieli Facility, there is a parcel of land covering 2,346.84 square meters, located to the southwest of the factory. This land was used to construct a steel structure storage shed (518.65 square meters) and a waste disposal facility (39 square meters) for biomass fuel storage, collectively referred to as the “Coal Storage Shed Land (儲煤棚用地)”. The land is an industrial land sublet to us by a third party. The above-mentioned individual failed to provide the subletting authorization document and the villagers’ democratic decision-making procedure document of the local collective economic organization.

As advised by our PRC Legal Advisers, according to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), the assignment and lease of collectively-operated development land shall be subject to the consent of over two-thirds of the members or over two-thirds of villagers’ representatives at the village council of the members of the collective economic organization; and if it is used by a third party without approval, the competent department will order it to make corrections within a time limit, confiscate the illegal gains and impose a fine. Due to the lack of the aforementioned documents, we are unable to determine whether the lessor has the right to sublet the land, and there is a risk that the lease agreement may be regarded as invalid.

According to the above legal provisions, the legal responsibility for the above-mentioned defective lease resulting from failure to performance relevant democratic processes mainly lies with the lessor. Therefore, our PRC Legal Advisers believe that the risk of the Tieli Facility being subject to administrative penalties as a sub-lessee is low. Meanwhile, even if the lease is cancelled, as the biomass fuel storage and waste disposal facilities are not a core part of our core production process,

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we do not expect it to have a material impact on our operations. In addition, the Tieli Facility has identified alternative land within the factory area to replace these facilities, so as to ensure continuous operation without major disruptions.

Based on the above circumstances and the opinions of our PRC Legal Advisers, our Directors believe that this issue will not have a material impact on our business or financial performance.

Lease Registration for Non-Commercial Properties

As of the Latest Practicable Date, certain leased properties located in Qingdao, Shandong Province, and Bei'an, Heilongjiang Province, have not completed the required housing lease registration process. These properties are primarily used for warehousing and processing.

As per the provisions of the Urban Real Estate Management Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (2019 revision), both the lessor and the lessee are required to enter into a written lease agreement and register the lease with the relevant housing management authorities. According to the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), the parties involved in the lease of commercial housing shall handle the registration and filing procedure of the leasing of housing at the competent department. Following consultations with the Qingdao Municipal Bureau of Housing and Urban-Rural Development (青島市住房和城鄉建設局) and the Bei'an Property Service Center (北安市房產服務中心), we were informed that the registration and filing procedure is only required for commercial housing leases and does not apply to self-constructed or industrial-use factory buildings in the relevant administrative jurisdictions.

Our PRC Legal Advisers have further stated that, as per the Civil Code of the People's Republic of China (《中華人民共和國民法典》), and the Interpretation by the Supreme People's Court on the Application of Laws in Disputes Related to Urban Housing Lease Contracts (2020 revision) (法釋[2020]17號), the lack of registration does not affect the validity of the lease contracts. Therefore, despite the registration oversight, the leases remain legally effective and continue to govern the relationship between the lessors and us.

Based on the above considerations and the opinions of our PRC Legal Advisers, our Directors believe that the failure to register these non-commercial leases does not pose a significant legal risk or potential for penalties. Our Directors believe that this issue will not have a material impact on our business or financial performance.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time become involved in various legal proceedings in the ordinary course of our business.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, or administrative proceedings, and we were not aware of any material pending or threatened legal, arbitral, or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

Compliance

We operate in a highly regulated industry, particularly in the production and sale of infant formula and FSMPs, both of which are categorized as special dietary foods under the PRC legal framework. Our operations are governed by a comprehensive regulatory system covering the full product lifecycle, from research and development, formulation registration, and manufacturing to distribution, labeling, and after-sales services. The primary regulatory authorities overseeing our operations include the SAMR, the National Health Commission (“NHC”), and the General Administration of Customs.

Our activities are subject to key national regulations such as the Food Safety Law of the PRC, the Administrative Measures for the Registration of Infant Formula Recipes, and the Administrative Measures for the Registration of Foods for Special Medical Purposes. Specifically, our infant formula products require individual recipe registration and approval by SAMR before they can be produced and sold, with certifications typically valid for five years. FSMPs, due to their clinical nature, face even more stringent regulatory requirements, including the need for clinical trials or supporting medical literature. The approval process for these products typically takes one to two years.

During the production stage, we are subject to unscheduled on-site inspections focused on compliance with Good Manufacturing Practices (“GMP”), ingredient traceability, and process safety protocols. In the distribution stage, the SAMR and local regulators oversee labeling, advertising, and shelf inspections. For imported materials or exports, we also adhere to the relevant regulations of the General Administration of Customs and the competent regulatory authorities in overseas jurisdictions.

As part of our commitment to remaining compliant with evolving regulations, we are closely monitoring the latest regulatory developments. Notably, the National Food Safety Standard for Infant Formula Foods for Special Medical Purposes (GB 25596-2025) was issued by the National Health Commission and SAMR on March 16, 2025, and will come into effect on March 16, 2027. Manufacturers must align their production processes with the updated technical requirements specified in this new standard. Products manufactured under the previous standard (GB 25596-2010) can still be sold until their shelf life expires. To ensure a smooth transition and avoid stock shortages, we plan to complete necessary formula adjustments, re-registrations, minor production-line modifications, and label updates by the end of 2026.

In addition, the draft National Food Safety Standard for Foods for Special Medical Purposes (GB 29922-2024) was released for public comment on January 19, 2024, with the comment period ending on February 29, 2024. If adopted in its current form, this revised standard would require us to update the formulation of our FSMP and complete a re-registration under the new requirements.

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Throughout the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material incidents of non-compliance. We confirm that we have adhered to all relevant laws and regulations in the PRC applicable to our operations.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied, in all material respects, with the relevant laws and regulations in the PRC. They believe that there have been no material non-compliance incidents, and the company has made necessary corrections promptly where required.

EMPLOYEES

As of June 30, 2025, we had approximately 1,710 employees; in addition to our PRC-based workforce, we employed a total of 115 overseas personnel across two countries, namely Spain and South Korea. These employees were primarily engaged in production, quality control, and local administration functions at our overseas manufacturing facilities and offices.

The following table sets forth a breakdown of our employees by function as of June 30, 2025.

<u>Geographic Locations</u>	<u>Number of Employees</u>
China	1,595
South Korea	20
Spain	95
Total..	1,710

<u>Department/Function</u>	<u>Number of Employees</u>
Sales	640
Production	583
HR, Administration, Logistics, and Others	115
Quality Control.	157
Supply Chain	101
Finance	61
Brand and PR	40
Senior Management.	13
Total..	1,710

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We place strong emphasis on recruiting, training, and retaining talent across all business functions. Our recruitment practices aim to attract individuals with strong academic backgrounds and relevant industry experience. As of the Latest Practicable Date, most of our managerial-level employees had more than five to eight years of industry experience and held at least a bachelor’s degree. Regional sales managers typically had over five years of experience, while provincial and national sales heads had eight to ten years or more.

Our employee compensation package includes base salary, performance bonuses, statutory social security and housing funds, subsidies, and welfare programs such as paid leave, health insurance, and team-building events. Factory and farm-based employees typically receive base salary plus output- or performance-linked pay. We also maintain project-based incentive schemes and are exploring future equity incentive plans to enhance long-term employee retention.

We have not experienced any material labor disputes, strikes, or staffing shortages during the Track Record Period and up to the Latest Practicable Date. All employees sign labor contracts.

Social Security and Housing Fund

As of the Latest Practicable Date, we had not made full contributions to social security and housing funds for certain of our employees, and in some cases, we did not make any such contributions for a small number of employees. In addition, we have engaged third-party human resources agencies to make social security and housing fund contributions on behalf of certain employees, primarily because our employees working in different cities across China prefer to contribute in their respective places of residence in order to access local welfare benefits. These arrangements, however, are not in full compliance with the relevant PRC laws and regulations.

According to our PRC Legal Advisers, under the Social Insurance Law of the PRC (as amended in 2018): (i) if an employer fails to complete contribution registration, the competent authority may order rectification within a prescribed period; if the employer fails to rectify within such period, a fine of not less than one time but not more than three times the amount of the social insurance contributions payable may be imposed; and (ii) if an employer fails to make contributions in full and on time, the competent authority may order payment or make-up payments within a prescribed period and, from the date of default, impose a late-payment surcharge at 0.05% per day; if payment is still not made within such period, a fine of not less than one time but not more than three times the amount in arrears may be imposed. Pursuant to the Regulations on the Administration of the Housing Provident Fund (as amended in 2019): (i) if an employer fails to complete contribution registration, the competent authority may order registration within a prescribed period; if the employer fails to do so within such period, a fine of RMB10,000 to RMB50,000 may be imposed; and (ii) if an employer fails to make contributions in full, the competent authority may order payment within a prescribed period and, if payment is still not made, may apply to a PRC people’s court for compulsory enforcement.

We have received written confirmation from the Beian Municipal Human Resources and Social Security Bureau (北安市人力資源和社會保障局), the Heihe Housing Provident Fund Management Center (黑河市住房公積金管理中心), the Fuyu County Social Insurance Center (富裕縣社會保險事業中心), the Qiqihar Housing Provident Fund Management Center (齊齊哈爾市住房公積金管理中心), the Tieli City Social Insurance Bureau (鐵力市社會保險事業中心), and the Yichun City Housing Provident Fund Management Center (伊春市住房公積金管理中心), confirming that no significant complaints, claims, or legal actions have been taken against us regarding the underpayment or non-payment of social security and housing fund contributions. Additionally, through onsite visits to the social security and housing fund authorities in Qingdao

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and Changsha, where the majority of our workforce is based, it has been confirmed that, based on our communications with the aforesaid regulatory authorities, these departments typically do not initiate corrective actions or impose administrative penalties for underpayment of social security and housing fund contributions unless an employee files a complaint or report. These departments generally do not take proactive measures to enforce payments or penalties for such shortfalls unless triggered by formal complaints or claims from employees.

Moreover, the State Council (國務院) issued specific guidelines to stabilize the collection of social insurance contributions, which are relevant to our situation. According to the Notice on Implementing Policies to Support the Private Economy (國務院辦公廳發布的關於實施進一步支持和服務民營經濟發展的若干措施的通知) issued in November 2018, and subsequent measures, local authorities should not initiate active collection efforts for historical shortfalls in social insurance or housing fund payments. This directive aims to ease the financial burden on enterprises, particularly small and medium-sized businesses, and prevent forced collection of arrears.

During the Track Record Period, we did not receive any notices from the relevant PRC authorities requiring us to make up shortfalls in social security or housing fund contributions, nor were we subject to any administrative penalties in relation to such contributions. We are also not aware of any material employee complaints or significant labor disputes concerning social security or housing fund matters. If the relevant authorities, in accordance with applicable laws and regulations, require us to pay outstanding social security and/or housing fund contributions or to take corrective measures, we will fulfill the payment obligations or implement the required measures as soon as practicable.

In light of the current legal framework, regulations, and the ongoing corrective actions, our PRC Legal Advisers are of the view that the risk of facing significant administrative penalties due to our previous failure to make full social security and housing fund contributions is remote, assuming no material adverse changes in laws, regulations, or local government policies, and no employee complaints or claims arise.

Labor Dispatch

During the Track Record Period, some of our subsidiaries had exceeded the statutory limit on the proportion of labor dispatched workers, with the proportion of dispatched workers exceeding 10% of the total workforce. We have since taken corrective actions to reduce the proportion of dispatched workers to a level conforms to statutory proportion by transferring the labor relationships of dispatched workers to the subsidiaries directly. As of the Latest Practicable Date, we had complied with the statutory limit on the proportion of labor dispatched workers according to the relevant PRC laws and regulations.

According to the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) (2012 revision) and the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), labor dispatch agencies and employers must adhere to strict regulations. In the event of non-compliance, administrative penalties may be imposed, including fines ranging from RMB5,000 to RMB10,000 per worker if corrections are not made within the designated period.

Our PRC Legal Advisers have confirmed that, the historical number of the aforementioned labor dispatched workers from some of our subsidiaries in China exceeding 10% of the total workforce is not a serious breach of laws. Furthermore, there have been no significant labor-related complaints, lawsuits, or arbitration cases during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that with the measures taken, the risk of penalties related to labor dispatch non-compliance has been effectively mitigated.

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INSURANCE

We maintain a range of insurance policies designed to mitigate key operational and business risks associated with our production activities, assets, personnel, and transportation. As of the Latest Practicable Date, we had not experienced any material claims, lapses in coverage, or disputes with our insurance providers.

We primarily carry property insurance over our production equipment, facilities, and inventories, which covers risks such as fire, natural disasters, and other accidental damage. Our property policies generally apply to our major production plants, including those located in Heilongjiang, and other key operational sites. We also maintain mandatory motor vehicle insurance, including both third-party liability and commercial vehicle damage insurance, for company-owned vehicles used for transportation and logistics across our operations in provinces such as Heilongjiang.

In addition, we provide group accident insurance and personal accident coverage for employees at several of our subsidiaries, including those in Heilongjiang and Jiangxi. These policies cover accidental injury and death arising from work-related or daily life incidents, with coverage amounts varying by region and role.

We also maintain public liability insurance, covering third-party liability risks that may arise in connection with our operations.

To support long-term risk management, certain facilities also hold extended-term property policies, such as the five-year policy held by Yeeper (Qingdao) Sheep Milk Products Co., Ltd., valid through 2027.

INTELLECTUAL PROPERTY

We rely on a combination of registered trademarks, patents, copyrights, and domain names to protect our proprietary formulations, product branding, and other valuable intangible assets. As of the Latest Practicable Date, we owned approximately 800 registered trademarks, 64 registered patents, 26 registered copyrights, and three registered domain names in China. Our registered trademarks primarily cover product names, brand identities and marketing slogans across our infant formula, FSMPs and other dairy product lines, while our patents relate to nutritional compositions, production processes, and packaging design innovations. Our registered copyrights include formula documentation, visual packaging elements, and proprietary content used in product education and promotion.

The intellectual property portfolio of our Spanish subsidiaries primarily comprises registered trademarks, trade names, and domain names. As of June 30, 2025, we held multiple trademark registrations, both domestically and internationally, covering our core brands in the dairy and related food product categories. Key registrations include:

- **Oviganic Ibérica:** International trademark registered at WIPO valid until June 12, 2030 and a U.S. trademark valid until December 6, 2030.
- **Biovinatur Ibérica:** European Union trademark valid until February 23, 2032.

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- **Queserías Prado S.L.:** Spanish trademark registered on April 12, 2018; a pending EUIPO application for a new logo filed on April 30, 2025; and a China trademark registered on January 28, 2024.
- **Other Queserías Prado-owned marks:** Including *Castillo del Puente* (two registrations in Spain), *Cetedera* (valid until July 9, 2026), *Montecastillo* (valid until October 29, 2026), and *Pradolongo* (valid until August 8, 2032).

We have also registered our subsidiary names in the Spanish Trade Register and maintain active domain names including oviganic.com, queseriasprado.com, and biovinatur.com.

As of June 30, 2025, our Korean subsidiaries collectively owned a total of 17 trademarks duly registered with the Korean Intellectual Property Office. These trademarks cover product names, brand identifiers, and related marks used in connection with our dairy product manufacturing and export business in South Korea. All trademarks are supported by valid registration certificates, and no circumstances indicating infringement of third-party rights had been identified. Our Korean subsidiaries have not licensed any of their intellectual property rights to third parties.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We embed ESG principles across procurement, farming, manufacturing, logistics and market operations to support long-term, resilient growth in nutrition for sensitive populations. Our ESG work prioritizes product quality and food safety, sustainable supply chain management, consumer well-being, energy and water stewardship, environmental protection and community engagement.

ESG Governance Framework

Our ESG governance framework is designed to ensure effective oversight and accountability for ESG-related matters. Our Board of Directors assumes overall responsibility for ESG strategy and supervision. An ESG Work Group, comprising supply chain management, operations, human resources, marketing, legal and other core functions, has been established to execute ESG initiatives, monitor compliance, and report progress to senior management.

This framework is supported by internal guidelines covering environmental risk controls, labor and human rights practices, and social engagement. The ESG Work Group is also responsible for compiling ESG disclosures and coordinating with external advisors to ensure compliance with applicable standards and regulations.

ESG Legal Compliance

We comply with applicable environmental, occupational health and safety, food safety, and labor laws and regulations in our operating jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we did not incur material penalties for breaches of environmental or workplace safety laws.

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Greenhouse Gas Emissions and Climate Risk Management

We recognize the environmental impact of dairy production and are committed to reducing our greenhouse gas (“GHG”) emissions. We monitor Scope 1 (direct emissions), Scope 2 (energy indirect emissions), and where applicable, Scope 3 (other indirect emissions, such as logistics and business travel). Scope boundaries include emissions from fuel combustion and refrigerants at plants and farms, on-site vehicles, husbandry activities (Scope 1), and purchased electricity for plants, farms, and offices (Scope 2).

We closely monitor the potential impacts of climate change on the macroeconomy and our operational activities, viewing it as a key management issue closely linked to the Group’s business, strategy, and resource allocation. The national “carbon peak and carbon neutrality” targets have been set, and in compliance with regulatory frameworks, we continuously identify and manage climate-related risks and opportunities, specifically in dairy production and farm operations.

Following our assessment, we have identified the following primary risks and impacts from climate change:

- **Physical Risks:** Extreme weather events and climate anomalies (e.g., high/low temperatures, heavy rainfall, floods, droughts) may affect pasture and raw milk supply, animal health, and production yields. Disruptions may also impact stable operations at production bases and logistics facilities (e.g., road transport blockages, equipment failures).
- **Transition Risks:** As regulations tighten around energy consumption, emissions, and packaging, and due to fluctuations in energy and raw material prices, we face the risk of increased compliance and operational costs. Simultaneously, expectations from customers and partners for energy-saving, emissions reduction, resource efficiency, and compliance management continue to rise.

The following table sets forth our GHG emissions data during the Track Record Period:

Emission Type	Unit	Year ended December 31,			For the six months ended June 30,
		2022	2023	2024	2025
Scope 1 Emissions .	tons CO2	11,965.1	25,351.0	31,030.2	14,087.4
Scope 2 Emissions .	tons CO2	8,907.2	11,539.6	13,708.7	6,074.6
GHG removals	tons CO2	11.0	11.0	11.0	51.5
Total GHG Emissions	tons CO2	20,861.3	36,879.6	44,727.9	20,110.5
Emission Intensity . .	tons CO2e/RMB million revenue	12.0	22.8	25.2	25.0

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Energy management and GHG emissions are core to our strategy for addressing climate change. We aim to control energy consumption and emissions intensity relative to business volume, taking a target-driven approach for continuous improvement.

- **Scope 1 (Direct Emissions):** Includes emissions from refrigerants used in air conditioning systems at office buildings and emissions from fuel combustion in company vehicles. For production bases and farms, it also includes emissions from fuel combustion, refrigerant usage and leakage, vehicle emissions, and greenhouse gas emissions from husbandry activities.
- **Scope 2 (Indirect Emissions):** Refers to indirect emissions from purchased electricity at our production bases, farms, and office areas.

Although our total energy consumption may increase with business growth, we remain committed to optimizing and reducing operational intensity. We strive to continuously reduce energy consumption and GHG emissions density on a comparable basis. We aim to reduce energy consumption density and GHG emissions intensity by 5% from 2025 to 2035.

Energy and Resource Efficiency

We have established comprehensive procedures to reduce energy consumption in our operations and minimize environmental impact. This includes continuous optimization of resource use and energy efficiency across all stages of production, from farming to manufacturing. In line with the “Energy Conservation Law of the People’s Republic of China” and other relevant regulations, we have developed a management system that covers everything from goal-setting and process control to maintaining detailed records, tailored to the specific needs of dairy production and the operation of sheep and cow farms.

At our production sites and farms, we focus on a strategy of “source reduction, process optimization, and continuous improvement.” Energy consumption is managed through rational production scheduling, equipment operation management, and optimization of key systems, such as boilers, power systems, and ventilation. We also enhance energy efficiency by using advanced lighting systems, conducting regular equipment inspections, and eliminating unnecessary devices that lead to energy inefficiencies. For some facilities, energy consumption targets are set annually based on production units (e.g., per ton of powder) and are tracked on a monthly basis. Additionally, we maintain records of refrigerant and fuel consumption for vehicles to accurately report emissions under Scope 1.

In terms of office operations, we promote energy efficiency by optimizing air conditioning use and maximizing natural light. We prioritize purchasing energy-efficient certified equipment and encourage employees to adopt habits that reduce energy use, such as setting office devices to standby mode when not in use.

We also focus on reducing resource consumption in our logistics and supply chain management. By utilizing intelligent inventory management, we minimize packaging waste and optimize packaging specifications and transportation strategies. This includes improving loading efficiency and planning routes to reduce fuel consumption and overall environmental impact.

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Through these integrated initiatives, we continue to enhance our operational sustainability, striving for more efficient resource usage and a smaller environmental footprint across all areas of our business.

The following table sets forth our energy and water consumption during the Track Record Period:

Resource Type	Unit	Year ended December 31,			For the six months ended June 30,
		2022	2023	2024	2025
Electricity Consumption	MWh	8,907.2	11,539.6	13,708.7	6,074.6
Electricity intensity	cubic meters	6.4	7.1	7.7	7.5
Fuel (gasoline/diesel).	liters	171,866.7	207,282.0	295,682.2	105,654.3
Fuel intensity	liters/RMB million revenue	122.6	128.4	166.8	131.1
Water consumption	cubic meters	465,334.3	608,718.2	760,795.1	323,297.0
Water intensity	m ³ /RMB million revenue	332.0	377.1	429.1	401.2

Solid Waste Management

We classify solid waste as non-hazardous and hazardous, manage storage and transfer in compliance with law, and use licensed service providers with full tracking and transfer manifests.

Non-hazardous waste, includes domestic waste, packaging and other recoverables, is sorted at source using clearly labeled containers. Trained personnel oversee collection and record-keeping; domestic waste is stored at fixed points and removed by municipal or qualified contractors, while recoverables are identified, tallied and reused or sold. At certain sites, biomass ash and livestock manure are utilized for agricultural purposes in compliance with local requirements, with supporting ledgers retained.

Hazardous waste, includes lab effluent, spent mineral oil (and oil drums), chemical reagent bottles and spent activated carbon, is kept in designated storage areas with impermeable flooring, weather protection and clear signage. We apply the hazardous-waste transfer manifest system and engage licensed transporters and treatment facilities, maintaining full traceability through registers and periodic inspections.

We continue to improve recovery and reuse rates where safe for products and animal health, and to strengthen standardized procedures, staff training, on-site inspections and ledger controls to ensure compliant, traceable handling across all sites.

Animal Welfare and Livestock Management

We place great emphasis on animal welfare in our dairy goat and sheep farms, and dairy cow farms. The Company has implemented standardized livestock management practices to ensure that animals are raised in a healthy, safe, and humane environment. We conduct regular veterinary checks, enforce disease prevention measures, and provide targeted nutritional management to safeguard animal health. In addition, we are committed to responsible farm management and continuously improving farm facilities to maintain high standards of animal care and sustainable livestock management.

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Workforce and Social Performance

As of June 30, 2025, we had approximately 1,710 employees. The workforce composition was 53.3% male and 46.7% female. By age, 20.2% were under 30, 64.3% were aged 31 to 50, and 15.5% were above 50. By position level, 80.9% were general employees, 18.3% were middle management, and 0.8% were senior management. Overall, the gender, age, and functional distribution of our employees is well-balanced, providing a solid talent foundation for the continued stable development of us.

We are committed to maintaining a fair, transparent, and legally compliant employment environment that safeguards the legal rights of our employees. Our recruitment process emphasizes fairness and equal opportunity, and we have established transparent hiring and performance management mechanisms. All formal employees are legally contracted, and we place high importance on compliance throughout the recruitment process.

Our talent acquisition strategy prioritizes fairness and open competition. We employ a variety of recruitment channels, including professional head-hunters, online job platforms, internal referrals, and internal job rotations. This ensures that we attract and hire top talent, infusing the company with fresh ideas and fostering innovation.

We take great care in ensuring compliance and transparency throughout the hiring process, with a focus on preventing discrimination in recruitment, promotions, and daily management. Our commitment to diversity and inclusion is embodied in our recruitment policy, which explicitly encourages the hiring of disabled individuals and minority ethnic groups. Additionally, we actively run programs to support vulnerable groups, helping them improve their professional skills and employment capabilities.

We maintain a strong focus on creating a work environment that is free from discrimination based on gender, age, ethnicity, nationality, religion, or any other factor. Our company culture prioritizes diversity, equality, and inclusivity, which are woven into all aspects of our talent management and operational practices.

We place a strong emphasis on employee health and safety. Our employees benefit from protective equipment, comprehensive safety training, reasonable work schedules, and regular safety inspections. During the Track Record Period, no major labor disputes or occupational safety incidents were reported.

To fully unlock the potential of our team, we have established a systematic talent development framework. This includes a competitive compensation structure, clearly defined career advancement pathways, and a frontline rotation mechanism designed to attract and cultivate top-tier industry talents. We also embed our brand philosophy of “customer-first mindset, underpinned by professional excellence” across all aspects of our operations. For example, we regularly organize core teams from various business lines to conduct on-the-ground market research at retail terminals, ensuring our operational decisions remain closely aligned with evolving consumer trends. By integrating accumulated experience, institutional innovation, and shared values, we have not only strengthened the strategic execution capabilities of our organization but also ensured the continued evolution of our leadership bench. This forms a solid foundation for sustainable, long-term corporate growth.

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We continue to build a diverse, inclusive, and fair workplace culture, ensuring that these values are at the core of our operational and human resource management practices.

Employee Training and Digital Empowerment

We place a strong emphasis on the development of our employees and franchisees, continuously improving our digital training system to enhance professional skills and organizational competitiveness. Each year, all departments prepare a training plan for the following year, which is consolidated and monitored by the Human Resources and Administration Department to ensure the system’s effectiveness and compliance with training standards.

Our training approach combines mentorship (“older employees guiding new hires”) with phased, multi-module training to offer targeted learning opportunities based on the employee’s stage of development. New employees are required to complete job-specific training upon joining. The Equipment Department provides training on equipment operation, the Production Department offers training on production equipment and job-specific skills, and the Quality Control Department focuses on food and dairy product-related laws and regulations to ensure employees adapt quickly to their roles and meet industry standards. Additionally, we organize small-scale on-the-job technical training sessions as needed to continuously enhance and update skills.

For the year ended December 31, 2024, we organized a total of 2,245 training sessions, with 46,796 employee participations and a total of 4,441 hours of training. For the six months ended June 30, 2025, we organized a total of 1,362 training sessions, with 28,954 employee participations and a total of 2,229 hours of training. This has effectively improved the professional skills and job competence of our entire workforce.

Relying on a robust digital training system and a comprehensive talent development approach, we will continue to enhance organizational resilience and talent effectiveness, establishing a benchmark for sustainable development and industry talent cultivation.

Supply Chain Management

We operate a transparent, compliant and resilient supply chain governance system. Supplier admission requires rigorous assessment by food safety, quality control and procurement teams, including checks of official credit platforms and local environmental enforcement disclosures; we prioritize reputable, legally compliant suppliers with adequate capacity and sound records, and conduct periodic reviews of existing suppliers.

Business Ethics and Anti-corruption

We place the highest importance on business ethics and compliance, adhering to the principles of fairness, justice, and transparency in all our operations. Integrity and self-discipline are the cornerstone of our relationships with suppliers, distributors, and other business partners. We have established a robust integrity and compliance management system, strictly following the applicable laws and regulations in China and the regions where we operate.

BUSINESS

Before engaging in any commercial transactions, we conduct thorough background checks on potential partners, including suppliers, distributors, customers, and other stakeholders, to ensure they have no history of dishonest behavior. This proactive approach minimizes business risks from the outset.

We identify, classify, and assess potential risks based on our operational realities, developing executable contingency plans in advance. At the same time, we are continuously improving our ESG risk early-warning and response mechanisms. This includes encouraging upstream and downstream partners to jointly fulfill their environmental and social responsibilities, ensuring compliance and sustainability across the entire value chain.

Our commitment to compliance and business ethics remains unwavering, and we see our proactive ESG risk management capabilities as a core competitive advantage. By maintaining high standards of business ethics, we aim to create stable, long-term value for our shareholders, customers, employees, and society, thereby strengthening the foundation for the company’s sustainable development.

We take a zero-tolerance stance toward any form of corruption, bribery, extortion, fraud, and money laundering. Anti-corruption and integrity governance are integral parts of our corporate governance structure, and we embed compliance requirements deeply into our corporate culture and daily operations. We strictly adhere to relevant laws and regulations, including the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》), the Company Law of the People’s Republic of China (《中華人民共和國公司法》), and the Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) to prevent bribery, extortion, fraud, and money laundering under any circumstances.

We have implemented the Employee Handbook (《員工手冊》), which clearly state the anti-corruption and integrity standards all employees must follow in their daily work. For high-risk areas such as procurement and financial approvals, we have established specific control processes. Large procurement contracts require multi-party price comparisons and record-keeping; financial approval for large transactions follows a hierarchical approval system, with all transactions requiring internal approval and contracts, and payments made via bank accounts in the company’s name to ensure transparency and traceability of business activities.

We have fully implemented an integrity agreement system, requiring all employees to sign an *Integrity Agreement* with third parties, suppliers, and partners before establishing business relationships. This agreement outlines our firm stance against commercial bribery, kickbacks, and any behavior seeking private gain, reinforcing our commitment to fairness and integrity.

For oversight and disciplinary actions, we have established an internal investigation and internal-control management department, staffed with a professional team dedicated to investigating corruption, misconduct, and other violations. Any allegations of fraud, theft, or abuse of company assets must be reported immediately and investigated thoroughly, with strict enforcement in line with relevant agreements and policies. We also accept external supplier complaints, ensuring confidentiality and prompt responses to whistleblower tips, maintaining a transparent and ethical business environment.

BUSINESS

Community Investment

We collaborate with public-interest organizations to promote healthy lifestyles and equitable development opportunities in our communities. Guided by the values of “organic ecology, respect for nature, and care for people (有機生態, 敬天愛人)”, we focus on societal needs and use our industry expertise to support a wide range of philanthropic projects, including educational support, disaster relief, and care for vulnerable groups.

In 2021, we established the Yeeper Allergy-Friendly Public Welfare Foundation (宜品護敏公益慈善基金會) in Qingdao, through which we actively fulfill our corporate social responsibilities. The foundation focuses on providing nutritional support and health care to sensitive infants, organizing public education initiatives such as youth science lectures and community donation campaigns. By working with medical institutions and charitable organizations, we integrate our allergy-care brand philosophy with broader social values, thereby enhancing brand credibility and public goodwill.

In recent years, we have actively engaged in public welfare actions both domestically and internationally, responding promptly to major social events and emergency relief needs:

- In 2019, during the COVID-19 pandemic, we donated a total of RMB12 million in cash and supplies to medical workers in Wuhan. We also provided essential medical supplies worth €300,000 to frontline workers in Spain as the pandemic spread globally.
- In 2021, when extreme rainfall hit Henan, we immediately deployed emergency relief and donated goods worth RMB2 million to Weishi County (尉氏縣). Later that year, during the outbreak of COVID-19 in Heilongjiang, we donated nutritional supplies worth RMB820,000 to the local government to assist in pandemic control.
- In 2022, the Yeeper Sensitive Charity Foundation (宜品護敏公益慈善基金會) donated nutritional supplies worth RMB1.5 million to the Red Cross (紅十字會) to support pandemic relief efforts in Laixi, Qingdao. In April, we also donated RMB2.1 million in nutritional supplies to children in Shanghai through the China Red Cross Foundation (中國紅十字基金會). In December, we donated RMB160,000 in cash and RMB200,000 worth of dairy products to the Yilin Kang Education Center (以琳康教展能中心) in Qingdao, supporting children with autism.
- In 2023, we donated RMB250,000 to the Ullens Center for Contemporary Art (尤倫斯藝術基金會) in Beijing. We also contributed RMB1.75 million worth of goat milk powder to flood-affected areas in Hebei and Jilin, and RMB3.15 million in relief materials to disaster-stricken regions in Qinghai (青海), in partnership with the China Children and Teenagers’ Fund (中國兒童少年基金會).
- In 2024, we partnered with China Ocean University (中國海洋大學) to select the “first secretary” from Yanwo Village (燕窩村) and the Mengyin Mountain Charitable Association (蒙陰山慈善總會) to conduct educational donations, providing students with school supplies, backpacks, books, and dairy products, with a total value of RMB116,000.

BUSINESS

We will continue to adhere to the core principles of “focusing on needs and precise assistance,” leveraging our corporate strengths to expand the depth and breadth of our philanthropy. We remain committed to supporting education fairness, disaster relief, care for vulnerable groups, and community development, making a lasting contribution to sustainable social development while creating a compassionate and responsible community environment.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various operational, compliance and strategic risks inherent in our business, including those relating to raw materials procurement, production processes, quality control, logistics and distribution, inventory management, and market performance. To address these risks, we have adopted a comprehensive risk management and internal control system designed to monitor and mitigate material risks that could adversely affect our operations, financial condition or reputation.

Our internal control framework is underpinned by documented policies and standard operating procedures that govern key business functions. These include procurement protocols to manage supplier quality and cost fluctuations, production monitoring procedures to track batch consistency and sanitation standards, logistics coordination measures to ensure delivery timeliness, and inventory systems for tracking stock turnover, shelf-life risks and obsolescence. In addition, we have established performance monitoring mechanisms that assess channel sell-through and flag abnormal sales trends for follow-up action.

To ensure risk identification and prompt remediation, we conduct regular internal audits and compliance reviews across functional units. Our audit and risk personnel are responsible for conducting risk assessments and issuing recommendations for improvement. Identified issues are typically addressed through corrective action plans and system updates, which are implemented within two weeks of issue detection in most cases.

In preparation for and following the [REDACTED], we are enhancing our corporate governance structure and compliance monitoring systems to align with the standards expected of a publicly listed company. This includes strengthening segregation of duties, refining reporting lines, upgrading our digital risk monitoring systems, and expanding documentation and retention protocols across key business units.

According to the internal control review conducted by our internal control consultant, our internal control system was assessed to be effective and compliant in all material respects with applicable laws, regulations and the Listing Rules requirements during the Track Record Period and up to the Latest Practicable Date.

DATA PRIVACY POLICY

We collect and process certain personal information from consumers, employees, job applicants, and business contacts in the ordinary course of our operations. As for personal information of consumer, we collect and process for purposes such as product delivery, after-sales support, digital marketing, and customer relationship management. The scope of data collected adheres to the “minimum necessary” principle, and typically includes names, phone numbers, delivery addresses, device and order data, and in limited cases, user behavior through loyalty and QR code-based point redemption systems.

BUSINESS

For our digital membership and customer systems, our data infrastructure is supported by Alibaba Cloud’s secure image and snapshot services, with no physical backups or offline replications performed locally. User authorization is obtained prior to data collection through customized consent interfaces. Access is limited to authorized personnel, and a data classification and grading safety management system is applied based on sensitivity levels.

During the handling of consumers’ personal information associated with our business operations, we have not engaged in any cross-border transmission of personal information or important data from the PRC to overseas jurisdictions. All personal data is stored and processed domestically within secure environments governed by our internal information security controls.

We have adopted a full suite of internal policies and governance mechanisms to ensure compliance with the applicable laws and regulations in the PRC, including:

- the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》),
- the Data Security Law of the PRC (《中華人民共和國數據安全法》),
- the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and
- the Regulations on the Management of Network Data Security (《網絡數據安全管理條例》).

To this end, we have implemented dedicated policies such as our Data Security Management System, Safety Management System for Personal Information Protection, Incident Response Procedures as well as Data Storage and Deletion Rules, to conduct assessment on the effect of personal information protection. We provide our employees with induction trainings on required office and informatization knowledges and skills, as well as data security and personal information protection, who are required to sign information security and confidentiality agreement. Meanwhile, we develop privacy policies tailored to applications used by distinct user groups. We legally process data after obtaining informed consent from users or based on other lawful grounds.

As of the Latest Practicable Date, we had not been classified as a critical information infrastructure operator under the Cybersecurity Review Measures (《網絡安全審查辦法》), nor had we received any request to initiate a cybersecurity review. According to our PRC Legal Advisors, since a [REDACTED] in Hong Kong does not constitute an overseas [REDACTED] for purposes of Article 7 of the Cybersecurity Review Measures, we are not required to apply for cybersecurity review solely on that basis. However, given the regulatory framework’s discretionary scope, we cannot rule out the possibility that future reviews may be initiated should national security concerns arise in connection with our data processing activities.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data breach, unauthorized access, or information security incident involving personal data. We remain committed to enhancing data protection capabilities and complying with evolving data governance requirements, and our Directors believe that we had complied in all material respects with applicable data privacy laws during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we had received awards and recognition in respect of our products, technology, and innovation, significant ones of which are set forth below. It reflects our continuous dedication to excellence in quality, sustainability, and corporate responsibility, as recognized by esteemed industry associations and government bodies.

Year	Award of recognition	Accrediting/Issuing institution/authority
2024	First Prize of the Guangdong Province Science and Technology Progress Award (廣東省科技進步獎一等獎)	People’s Government of Guangdong Province (廣東省人民政府)
2024	Second Prize for Technological Progress of China Dairy Industry Science and Technology Award (中國乳業科技系列獎項技術進步二等獎)	China Dairy Industry Association (中國乳製品工業協會); The Chinese National Committee of International Dairy Federation (國際乳品聯合會中國國家委員會)
2024	2024 Dairy Industry Innovation Technology Enterprise Award (2024乳業科技創新企業獎)	China Dairy Industry Association
2024	Annual Technology Leadership Award (年度技術引領獎)	NBM New Forces in Maternal and Infant Products (NBM母嬰新勢力)
2024	Pioneering Award for Milk Powder Sub-Category (奶粉細分品類先鋒獎)	Baby Think Tank (嬰童智庫) & Milk Powder Think Tank & Cultivator (精耕者)
2023	2023 Gold Award of Quality in the Mainstream Brands’ Infant Formula Milk Powder Quality Competition (2023年度主流品牌嬰幼兒配方乳粉質量大賽質量金獎), Second Prize for Technological Progress of 2023 China Dairy Industry Science and Technology Award (2023年度中國乳業科技系列獎項技術進步二等獎), Leading Enterprise in Technological Innovation of China Dairy Industry (中國乳業科技創新典範企業)	China Dairy Industry Association
2023	Annual Excellence Product Award (年度實力優品獎)	NBM New Forces in Maternal and Infant Products (NBM母嬰新勢力)

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Year	Award of recognition	Accrediting/Issuing institution/authority
2023	Top 500 Charitable and Philanthropic Enterprises of China Manufacturing Industry by Private Enterprises in 2023 (2023 中國製造業民營企業慈善公益500強)	Center for Shared Prosperity and Human Resources Development Research of Beijing Institute of Technology (北京理工大學共同富裕與人力資源開發研究中心); The Organizing Committee of the Conference for the Release of the Top 500 Charitable and Philanthropic Enterprises of China Research Results (中國企業慈善公益500強研究成果發佈大會組委會); Market Observer (《企業家》雜誌社); Global Charity (《環球慈善》雜誌社)
2023	Top 500 Chinese Enterprises for Rural Revitalization in 2023 (2023 中國企業鄉村振興500強)	Center for Shared Prosperity and Human Resources Development Research of Beijing Institute of Technology; The Organizing Committee of the Conference for the Release of the Top 500 Charitable and Philanthropic Enterprises of China Research Results; Market Observer; Global Charity
2023	CBIS Infant and Children Industry Origin Award – Industry 10-Year Example Award (CBIS 嬰童產業原點獎 – 產業十年標桿獎)	China Baby Industry Media (中童傳媒)
2022	2022 Qingdao Annual High-Quality Development Model Enterprise (2022 青島年度企業高質量發展典型案例)	Publicity Department of the CPC Qingdao Municipal Committee (青島市委宣傳部), Qingdao Federation of Enterprises (青島市企業聯合會), Qingdao Entrepreneurs Association (青島市企業家協會), Qingdao Daily Newspaper Group (青島日報社), Qingdao Radio and Television Station (青島市廣播電視臺), Qingdao Publishing Group (青島出版集團)
2022	Contributing Enterprise to Economic Development of Qiqihar City (齊齊哈爾市經濟發展貢獻企業)	Communist Party of China Qiqihar Municipal Committee (中共齊齊哈爾市委), People’s Government of Qiqihar (齊齊哈爾市人民政府)

BUSINESS

Year	Award of recognition	Accrediting/Issuing institution/authority
2022	Top 50 Outstanding Private Enterprises with Quality Brands in Heilongjiang Province (黑龍江品質品牌優秀民營企業50強)	Leadership Group for the Development of Non-public Economy (Small and Medium-sized Enterprises) in Heilongjiang Province (黑龍江省發展非公有制經濟(中小企業)工作領導小組)
2022	The Eighth Batch of Key Agricultural Industrialization Leading Enterprises in Qingdao (青島市第八批農業產業化重點龍頭企業)	Qingdao Municipal Agriculture and Rural Affairs Bureau (青島市農業農村局)
2022	Gold Award of 2022 Quality Competition (2022年度質量大賽質量金獎), 2022 China Dairy Industry Science and Technology Series Awards – Technological Progress Award (First Prize) (2022年度中國乳業科技系列獎項技術進步獎(一等獎))	China Dairy Industry Association
2022	“Outstanding Dairy Processing Enterprise” in 2022 (2022年“優秀乳品加工企業”)	Dairy Association of China (中國奶業協會)
2022	2022 Most Popular Goat Milk Powder Brand Among Consumers (2022年度最受消費者喜愛羊奶粉品牌)	NetEase News (網易新聞)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, Mr. Mu, Kangwang Investment and Qiwang Investment directly held 19.16%, 38.31% and 17.64% of our Shares, respectively. Kangwang Investment was wholly owned by Mr. Mu. Qiwang Investment was an Employee Shareholding Platform which was owned as to approximately 0.67% by Kangwang Investment as the executive general partner and approximately 51.99% by Mr. Mu as a limited partner. Accordingly, as at the Latest Practicable Date, Mr. Mu, Kangwang Investment and Qiwang Investment collectively are our Controlling Shareholders, holding approximately 75.11% of our Shares.

Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Controlling Shareholders will be entitled to exercise approximately [REDACTED]% of the voting rights at our general meeting upon [REDACTED]. Therefore, they will remain as our Controlling Shareholders.

For more information relating to our Controlling Shareholders and their shareholdings in the Company, see “Substantial Shareholders.”

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and their respective close associates confirm that they do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we can function, operate and carry on our business independently from our Controlling Shareholders upon [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholder and his close associates. On the basis of the following reasons, our Directors consider that the Company will continue to be operationally independent of our Controlling Shareholder and his close associates after [REDACTED]:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (c) we make our own procurement purchases and conduct our own sales and marketing primarily through independent third party distributors. Save as disclosed in this document, the Group has a large and diversified base of customers and our customers and suppliers are unrelated to our Controlling Shareholders and his close associates;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) as at the Latest Practicable Date, we owned and leased factory and office space from independent third parties. All the properties and facilities necessary to our business operations are independent from our Controlling Shareholders and his close associates;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments;
- (f) as at the Latest Practicable Date, except for Mu Shanquan (牟善全), who is Mr. Mu’s younger brother, and Mu Shanyong (牟善勇), who is Mr. Mu’s cousin, all of our full-time employees were recruited independently from our Controlling Shareholders and his close associates and primarily through campus recruiting, job market recruiting, headhunters’ recommendations and internal referrals;
- (g) save for the continuing connected transactions set out in the section headed “Connected Transactions” in this document, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or his close associates upon or shortly after [REDACTED]; and
- (h) none of our Controlling Shareholders and his close associates has any interest which competes or is likely to compete with the business of our Group.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises five executive Directors and three independent non-executive Directors. Please see the section headed “Directors, Supervisors and Senior Management” in this document for further details.

As at the Latest Practicable Date, none of our Directors, Supervisors or the members of our senior management team hold any position in Companies of our Controlling Shareholders and their close associates.

Our Directors are of the view that our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders for the following reasons:

- (i) as a part of our preparation for the [REDACTED], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that any Director, Supervisor and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) our independent non-executive Directors constitute more than one-third of our Board and none of them has any relationship with our Controlling Shareholders. Our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;
- (iii) each of our Directors is aware of his or her fiduciary duties as a director, which require, among other things, that he or she acts for our Company’s best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (iv) where a Shareholders’ meeting is held to consider a proposed transaction in which our Controlling Shareholders has a material interest, our Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control of our Company. Our finance department is also independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system.

We are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, credit facilities of our Group in an aggregate amount of approximately RMB30.0 million were guaranteed by Mr. Mu and certain our subsidiaries. We expect that the personal guarantee granted by Mr. Mu to the Group will be released before [REDACTED]. Furthermore, as of June 30, 2025, we had cash and cash equivalents amounted to approximately RMB321.6 million.

During the Track Record Period, the Company obtained loans from Kangwang Investment, one of our Controlling Shareholders, which were unsecured and unguaranteed and repayable on demand. According to the loan agreement signed by the Group and Kangwang Investment on December 28, 2023 and September 20, 2024, Kangwang Investment agreed to provide loans amounted to RMB21,500,000 and RMB36,500,000 to the Group in aggregate with interest at 3.45% and 3.35% per annum, respectively. Please refer to Note 27 and 36 to the Accountants’ Report in Appendix I to this document for further details. As at the Latest Practicable Date, the balances due to Kangwang Investment for interest-bearing bank and other borrowings amounted to RMB20,744,000. We will settle these borrowings before the [REDACTED].

Apart from the aforementioned borrowings, during the Track Record Period and as at the Latest Practicable Date, the Group had certain outstanding balances due from/to the close associates of our Controlling Shareholders as a result of the connected transactions, details of which are set forth in note 27 and 36 to the Accountants’ Report included in Appendix I to this document. Our Directors confirm that, save as such connected transactions there will be no balances due to or from our Controlling Shareholders or his close associates which had not been fully settled nor were there

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

any financial assistance, security or guarantee provided by our Controlling Shareholders or their close associates in favor of our Group or vice versa upon [REDACTED]. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after [REDACTED].

The abovementioned guarantees and loans, being financial assistance (as defined in the Listing Rules) provided by Mr. Mu and Kangwang Investment for our benefit, were made on normal commercial terms and no security over our assets was granted in respect of such financial assistance. Accordingly, the provision of such guarantees and loans are fully exempt from all announcements, circulars and annual reports, and independent shareholder approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- (i) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;
- (ii) any transaction that is proposed between our Group and our Directors, including Mr. Mu and/or his respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements; and
- (iii) we have appointed Altus Capital Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance. Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

Further, any transaction that is proposed between our Company and the Controlling Shareholders and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the annual reporting, announcement, circular and independent Shareholders’ approval requirements.

CONNECTED TRANSACTIONS

OVERVIEW

Upon [REDACTED], transaction(s) between members of our Group and our connected person(s) will constitute continuing connected transaction(s) of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSON

We have entered into certain transactions with the following connected person, which will constitute our continuing connected transactions upon [REDACTED]:

Connected Person	Connected Relationship
Ouyang Xingwei (歐陽興偉)	Mr. Ouyang Xingwei is the brother of Mr. Ouyang Hui (歐陽輝), one of the directors of HAM Qibo, a wholly-owned subsidiary of Changsha Bekari.
Wuxi Yeeper Bekari Trading Co., Ltd.* (無錫宜品蓓康僖貿易有限公司) (formerly known as Nanjing Yeeper Bekari Trading Co., Ltd. (南京宜品蓓康僖貿易有限公司)) (“Wuxi Yeeper Bekari”)	Wuxi Yeeper Bekari and Shichen Nutritional are wholly owned by Mr. Ouyang Xingwei and his spouse, Ms. Liang Xiaoyan (梁曉豔), respectively.
Wuxi Shichen Nutritional Healthcare Co., Ltd.* (無錫爽宸營養保健品有限公司) (formerly known as Wuxi Bekari Commerce and Trade Co., Ltd. (無錫蓓康僖商貿有限公司)) (“Shichen Nutritional”)	Therefore, Mr. Ouyang Xingwei, Wuxi Yeeper Bekari and Shichen Nutritional are our connected persons at the subsidiary level.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Procurement of Products Agreement

On [●], 2025, our Company entered into an agreement (the “**Procurement of Products Agreement**”) with Wuxi Yeeper Bekari and Shichen Nutritional, pursuant to which Wuxi Yeeper Bekari and Shichen Nutritional will purchase our Company’s products including but not limited to milk powder. The pricing of such products is to be determined by our Company and Wuxi Yeeper Bekari and Shichen Nutritional on normal commercial terms, negotiated on arm’s length basis, subject to applicable laws and regulations and with reference to, among others, the costs, the quantities and quality of the products, the prevailing market conditions and the principle of fairness.

For each of the years ended December 31, 2022, 2023 and 2024 and the period ended June 30, 2025, the total revenue arising from the the transactions between our Group and Mr. Ouyang Xingwei, Wuxi Yeeper Bekari and Shichen Nutritional were approximately RMB40.1 million, RMB44.3 million, RMB20.4 million and RMB1.9 million, respectively.

The initial term of the Procurement of Products Agreement will commence on the [REDACTED] and end on December 31, 2026 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations. Our Directors estimated that the annual transaction amount payable by our Company to Wuxi Yeeper Bekari and Shichen Nutritional under the Procurement of Products Agreement for the year ending December 31, 2026 will not exceed RMB15.0 million.

CONNECTED TRANSACTIONS

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 1% and the transactions only involve connected person at the subsidiary level, the Procurement of Products Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b) of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board comprises eight Directors, including five executive Directors and three independent non-executive Directors. The following table sets forth general information regarding our Directors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and Responsibilities	Relationship with other Directors, Supervisors and Senior Management
Mr. Mu Shanbo (牟善波)	50	Chairman of the Board, general manager and executive Director	June 2007	January 2018	Overall management of our Group, overall strategic planning, business direction, product development and operational management	None
Mr. Liu Guomin (劉國民)	49	Vice chairman of the Board, executive Director and vice general manager	March 2010	June 2025	Management and business development of our Group	None
Mr. Liang Xing (梁星)	38	Executive Director and vice general manager	December 2016	June 2025	Management and business development of our Group	None
Ms. Yu Haixia (于海霞)	45	Executive Director and vice general manager	March 2020	June 2025	Management and business development of our Group	None
Mr. Li Zhen (李臻)	47	Executive Director, chief financial officer and a joint company secretary	April 2023	June 2025	Overall financial management of our Company	None
Mr. Feng Guohua (馮國華)	56	Independent non-executive Director	Upon [REDACTED]	Upon [REDACTED]	Supervising and providing independent opinion and judgment to the Board	None
Dr. Cheng Lin (程林)	48	Independent non-executive Director	Upon [REDACTED]	Upon [REDACTED]	Supervising and providing independent opinion and judgment to the Board	None
Ms. Hong Xiaoming (洪曉明)	62	Independent non-executive Director	Upon [REDACTED]	Upon [REDACTED]	Supervising and providing independent opinion and judgment to the Board	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Mu Shanbo (牟善波), aged 50, is the chairman of the Board, general manager of our Company and executive Director. He is primarily responsible for the overall management of our Group, overall strategic planning, business direction, product development and operational management. Mr. Mu has been serving as the general manager of our Company and the chairman of our Board sine January 26, 2018 and he was redesignated as an executive Director in June 2025. Since June 2007 and April 2014, he serves as the chairman of the board and general manager of Bei'an Yeeper Nuka, respectively.

Mr. Mu has nearly 30 years of extensive experience in the dairy industry. From October 1996 to February 1998, Mr. Mu served as a section chief of Technology & Quality Department of Zibo Deyi Dairy Co., Ltd.* (淄博得益乳業有限公司), now known as Shandong Deyi Dairy Products Co., Ltd.* (山東得益乳業股份有限公司). From February 1998 to September 2003, Mr. Mu served as a director of supply chain & procurement of Qingdao Shengyuan Dairy Co., Ltd.* (青島聖元乳業有限公司). From October 2003 to May 2006, Mr. Mu served as the general manager of Qingdao St. George Dairy Co., Ltd.* (青島聖喬治乳業有限公司), now known as Shengyuan Nutritional Food Co., Ltd.* (聖元營養食品有限公司).

Mr. Mu graduated from Tianjin Light Industry Vocational Technical College* (天津輕工業學院), currently known as Tianjin University of Science and Technology (天津科技大學), with an associate degree in dairy technology in July 1996. In addition, Mr. Mu has served as a vice chairman of the 6th Council of the China Dairy Industry Association (中國乳製品工業協會) since March 2021. He was appointed as an industry professor at Tianjin University of Science and Technology (天津科技大學) from November 2023 to October 2026.

Mr. Liu Guomin (劉國民), aged 49, is a vice chairman of the Board, an executive Director and vice general manager of our Company. He is primarily responsible for the management and business development of our Group. Mr. Liu served as a vice general manager of sales of our Company from March 2010 to November 2017 and he was appointed as an executive Director in June 2025. Since November 2017, Mr. Liu has served as the general manager of Qingdao Organic. Since December 2016, Mr. Liu has been serving as the chairman of the board of directors of Changsha Bekari.

Mr. Liu has over 20 years of extensive experience in the dairy distribution industry. From October 1999 to December 2003, Mr. Liu served as provincial manager for Sichuan Province, Anhui Province, and Jiangsu-Anhui Greater Region at Nanshan Green Food Development Branch of Hunan Yahua Seed Industry Co., Ltd.* (湖南亞華種業有限公司). From December 2003 to May 2008, Mr. Liu served successively in the positions of regional director for East China and deputy national marketing director of Hunan Yahua Nanshan Dairy Co., Ltd.* (湖南亞華南山乳業有限公司). From October 2008 to March 2010, Mr. Liu served as the general manager of Shanghai Zanggao Biotechnology Co., Ltd.* (上海藏高生物科技有限公司).

Mr. Liu graduated from Tarim Reclamation University (塔里木農墾大學) currently known as Tarim University (塔里木大學) with a bachelor of agriculture degree in June 1997.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liang Xing (梁星), aged 38 is our executive Director and vice general manager. He is primarily responsible for the management and business development of our Group. Mr. Liang served as a vice manager of our Company since August 2022 and he was appointed as an executive Director in June 2025. Mr. Liang has been serving as a director and manager of Changsha Bekari since December 2016.

Mr. Liang has over 17 years of extensive experience in the dairy industry. From September 2008 to September 2011, Mr. Liang served as a regional manager of Hunan Ava Dairy Holding Co., Ltd.* (湖南亞華乳業控股有限公司). From September 2011 to September 2014, Mr. Liang served as a regional manager of Changsha Shatuo Jiya Biological Technology Co., Ltd.* (長沙莎托吉亞生物科技有限公司). From September 2014 to December 2016, Mr. Liang served as the general manager of Hulunbuir Friendship Dairy (Hunan) Marketing Co., Ltd.* (呼倫貝爾友誼乳業(湖南)營銷有限公司).

Mr. Liang graduated from Human Communication Polytechnic (湖南交通工程職業技術學院) with an associate degree majoring in urban rail transit in June 2008.

Mr. Liang served as a member of the Chinese People’s Political Consultative Conference of Leiyang, Hunan Province (湖南省耒陽市政治協商會議) in 2019. He was elected as a deputy to the six People’s Congress of Yuelu District, Changsha City (第六屆長沙市嶽麓區人民代表大會代表) in 2021.

Ms. Yu Haixia (于海霞), aged 45, is our executive Director and vice general manager. Ms. Yu is primarily responsible for management and business development of our Group. Ms. Yu has been serving as the vice general manager of our Company since March 2020 and she was appointed as an executive Director in June 2025.

From September 2005 to September 2008, Ms. Yu has successively held several positions in Liquin Group Co., Ltd. (利群商業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601366) including director of corporate planning, planning department manager and head of the women’s apparel division. From October 2008 to March 2009, Ms. Yu served as a marketing manager of COFCO Coca-Cola Beverages (Shandong) Limited* (中糧可口可樂飲料(山東)有限公司). From April 2009 to July 2012, Ms. Yu served as an assistant to the general manager of China Tobacco Shandong Taishan 1532 IoT Co., Ltd.* (中國煙草山東泰山壹伍三貳物聯有限公司). From July 2012 to July 2017, Ms. Yu served as a director of public news of Northern China region of China Foods Limited (中國食品有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00506). From August 2017 to January 2019, Ms. Yu served as a director of new media operations of Hisense Group Co., Ltd. (海信集團有限公司).

Ms. Yu graduated from Chongqing Technology and Business University (重慶工商大學) with a bachelor’s degree in design arts in July 2005. In November 2021, she was qualified as an intermediate Engineer (中級工程師) by Qingdao Huangdao District Human Resources and Social Security Bureau (青島市黃島區人力資源和社會保障局). Ms. Yu served as the chairperson of the Yeeper Allergy Protection Public Welfare Foundation (青島市宜品護敏公益慈善基金會) since June 2022. She was also a member of the 10th Laixi Municipal Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議第十屆萊西市委員會). Ms. Yu was the vice president of the Qingdao Association of Women Entrepreneurs Association (青島女企業家商會) in 2024.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Zhen (李臻), aged 47, is our executive Director, the chief financial officer and a joint company secretary of our Company. He is primarily responsible for the overall financial management of our Company. Mr. Li has been serving as a chief financial officer since April 2023 and was appointed as an executive Director in June 2025.

Mr. Li has over 25 years of extensive experience in financial management. Mr. Li was employed by certain entities/divisions within the Haier Group (海爾集團) from August 1998 to June 2011. He served as the finance manager at Qingdao Haier Electronics Co., Ltd.* (青島海爾電子有限公司), the finance manager of the Haier Business Flow Division (海爾商流本部), the chief financial officer of the Haier Communications Products Division (海爾通訊產品本部), and the chief financial officer of Haier China Sales Group (海爾中國區銷售集團). From July 2011 to March 2013, Mr. Li served as the chief financial officer of Anhui Liyuan Construction Machinery Group.* (安徽力源工程機械集團). From April 2013 to April 2022, Mr. Li served at Qingdao Copton Technology Co., Ltd. (青島康普頓科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603798), with his last position as the director and chief financial officer. From May 2022 to March 2023, Mr. Li served as the chief financial officer Qingdao Yichen Environmental Protection Co., Ltd.* (青島頤辰環保有限公司).

Mr. Li graduated from Southwest University of Science and Technology (西南科技大學) with a bachelor’s degree in accounting in January 2019. Mr. Li was qualified as an International Certified Public Accountant registered with the International Professional Certification Association in April 2010 and obtained the certification of senior financial manager granted by the department of professional and technical personnel management under the Ministry of Human Resources and Social Security of the PRC (人力資源和社會保障部專業技術人員管理司).

Mr. Li was awarded as the “Advanced Worker in Financial Management of Shandong Light Industry for the Year 2004” (2004年度山東省輕工業財務管理工作先進工作者) and “Advanced Worker in Financial Management of Shandong Light Industry for the Year 2005” (2005年度山東省輕工業財務管理工作先進工作者) by Shandong Light Industry Information* (山東省輕工業辦公室) in December 2004 and 2005, respectively.

Independent Non-executive Directors

Mr. Feng Guohua (馮國華), aged 56, will serve as our independent non-executive Director since the [REDACTED]. Mr. Feng is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Feng has over 20 years of experience in information technology and management of consultancy services. Mr. Feng is currently an independent non-executive director of Wison Engineering Services Co. Ltd. (惠生工程技術服務有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2236). From November 2021 to June 2025, Mr. Feng served as an independent director of Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600315). From November 2020 to March 2022, Mr. Feng served as an executive director and the chief executive officer of Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1999). From March 2011 to February 2012, he served as the president and executive director of Kingdee International Software Group Company Limited (金蝶國際軟體集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00268).

Mr. Feng graduated with a bachelor’s degree in economic management and minors in computer application software from University of Science and Technology of China (中國科學技術大學) in July 1990.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Cheng Lin (程林), aged 48, will serve as our independent non-executive Director since the [REDACTED]. Dr. Chen is primarily responsible for supervising and providing independent opinion and judgment to the Board.

From August 2012 to April 2022, Dr. Chen worked at the University of Arizona with his last position as associate professor of accounting. From February 2022 to June 2024, Dr. Chen served as an independent director of Nanjing Sunlord Electronics Corporation Ltd. (南京商絡電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300975). From April 2023 to July 2024, Dr. Chen served as an independent director of Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002410).

Dr. Chen is currently a professor of accounting and chair of the department of finance and accounting at China Europe International Business School (CEIBS) (中歐國際工商學院). Since July 2022, Dr. Cheng serves as an independent director of Jiangsu Core Changzheng Microelectronics Group Co., Ltd.* (江蘇芯長征微電子集團股份有限公司). He has been serving as an independent director of Shanghai Baosight Software Co., Ltd. (上海寶信軟件股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600845) and Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600843) since August 2022 and June 2023 respectively. He has been serving as an independent director of Industrial Assets Management Co., Ltd. (興業證券資產管理有限公司) and Shanghai Huayi Group Corporation Limited. (上海華誼集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600623) since January 2024 and June 2024 respectively.

Dr. Chen graduated from York University with a bachelor of administrative studies degree in June 2006. Dr. Chen graduated from The Ohio State University with a master’s degree in accounting in August 2007 and a doctorate degree in philosophy in August 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Hong Xiaoming (洪曉明), aged 62, will serve as our independent non-executive Director since the [REDACTED]. Ms. Hong is primarily responsible for supervising and providing independent opinion and judgment to the Board.

From October 2003 to January 2010, Ms. Hong served as the chief financial officer of Haier Smart Home Co., Ltd. (海爾智家股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600690) and Hong Kong Stock Exchange (stock code: 06690). From April 2010 to June 2015, Ms. Hong served as the chief financial officer and vice president of Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000157) and Hong Kong Stock Exchange (stock code: 01157). From November 2009 to November 2012, Ms. Hong served as an independent director of Qingdao Soda Ash Industrial Company Limited. (青島碱業股份有限公司), now known as Qingdao Citymedia Co., Ltd. (青島城市傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600229). From September 2015 to June 2019, Ms. Hong served as the vice president and chief financial officer of HyUnion Holding Co., Ltd. (海聯金匯科技股份有限公司), formerly known as Qingdao Haier Meida Co., Ltd. (青島海立美達股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002537). Since September 2015, Ms. Hong has been a director of HyUnion Holding Co., Ltd. From April 2017 and May 2017 to May 2023, Ms. Hong served as an independent director of each of Qingdao Copton Technology Company Limited. (青島康普頓科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603798) and Qingdao Vland BIOTECH Co., Ltd. (青島蔚藍生物股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603739) respectively. Ms. Hong has been serving as an independent director of Qingdao Feng Guang Precision Machinery Co., Ltd. (青島豐光精密機械股份有限公司), a company listed on the Beijing Stock Exchange (Stock code: 430510) and a director of Deshi Energy Technology Group Co., Ltd. (德仕能源科技集團股份有限公司) since June 2020 and October 2020, respectively.

Ms. Hong graduated from Heilongjiang Business College (黑龍江商學院), now known as Harbin University of Commerce (哈爾濱工商大學), with an associate degree in statistics in December 1988. Ms. Hong graduated from Party School of the CPC Central Committee (中共中央黨校) with a correspondence degree in economics in December 2001 and University of International Business and Economics (對外經濟貿易大學) with a master's degree in senior management business administration in June 2010. Ms. Hong has been certificated as a registered accountant by Shandong Institute of Certified Public Accountants and Ministry of Finance of PRC in May 1999 and November 1993, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The Supervisory Committee consists of three members. The following table sets forth general information regarding our Supervisors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Supervisor	Roles and Responsibilities	Relationship with other Directors, Supervisors and Senior Management
Mr. Xia Dunling (夏敦嶺)	44	Chairman of the Supervisory Committee	September 2023	August 2025	Supervising the daily operation and management of the Company	None
Mr. Lou Yang (婁揚)	40	Supervisor	January 2021	June 2025	Supervising the daily operation and management of the Company	None
Mr. Chen Ruiting (陳銳霆)	35	Employees representative Supervisor	July 2020	June 2025	Supervising the daily operation and management of the Company	None

Mr. Xia Dunling (夏敦嶺), aged 44, has been serving as our Supervisor and chairman of the Supervisory Committee since August 2025. Mr. Xia is primarily responsible for supervising the daily operation and management of the Company. Mr. Xia has been serving as our deputy director of quality since September 2023.

Mr. Xia has extensive experience in food quality control and safety management. From July 2006 to August 2019, Mr. Xia served as the quality director of Xi'an Yinqiao Beiduo Nutrition Food Co., Ltd.* (西安銀橋貝多營養食品有限公司), now known as Shaanxi Shangchu Beiduo Industrial Park Development Co., Ltd.* (陝西商儲貝多產業園發展有限公司). From September 2019 to September 2023, Mr. Xia served as the deputy director of quality of Ninya Niuru (Linner Mongolia) Dairy Products Co., Ltd.* (內蒙古牛雅牛乳製品有限責任公司).

Mr. Xia graduated from Northwest A&F University (西北農林科技大學) with a bachelor's degree in food science and engineering in July 2003 and a master's degree in pomology in June 2006.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lou Yang (婁揚), aged 40, has been our Supervisor since June 2025. Mr. Lou is primarily responsible for supervising the daily operation and management of the Company. Mr. Lou has been serving as a national sales manager of Hunan Euland Dairy Co., Ltd. (湖南歐能多乳業有限公司), a wholly-owned subsidiary of our Company, since January 2022.

From June 2012 to February 2015, Mr. Lou was an executive director of Changsha Beikai Maternal and Infant Products Co., Ltd. (長沙貝凱母嬰用品有限公司). From January 2015 to March 2018, Mr. Lou served as a sales manager of Hainan Govking High-tech Dairy Co., Ltd. (海南國健高科技乳業有限公司). From April 2018 to December 2021, Mr. Lou served as a sales manager of New Milk Dairy (China) Co., Ltd. (紐奶樂乳業(中國)有限公司).

Mr. Lou graduated from Hunan Biological and Electromechanical Polytechnic (湖南生物機電職業技術學院) with an associate degree in horticulture in July 2004.

Mr. Chen Ruiting (陳銳霆), aged 35, has been our employees representative Supervisor since June 2025. Mr. Chen is primarily responsible for supervising the daily operation and management of the Company. Mr. Chen has been serving as a manager of the equipment and power department of Yeeper Goat Milk since December 2021. Prior to this position, from July 2020 to December 2021, Mr. Chen served as a project electrical engineer of Bei'an Yeeper Nuka.

From October 2013 to April 2015, Mr. Chen worked at Shandong Weiqiao Aluminum and Power Co., Ltd.* (山東魏橋鋁電有限公司). From July 2015 to June 2020, Mr. Chen worked at Qingdao Yufang Robotic Industry Co., Ltd. (青島宇方機器人工業股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 833676).

Mr. Chen graduated from Binzhou University (濱州學院), now known as Shandong University of Aeronautics (山東航空學院), with a bachelor's degree in electrical engineering and an automation degree in July 2013. On October 7, 2023, Mr. Chen was awarded as a “Laixi Yang Elite Talent” (萊西菁英人才) by the Laixi Municipal People's Government of Laixi Municipal Party Committee (萊西市委萊西市人民政府). In addition, Mr. Chen was qualified as an engineer by the Intermediate Evaluation Committee of Engineering and Technology in Laixi, Qingdao (青島萊西市工程技術中級評審委員會) in December 2023 and was qualified as a systems integration project management engineer (系統集成項目管理工程師) by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部) in November 2019.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out the key information about our senior management of our Group:

Name	Age	Positions	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Mu Shanbo (牟善波)	50	Chairman of our board, general manager and executive director	June 2006	January 2018	Overall strategic planning and the development of our Group	None
Mr. Liu Guomin (劉國民)	49	Vice chairman of the Board, executive Director and vice general manager	March 2010	August 2020	Management and business development of our Group	None
Mr. Liang Xing (梁星)	38	Executive Director and vice general manager	December 2016	August 2022	Management and business development of our Group	None
Ms. Yu Haixia (于海霞)	45	Executive Director and vice general manager	March 2020	March 2020	Management and business development of our Group	None
Mr. Li Zhen (李臻)	47	Executive Director, chief financial officer and a joint company secretary	April 2023	April 2023	Overall financial management of our Company	None
Mr. Zhang Zejun (張澤軍)	55	Vice general manager	February 2017	February 2017	Operations management of Group factories	None
Mr. Yang Yongjun (楊勇軍)	48	Vice general manager of sales	March 2021	June 2025	Assisting the general manager in formulating and implementing sales strategies, while overseeing the sales team	None
Mr. Liu Zongwei (劉宗瑋)	39	Vice general manager of sales	March 2025	March 2025	Assisting the general manager in formulating and implementing sales strategies, while overseeing the sales team	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Mu Shanbo (牟善波), see “– Board of Directors – Executive Directors” for details.

Mr. Liu Guomin (劉國民), see “– Board of Directors – Executive Directors” for details.

Mr. Liang Xing (梁星), see “– Board of Directors – Executive Directors” for details.

Ms. Yu Haixia (于海霞), see “– Board of Directors – Executive Directors” for details.

Mr. Li Zhen (李臻), see “– Board of Directors – Executive Directors” for details.

Mr. Zhang Zejun (張澤軍), aged 55, is our vice general manager since August 2022. Mr. Zhang is primarily responsible for operating management of Group’s factories.

Mr. Zhang has over 30 years of extensive experience in production management. From July 1994 to November 1994, Mr. Zhang served as a management trainee of Harbin Songhua Jiang Dairy Products Factory* (哈爾濱松花江乳製品廠). From December 1994 to November 2011, Mr. Zhang served as a production manager of Nestle Shuangcheng Ltd. (雙城雀巢有限公司). From December 2011 to October 2014, Mr. Zhang served as a general manager of the factory of Hulunbuir Nestle Co., Ltd.* (呼倫貝爾雀巢有限公司), now known as Ceznne Hulunbeir Co., Ltd.* (呼倫貝爾塞尚乳業有限公司). From November 2014 to January 2017, Mr. Zhang served as an operating manager of Friesland Campina (China) Dairy Co., Ltd.* (菲仕蘭乳業有限公司), now known as Liaoning Jinhong Yili Dairy Co., Ltd.* (遼寧金鴻伊利乳業有限責任公司). From February 2017 to July 2022, Mr. Zhang served as the production center manager of our Company.

Mr. Zhang graduated from Northeast Agricultural University (東北農業大學) with a bachelor’s degree in food science and engineering in July 1994 and graduated from Lahore University of Management Sciences with a master’s degree in industrial management in December 2004. In addition, Mr. Zhang was qualified as an engineer by Heilongjiang Talent Services Bureau (黑龍江省人力服務局) in September 2020.

Mr. Zhang was awarded as a “Top Talent of Heihe City” (黑河市拔尖人才) by the Communist Party of China Heihe Municipal Committee (中國共產黨黑河市委員會) and People’s Government of Heihe (黑河市人民政府) in June 2022.

Mr. Yang Yongjun (楊勇軍), aged 48, is our vice general manager of sales since June 2025. Mr. Yang is primarily responsible for assisting the sales director in formulating and implementing sales strategies, while overseeing the sales team. He has been serving as our deputy sales director since June 2025 and as a general manager of Hunan Euland Dairy Co., Ltd. since March 2021.

From July 1997 to March 2000, Mr. Yang served as a technician of Nanyue Fuel Injection Equipment Co., Ltd.* (中共南岳油泵油嘴有限公司). From January 2001 to May 2008, Mr. Yang served as a sales manager of Hunan Nanshan Marketing Co., Ltd.* (湖南南山營銷有限公司), now known as Jubilee (Hunan) Nanshan Sales Co., Ltd.* (加比力(湖南)營銷有限公司). From July 2010 to February 2021, Mr. Yang served as a general manager of Hunan OuNengDuo Dairy Co., Ltd. (湖南歐能多乳品有限公司).

Mr. Yang graduated from China Central Radio and TV University (中央廣播電視大學), now known as the Open University of China (國家開放大學), with a bachelor’s degree in laws in May 2006.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Zongwei (劉宗瑋), aged 39, has been our vice general manager of sales since June 2025. Mr. Liu is primarily responsible for assisting the sales director in formulating and implementing sales strategies, while overseeing the sales team.

Mr. Liu has over 8 years of extensive experience in dairy marketing. Mr. Liu successively served as a regional manager of Guangxi office, infant formula marketing division from March 2017 to August 2019, a regional manager of the Guangdong office, infant formula marketing division from August 2019 to November 2020, an assistant to the general manager of the infant formula marketing division from November 2020 to November 2021, and a deputy general manager of the Infant formula marketing division from November 2021 to February 2025 in Beidahuang Wondersun Dairy Co., Ltd.* (北大荒完達山乳業股份有限公司).

Mr. Liu graduated from Hubei Normal university (湖北師範學院) with a bachelor’s degree of Laws in June 2007.

JOINT COMPANY SECRETARIES

Mr. Li Zhen (李臻), has been appointed as a joint company secretary of our Company with effect from the [REDACTED]. See “– Board of Directors – Executive Directors” for details.

Ms. Tang Ka Yan (鄧嘉欣), was appointed as a joint company secretary of our Company with effect from the [REDACTED]. Ms. Tang is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Tang has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Tang obtained her bachelor’s degree in business administration in accountancy from the City University of Hong Kong (香港城市大學) and her master’s degree in common law from the Chinese University of Hong Kong (香港中文大學).

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code on August 19, 2025. The audit committee consists of Ms. Hong Xiaoming, Mr. Feng Guohua and Mr. Cheng Lin, with Ms. Hong Xiaoming being the chairman of the committee.

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The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board of Directors the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board of Directors.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code on August 19, 2025. The remuneration committee consists of Ms. Yu Haixia, Mr. Feng Guohua, and Mr. Cheng Lin, with Mr. Feng Guohua being the chairman of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and other duties conferred by the Board of Directors.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code on August 19, 2025. The nomination committee consists of Mr. Mu, Mr. Cheng Lin and Ms. Hong Xiaoming, with Mr. Mu being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and
- other duties conferred by the Board of Directors.

Strategy Committee

We have established a Strategy Committee with written terms of reference. The Strategy Committee consists of five Directors, namely Mr. Mu, Mr. Liu Guomin, Mr. Liang Xing, Ms. Liu Haixia and Mr. Li Zhen. Mr. Mu serves as the chairperson of the Strategy Committee. The primary duties of the Strategy Committee include but not limited to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on August 14, 2025, and (ii) understands all the requirements under the Listing Rules that are applicable to him or her as a director of a [REDACTED] and the possible consequences of making a false statement or providing false information to the Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he had no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules. As at the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Code Provision C.2.1 of the Corporate Governance Code

Under paragraph C.2.1 of the Corporate Governance Code, the roles of chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Mr. Mu is our chairman of the Board and the general manager of our Company. With extensive experience in the dairy industry, Mr. Mu is in charge of overall management, business, strategic development and scientific research and development of our Group. Despite the fact that the roles of our chairman of the Board and our chief general manager of the Company are both performed by Mr. Mu which constitutes a deviation from paragraph C.2.1 of the Corporate Governance Code, our Board considers that vesting the roles of chairman and our chief executive officer of the Company in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board, and our senior management, which comprises experienced and diverse individuals. Our Board currently comprises five executive Directors (including Mr. Mu) and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [REDACTED].

Board Diversity

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) prior to the [REDACTED] in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the Latest Practicable Date, our Board consists of six male members and two female members with ages ranging from 38 years old to 62 years old. Our Directors have a balanced portfolio of knowledge and skills, including dairy, financing, corporate management, accounting, etc. They obtained degrees in various fields such as businesses administration, corporate strategy and marketing, accounting and law. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Upon the [REDACTED], the Nomination Committee will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EMOLUMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our Directors, Supervisors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors and Supervisors (including fees, salaries, allowances and benefits in kind, performance related bonuses, Share-based payment expenses, pension scheme contributions and social welfare) for the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025 were RMB4.97 million, RMB19.77 million, RMB7.77 million and RMB2.32 million, respectively.

It is estimated that the aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind, performance related bonuses, Share-based payment expenses, pension scheme contributions and social welfare) payable to Directors and Supervisors for the year ending December 31, 2025 will be approximately RMB5.5 million under arrangements in force at the date of this document.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (excluding Directors and Supervisors) for the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025 were RMB2.19 million, RMB7.30 million, RMB16.31 million and RMB8.03 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025 as (a) an inducement to join or upon joining the Company; or (b) a compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025.

No other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals of our Group during the Track Record Period.

For additional information on Directors’ and Supervisors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 9(b) and 10 of the Accountants’ Report in Appendix I to this document.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- a. before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- b. where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;
- c. where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- d. where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.
- e. Pursuant to Rule 19A.06 of the Listing Rules, Altus Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. They will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the [REDACTED] and end on the date on which we distribute the annual report of the first full financial year commencing after the [REDACTED] pursuant to the Rule 13.46 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of our Directors, the following persons will, immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have an interest or short position in our Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Shareholder/ Ultimate Shareholder	Nature of Interest	Class of Shares	Number of Shares ⁽²⁾	Approximate percentage of interest	
				In the relevant class of Shares upon the completion of the [REDACTED] ⁽¹⁾	In the total share capital of our Company upon the completion of the [REDACTED] ⁽¹⁾
Mr. Mu ⁽³⁾	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Kangwang Investment ⁽³⁾	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Qiwang Investment ⁽³⁾	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) Assuming the [REDACTED] is not exercised.
- (2) Under the SFO, Mr. Mu is deemed to be interested in the Shares held by (i) Kangwang Investment, which was his wholly-owned company; (ii) Qiwang Investment, which was an Employee Shareholding Platform owned as to approximately 0.67% by Kangwang Investment as the executive general partner and 51.99% by Mr. Mu as a limited partner; and (iii) Zhongwang Investment, which was an Employee Shareholding Platform, in which Ms. Yu Haixia (于海霞), our executive Director was its executive general partner and Mr. Mu was a limited partner and owned as to 84.70%. As Mr. Mu contributed more than one third of the capital to the limited partnership, he is also deemed to be interested in the Shares held by Zhongwang Investment.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [REDACTED], have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the [REDACTED]

As at the Latest Practicable Date, the registered share capital of the Company was RMB261,000,000, comprising of 261,000,000 Domestic Unlisted Shares with a nominal value of RMB1.00.

Upon the Completion of the [REDACTED]

Immediately after the [REDACTED] and conversion of Domestic Unlisted Shares into H Shares (for details, see – “Conversion of our Domestic Unlisted Shares into H Shares” in this section below) (assuming that the [REDACTED] is not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
H Shares to be converted from Domestic Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED].	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Immediately after the [REDACTED] (assuming that the [REDACTED] is exercised in full), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
H Shares to be converted from Domestic Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED].	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

SHARE CAPITAL

CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

After the completion of the [REDACTED], [REDACTED] Domestic Unlisted Shares will be converted into H Shares upon [REDACTED], which are all ordinary Shares in the share capital of our company. Our Domestic Unlisted Shares are Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, the holders of our Domestic Unlisted Shares may, at their own discretion, authorize the Company to apply to the CSRC for conversion of their respective Shares to H Shares. After the conversion of Domestic Unlisted Shares, such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and [REDACTED] shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the [REDACTED] of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Unlisted Shares into H Shares as described in this section, we can apply for the [REDACTED] of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [REDACTED] of additional Shares after our [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong.

After the completion of filing and all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on our H Share register will be conditional on (a) the [REDACTED] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to [REDACTED] on the Stock Exchange in compliance with the Listing Rules, the [REDACTED] and the [REDACTED] in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be [REDACTED] as H Shares.

No Shareholder voting by class is required for the [REDACTED] and trading of the converted Shares on an overseas stock exchange. Any application for [REDACTED] of the converted shares on the Stock Exchange after our initial [REDACTED] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

SHARE CAPITAL

Following the completion of the [REDACTED] and filing procedure with the CSRC on [●], a total of [REDACTED] Domestic Unlisted Shares held by certain Shareholders will be converted into H Shares on a one-for-one basis and [REDACTED] on Stock Exchange for trading, details of the conversion and numbers of H Shares and Domestic Unlisted Shares before and after the [REDACTED] are set out as below:

Name of Shareholders	Number of Domestic Unlisted Shares held as at the Latest Practicable Date	Number of Shares applied for conversion into H Shares	Percentage of Number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as at the Latest Practicable Date	Number of H Shares held after the [REDACTED]	Percentage of total number of Shares after the [REDACTED] (assuming the [REDACTED] is not exercised)
Kangwang Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Mu	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Qiwang Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhenai Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Changhong Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tianjin Yiwang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ousheng Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yiwang Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Kunpeng Gongchuang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhongwang Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstances under which Shareholders’ general meeting is required, please refer to “Appendix V – Summary of Principal Laws and Regulations” to this document.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our shares issued prior to any [REDACTED] of shares by a company cannot be transferred within one year from the date on which such publicly [REDACTED] shares are [REDACTED] and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED].

Shares transferred by our Directors, Supervisors and members of senior management each year during their term as determined at the time of appointment shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by the relevant laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors, Supervisors and members of senior management in our Company.

SHAREHOLDERS’ APPROVAL FOR THE [REDACTED]

Approval from our Shareholders is required for our Company to [REDACTED] H Shares and apply the [REDACTED] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders’ general meeting held on August 19, 2025.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants’ Report as set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading nutritional technology group in China with global perspective, specializing in goat/sheep milk powder and FSMPs. We provide high-nutrition, easily digestible, and low-allergen dietary solutions for consumers of all ages, with a particular focus on individuals with dietary sensitivities such as allergies, lactose intolerance, or impaired digestion. Our product portfolio spans goat/sheep milk infant formula, FSMPs, cow milk infant formula, and formula products for children and adults.

To fulfill our product value proposition of “high whey content, low allergenicity, and enhanced absorption,” we have integrated top-notch global resources across the industrial chain and established the Yeeper Institute of Low-Allergen Nutrition (宜品低敏營養研究院), dedicated to continuous process innovation and product portfolio optimization. Since 2018, we have been the exclusive goat milk formula partner of the China Space Foundation (中國航天基金會) for seven consecutive years, with our products meeting stringent aerospace-grade quality standards and earning market trust.

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue was RMB1,401.6 million, RMB1,614.3 million, RMB1,762.2 million, RMB899.0 million, and RMB805.9 million, respectively. Gross margins for the same periods were 45.2%, 49.9%, 49.9%, 50.4%, and 50.9%, respectively, demonstrating our steady performance in business expansion and operational efficiency.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our Company, Yeeper Nutrition Technology (Qingdao) Group Co., Ltd., is a joint stock company incorporated under the laws of the PRC. The consolidated financial information of the Group for the Track Record Period have been prepared in accordance with the IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”).

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

Differentiated Product Mix

Our financial results are influenced by the composition of our product mix, which includes goat/sheep milk infant formula, FSMP products cow milk infant formula, and adult and children milk powder. Our product strategy is centered on delivering differentiated nutritional solutions across all age groups, with a focus on consumers with heightened sensitivity or special dietary needs. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our goat/sheep milk infant formula products was RMB771.8 million, RMB926.4 million, RMB1,032.7 million, RMB550.0 million, RMB447.8 million, accounting for approximately 55.1%, 57.4%, 58.6%, 61.2%, and 55.6% of our total revenue in the correspondingly year/period, respectively. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our FSMP products was RMB23.8 million, RMB130.4 million, RMB218.6 million, RMB100.2 million, RMB129.5 million, accounting for approximately 1.7%, 8.1%, 12.4%, 11.1%, and 16.1% of our total revenue in the corresponding year/period, respectively.

Our core differentiation lies in our commitment to developing low-allergen dairy products, leveraging the inherent benefits of goat/sheep milk and Jersey milk as superior alternatives to traditional bovine-based formulations. Goat/sheep milk offers smaller fat globules and a lower content of α s1-casein, making it gentler on the digestive system and suitable for consumers prone to allergies. Jersey milk provides a naturally high A2 β -casein profile and rich micronutrient content, while our organic-certified product line meets the growing demand for natural and additive-free nutrition.

FINANCIAL INFORMATION

In addition to product functionality, our integrated supply chain model further enhances our product distinctiveness. By directly controlling key inputs such as demineralized goat/sheep whey powder through proprietary upstream facilities, including Europe’s largest sheep whey processing plant, we are able to secure consistent quality, traceability, and cost advantage. This enables us to develop high-whey protein formulations that substantially exceed national standards and align with the latest scientific understanding of infant and therapeutic nutrition.

Our FSMP portfolio reflects the same philosophy of precision nutrition, with tailored formulations addressing the needs of consumers across life stages facing lactose intolerances, metabolic disorders, or impaired nutrient absorption.

Regulatory Environment

Our operations, particularly in the infant formula and FSMP segments, are significantly impacted by China’s stringent and evolving regulatory landscape, which imposes substantial entry barriers and exerts considerable influence on our financial performance and operational strategies. To market our products, we must secure various product-specific approvals and manufacturing licenses, such as the national registration of infant formula recipes and the clinical validation and SAMR-supervised review required for FSMP products.

The infant formula sector underwent substantial changes with the implementation of the New National Standard issued in 2021, which required all milk powder products sold in China to be registered and fully compliant by February 22, 2023. These changes included updated nutritional composition limits, ingredient use requirements, and more stringent labelling rules. A critical aspect of the new standards was the mandatory re-registration of formula recipes, which directly impacted our inventory and product planning. In anticipation of these changes, we undertook substantial pre-2023 inventory preparations, including the early procurement of raw materials and packaging to meet transitional demand and avoid supply chain disruptions. However, the implementation of the new standards led to a short-term disruption in our production and sales schedules, particularly for the year ended December 31, 2023 and the first half of 2024. For instance, our inventory levels surged in 2023 as we accumulated raw materials to align with the anticipated registration requirements. This strategic stockpiling temporarily impacted our cash flow and working capital. Additionally, once the new standards were enforced, we experienced a shift in product lines, leading to changes in our revenue recognition, gross margins, and inventory turnover rates. In particular, sales were strong in the first half of 2024 as the market adjusted to the new products, and the implementation of the new standards helped streamline regulatory compliance, which positively affected our financial metrics.

In the FSMP segment, we face even higher regulatory requirements due to clinical trial requirements, batch stability testing, and the submission of comprehensive product dossiers for SAMR approval. These processes are time-consuming and involve high compliance costs, further complicating our product launch timelines.

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Our integrated model, which encompasses proprietary production capabilities and a strong regulatory affairs team, allows us to better manage these regulatory challenges. This system ensures compliance across all stages of production, from raw material sourcing to final product delivery. Moreover, our active participation in national and industry standard-setting activities enables us to stay ahead of regulatory changes and anticipate new compliance requirements, ensuring that we remain positioned as a market leader. Despite these strengths, any tightening of regulatory policies or unexpected changes in compliance requirements could still have a material impact on our operations. We anticipate that future regulatory changes will continue to play a significant role in shaping our operational strategies and financial performance, especially as we move into new product lines and international markets.

Consumer Preferences and Education

Consumer demand for our products, particularly in the infant formula and FSMP categories, is driven by the increasing awareness of food sensitivities, rising demand for personalized and functional nutrition, and greater attention to health and quality of life. However, unlike in more mature international markets, Chinese consumers generally require more education and awareness-building to fully recognize and appreciate the benefits of low-allergen and clinically validated nutrition solutions.

As a company specializing in goat/sheep milk-based and FSMP products, we face both the opportunity and challenge of driving consumer understanding in an underpenetrated and medically oriented market segment. FSMP products are not part of general nutrition routines and are instead used for specific health conditions such as cow milk protein allergy, digestive dysfunction, and malnutrition. Similarly, goat/sheep milk infant formula requires consumer re-education around digestibility, allergenicity, and nutritional performance versus traditional bovine formulas. To address these challenges, we implement targeted education strategies that combine professional medical outreach with consumer-facing marketing. Through pediatrician seminars, clinical nutritionist engagement, and product awareness campaigns, we strengthen the credibility and scientific positioning of our FSMP and infant formula products. In parallel, we deploy resources on major e-commerce and content platforms, to build brand recognition and highlight the functional benefits of our products in everyday language. We also operate dedicated member management, which allows us to tailor marketing messages and retention programs. Our presence in maternal and child specialty stores further supports first-hand product education and guided recommendation, especially in lower-tier cities where awareness of FSMP and low-allergen alternatives remains nascent.

As macroeconomic trends and disposable income levels influence household spending, especially for premium and specialty nutrition products, our continued investment in consumer education is essential for driving trial, building long-term brand loyalty, and accelerating product penetration in a structurally underdeveloped but rapidly evolving segment.

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Cost Management and Pricing Strategy

Our profitability is driven by disciplined cost control across raw materials, sourcing and manufacturing, together with margin discipline that ties pricing to product mix. Cost of sales was RMB768.5 million, RMB809.1 million and RMB883.3 million for 2022, 2023 and 2024, and RMB445.7 million and RMB396.0 million for the six months ended June 30, 2024 and 2025. Raw materials are the largest component of our cost base, accounting for approximately 69.1%, 67.0% and 66.1% of total cost of sales in 2022, 2023 and 2024, and 67.2% and 65.9% for the six months ended June 30, 2024 and 2025.

To stabilize raw-material costs and assure quality, we procure dairy ingredients and packaging from a pre-approved network of domestic and overseas suppliers under framework or batch pricing with clearly defined specifications, inbound testing and documentation standards. Our upstream integration, together with in-house capability to produce infant-grade demineralized goat/sheep whey powder, supports consistent quality, reduces reliance on third parties for critical inputs and mitigates short-term price volatility. Supplier performance is reviewed on a rolling basis and full-chain traceability is maintained across procurement and production, enhancing yield management and yield rate.

All core processing is performed in our own facilities, from blending to spray drying and final packaging, using digital controls and in-line checkpoints to optimize yields. Continuous improvements in line balancing and utilization, alongside preventive maintenance and standardized operating procedures, have supported lower unit conversion costs even as depreciation increased with new installations. Fuel and transportation expenses flex with output and route mix, while headcount and shift planning have kept direct labor as a modest, stable share of total costs.

Our pricing is managed through channel governance and aligned with product mix. Together, disciplined sourcing, secured supply, digitally managed manufacturing and mix-aware pricing have underpinned our ability to manage input volatility and sustain profitability across the Track Record Period.

Distribution Network

We adopt a distributor-led model as a cornerstone of our sales strategy, particularly for achieving offline market penetration, as well as driving our international expansion. This model enables us to efficiently scale our geographic reach, reduce operational overhead, and capitalize on the market access and local expertise of our distribution partners. For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our distribution partnership amounted to RMB1,039.1 million, RMB1,139.2 million, RMB1,238.2 million, RMB666.3 million, and RMB536.0 million, respectively, accounting for 74.1%, 70.6%, 70.3%, 74.1% and 66.5% of our total revenue from product sales for the same periods.

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Our distributors purchase products on a wholesale basis and sell to offline maternal and child stores, specialty retail outlets, pharmacies, and in some cases directly to institutional channels such as hospitals. To ensure consistency and brand alignment across such a vast network, we have established a multi-layered distributor management system that includes performance-based tiering, digital inventory monitoring, and unified training on brand positioning and pricing discipline.

Our channel strategy emphasizes precision segmentation and brand protection. We allocate different product series to distinct distributor levels or market segments to avoid channel conflict and price dilution. We also maintain traceability through product-level QR codes and implement membership-based end-user engagement, enabling distributors to participate in targeted loyalty programs and data-driven marketing initiatives. This combination of decentralized execution and centralized oversight empowers us to achieve deep penetration while retaining strategic control.

Looking ahead, we plan to continue strengthening our distributor support capabilities, particularly in medical channels and cross-border markets, where regulatory understanding and professional selling capabilities are critical.

SEASONALITY

Our overall financial performance does not exhibit significant seasonality.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most material estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants’ Report as set out in Appendix I to this document.

Material Accounting Policies

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal of cumulative revenue recognized will not occur when the associated uncertainty is subsequently resolved.

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(a) Sale of dairy products

Revenue from the sale of dairy products is recognized at the point in time when control of the products is transferred to the customer, generally upon acceptance of the products by the customer. For contracts that provide customers with a right to return goods within a specified period, we apply the expected value method to estimate the portion of goods that will not be returned, as this method best predicts the amount of variable consideration to which we will be entitled.

(b) Sales incentive program

We operate sales incentive programs that provide distributors and customers with additional incentives representing a material right when they purchase our products. These incentives can be redeemed for free products, subject to a minimum accumulation of incentive units. The consideration received or receivable from product sales is allocated between the incentives earned under the program and the other components of the sales transaction, based on relative stand-alone selling prices. The amount allocated to incentives is deferred as a contract liability, and revenue is recognized when the incentives are redeemed, and we fulfil our obligation to supply the products.

Other income

Interest income is recognized on an accrual basis using the effective interest method, by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholder’s right to receive payment is established, it is probable that the economic benefits will flow to us, and the amount can be measured reliably.

Fair value measurement

We measure our biological assets, equity investments designated at fair value through other comprehensive income and our financial assets at fair value through profit or loss at fair value and financial assets at fair value through other comprehensive income at the end of each of the year/period of the Track Record Period. “Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. We presume the transaction occurs in the principal market for the asset or liability, or, if there is no principal market, in the most advantageous market, provided such market is accessible to us. Fair value measurements use the assumptions that market participants would apply when pricing the asset or liability, acting in their economic best interests.

For non-financial assets, the measurement reflects a market participant’s ability to generate economic benefits by using the asset in its highest and best use, or by selling it to a market participant that would use it in its highest and best use.

We apply valuation techniques appropriate to the circumstances and for which sufficient data are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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All assets and liabilities measured or disclosed at fair value in the historical financial information are classified within the fair value hierarchy based on the lowest-level input that is significant to the measurement as a whole, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest-level input that is significant to the measurement is observable, directly or indirectly; and

Level 3: valuation techniques for which the lowest-level input that is significant to the measurement is unobservable.

For items measured at fair value on a recurring basis, we reassess at the end of each of year/period of the Track Record Period whether transfers between levels of the hierarchy have occurred, based on the lowest-level input that is significant to the measurement as a whole.

Biological assets

Our biological assets comprise dairy cows, dairy goats and sheep. Biological assets are measured on initial recognition and at the end of each year/period of the Track Record Period at fair value less costs to sell, with any resulting gain or loss arising recognised in profit or loss for the period in which it occurs. Costs to sell are the incremental costs directly attributable to the disposal of an asset, primarily transportation costs, but excluding finance costs and income taxes. The fair values of our dairy cows, dairy goats and sheep are determined based on their present location and condition, and are assessed independently by professional valuers.

Feeding costs and other related costs, including staff costs, depreciation and amortisation, utility expenses and consumables incurred in raising heifers and calves, as well as lambs, young goats and sheep, are capitalised until the animals begin to produce milk.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to bringing the asset to working condition.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	1.90% to 4.75%
Plant and machinery	4.75% to 19.00%
Furniture and fixtures	9.50% to 31.67%
Motor vehicles	9.50% to 19.00%

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Key Sources of Estimation Uncertainty

The preparation of our historical financial information requires us to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the related disclosures, including contingent liabilities. Uncertainty regarding these assumptions and estimates could result in outcomes that may require material adjustments to the carrying amounts of assets or liabilities in future periods.

Judgements

In applying our accounting policies, we have made the following judgements, apart from those involving estimates, that have the most significant effect on the amounts recognised in our historical financial information:

Deferred tax assets

We recognise deferred tax assets for unused tax losses and deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which such losses can be utilised. Determining the amount of deferred tax assets that can be recognised requires significant judgement, particularly with respect to the timing and level of future taxable profits, as well as future tax planning strategies. Further details are set out in Note 19 in Appendix I to this document.

Identifying performance obligations in sales incentives

We operate sales incentive programs that provide distributors and customers with additional incentives representing a material right when they purchase our products. We have assessed that these sales incentive programs confer a material right to customers that would not exist without entering into a contract. Accordingly, we conclude that the promise to provide sales incentives constitutes a separate performance obligation.

We account for sales incentives as a separately identifiable component of the related sales transaction. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the dairy products sold and the sales incentives granted, based on their relative stand-alone selling prices.

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Estimation uncertainty

The key assumptions concerning the future and other sources of estimation uncertainty at the end of each year/period of the Track Record Period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below.

Estimating the fair value of sales incentives

The fair value of our sales incentives is estimated by reference to the discount that customers would obtain when redeeming the incentives for goods. The nominal value of this discount is adjusted to reflect: (i) any discount that would ordinarily be available to customers who had not earned sales incentives from an initial sale; and (ii) the proportion of sales incentives expected to be forfeited by customers.

We recognise revenue related to sales incentives in the periods, and in the pattern, in which such incentives are redeemed. The amount of revenue recognised is determined based on the number of sales incentives redeemed relative to the total expected to be redeemed. The portion of consideration allocated to the goods sold is recorded as gross sales of products in profit or loss, while the deferred portion is recognised as “Contract liabilities” in our consolidated statement of financial position. Deferred sales incentives outstanding at the end of each year/period of the Track Record Period are set out in Note 26 in Appendix I to this document.

Fair values of dairy cows, dairy goats and sheep

Our dairy cows, dairy goats and sheep are measured at fair value less costs to sell. Fair values are determined either by reference to market-determined prices as at the end of each year/period of the Track Record Period, adjusted for factors such as species, age, growth condition, costs incurred and expected milk yield to reflect differences in characteristics and/or stages of growth, or, where market-determined prices are unavailable, by reference to the present value of expected net cash flows from such animals discounted at a current market-determined rate. Any changes in these estimates may significantly affect the fair values of our dairy cows, dairy goats and sheep. The assumptions and estimates are reviewed periodically by our management and an independent qualified professional valuer to identify any significant changes in fair values. Further details are set out in Note 18 in Appendix I to this document.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of our property, plant and equipment, we take into account a range of factors, including technical or commercial obsolescence resulting from changes or improvements in production processes, shifts in market demand for the output of the assets, expected usage, physical wear and tear, care and maintenance practices, and legal or similar restrictions on the use of the assets. Our estimates of useful lives are based on our experience with similar assets used under comparable conditions. Where our review indicates that the useful lives or residual values differ from previous estimates, we adjust depreciation charges accordingly. Useful lives and residual values are reviewed at the end of each year/period of the Track Record Period in light of any changes in circumstances. Further details of our property, plant and equipment are set out in Note 14 in Appendix I to this document.

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Provision for inventories

The net realisable value of our inventories is determined based on estimated selling prices less the estimated costs to be incurred to completion and disposal. These estimates, which draw on current market conditions and our historical experience in selling goods of a similar nature, take into account factors such as the overall economic outlook, sales forecasts and the expected market value of the inventory items. The estimates may change significantly as market conditions evolve. We reassess these estimates at the end of each year/period of the Track Record Period. The carrying amount of our inventories is disclosed in Note 20 in the Accountants’ Report as set out in Appendix I to this document.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss included in the Accountants’ Report as set out in Appendix I to this document.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0
Cost of sales	(768,489)	(54.8)	(809,070)	(50.1)	(883,348)	(50.1)	(445,670)	(49.6)	(396,027)	(49.1)
Gross profit	633,123	45.2	805,188	49.9	878,881	49.9	453,330	50.4	409,865	50.9
Other income and gains	44,275	3.2	42,959	2.7	26,153	1.5	13,348	1.5	14,638	1.8
Selling and distribution expenses	(240,341)	(17.1)	(371,415)	(23.0)	(432,407)	(24.5)	(219,886)	(24.5)	(232,880)	(28.9)
Administrative expenses	(125,526)	(9.0)	(168,745)	(10.5)	(141,121)	(8.0)	(65,187)	(7.3)	(72,236)	(9.0)
(Impairment losses)/reversal of impairment losses on financial assets, net	(1,506)	(0.1)	431	(0.0)	(7)	(0.0)	(584)	(0.1)	(3,196)	(0.4)
Other expenses	(6,165)	(0.4)	(14,814)	(0.9)	(3,318)	(0.2)	(532)	(0.1)	(11,585)	(1.4)
Changes in fair value less costs to sell of biological assets	4,178	0.3	(33,549)	(2.1)	(62,522)	(3.5)	(31,718)	(3.4)	(15,345)	(1.9)
Finance costs	(10,878)	(0.9)	(21,821)	(1.3)	(24,637)	(1.5)	(12,429)	(1.3)	(10,602)	(1.3)
Profit before tax	297,160	21.2	238,234	14.8	241,022	13.7	136,342	15.2	78,659	9.8
Income tax expense	(70,220)	(5.0)	(70,519)	(4.4)	(68,930)	(3.9)	(37,635)	(4.2)	(21,971)	(2.8)
Profit for the year/period	226,940	16.2	167,715	10.4	172,092	9.8	98,707	11.0	56,688	7.0

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Revenue

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue was RMB1,401.6 million, RMB1,614.3 million, RMB1,762.2 million, RMB899.0 million, and RMB805.9 million, respectively.

Product category

The following table sets forth the breakdown of our revenue by product category for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Goat/sheep milk infant formula	771,780	55.1	926,438	57.4	1,032,745	58.6	550,019	61.2	447,818	55.6
FSMPs	23,762	1.7	130,365	8.1	218,617	12.4	100,214	11.1	129,510	16.1
Cow milk infant formula	215,555	15.4	158,929	9.8	138,771	7.9	71,053	7.9	55,075	6.8
Adult & children milk powder	73,214	5.2	96,993	6.0	112,993	6.4	56,041	6.2	54,292	6.7
OEM and dairy product related materials	304,918	21.8	290,610	18.0	247,805	14.1	117,737	13.1	113,739	14.1
Others	12,383	0.8	10,923	0.7	11,298	0.6	3,936	0.5	5,458	0.7
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0

For details on fluctuation of our revenue during the Track Record Period, please refer to “– Period to Period Comparison of Results of Operations” below.

Geographical Region

The following table sets forth a breakdown of our revenue by geographical market for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
The PRC	1,278,560	91.2	1,540,563	95.4	1,684,307	95.6	861,189	95.8	771,957	95.8
Spain.	115,982	8.3	62,520	3.9	57,181	3.2	29,045	3.2	26,629	3.3
Others ^{Note (1)}	7,070	0.5	11,175	0.7	20,741	1.2	8,766	1.0	7,306	0.9
Total	1,401,612	100.0	1,614,258	100.0	1,762,229	100.0	899,000	100.0	805,892	100.0

Note:

(1) Others primarily include Korea and Hong Kong.

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We derive revenue from sales in the PRC, Spain and other countries or regions. The PRC remained our principal market with a steady increase during the Track Record Period, accounting for approximately 91.2% of total revenue in 2022 and approximately 95.4% to 95.6% in 2023 and 2024; in the six months ended June 30, 2025, the PRC contributed 95.8%, broadly in line with the same period of 2024. Revenue from Spain declined, decreasing from RMB116.0 million in 2022 to RMB57.2 million in 2024, and was RMB26.6 million in the six months ended June 30, 2025 versus RMB29.0 million in the same period of 2024, primarily because our Spain whey facility gradually shifted from external sales to supplying goat/sheep whey powder for our internal production. Revenue from other countries or regions remained small and stable, representing roughly 0.5% to 1.2% of total revenue during the Track Record Period, mainly reflecting sales fulfilled by distributors and OEM brand owners (品牌商) in Hong Kong and Korea to overseas markets.

Cost of Sales

Our cost of sales primarily consists of raw materials, depreciation and amortization, labor, utilities, transportation costs and other expenses. For the years ended December 31, 2022, 2023, and 2024, and for the six months ended June 30, 2024 and 2025, our cost of sales amounted to RMB768.5 million, RMB809.1 million, RMB883.3 million, RMB445.7 million, and RMB396.0 million, respectively.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)	
Raw materials	530,864	69.1	543,192	67.0	583,947	66.1	299,552	67.2	261,126	65.9		
Depreciation and amortization	40,014	5.2	47,421	5.9	57,326	6.5	27,908	6.3	27,173	6.9		
Labor	39,922	5.2	49,160	6.1	54,796	6.2	24,700	5.5	24,690	6.2		
Utilities	40,680	5.3	49,913	6.2	60,339	6.8	30,188	6.8	28,619	7.2		
Transportation costs . .	37,066	4.8	42,546	5.3	42,047	4.8	24,570	5.5	19,731	5.0		
Others	79,943	10.4	76,838	9.5	84,893	9.6	38,752	8.7	34,688	8.8		
Total	768,489	100.0	809,070	100.0	883,348	100.0	445,670	100.0	396,027	100.0		

Raw materials consistently represented the largest component of our cost of sales, accounting for approximately 66.1% to 69.1% of our total cost of sales for the years ended December 31, 2022, 2023 and 2024, and 67.2% and 65.9% for the six months ended June 30, 2024 and 2025, respectively. Our raw materials can be broadly categorized into dairy raw materials and packaging materials. Dairy raw materials comprise a wide variety of inputs, rather than relying on a single material.

Depreciation and amortization increased from RMB40.0 million in 2022 to RMB57.3 million in 2024, reflecting our continued investment in production facilities and equipment, and accounted for 6.5% and 6.9% of total cost of sales for the years ended December 31, 2024 and the six months ended June 30, 2025, respectively. Labor costs remained relatively stable, ranging between 5.2% and 6.2% of total cost of sales, reflecting wage levels and the scale of production. Utilities and transportation costs fluctuated according to production volume and logistics demand, together accounting for between 10.1% and 12.3% of our total cost of sales during the Track Record Period. Other costs mainly include consumables, and ancillary production overheads.

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The following table sets forth a breakdown of our cost of sales by product categories for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Goat/sheep milk infant										
formula	354,283	46.1	394,371	48.7	432,131	48.9	228,433	51.4	181,015	45.7
FSMPs	5,979	0.8	32,164	4.0	52,265	5.9	23,310	5.2	32,692	8.3
Cow milk infant										
formula	113,971	14.8	85,269	10.5	77,049	8.7	39,299	8.8	30,850	7.8
Adult & children milk										
powder	51,210	6.7	71,503	8.8	89,680	10.2	46,475	10.4	45,657	11.5
OEM and dairy										
product related										
materials	233,514	30.4	216,271	26.7	221,596	25.1	104,945	23.5	101,288	25.6
Others	9,532	1.2	9,492	1.2	10,627	1.2	3,208	0.7	4,525	1.1
Total	768,489	100.0	809,070	100.0	883,348	100.0	445,670	100.0	396,027	100.0

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross Profit	GPM	Gross Profit	GPM	Gross Profit	GPM	Gross Profit	GPM	Gross Profit	GPM
	RMB'000'	%	RMB'000'	%	RMB'000'	%	RMB'000'	%	RMB'000'	%
	<i>(unaudited)</i>									
Goat/sheep milk infant										
formula	417,497	54.1	532,067	57.4	600,614	58.2	321,586	58.5	266,803	59.6
FSMPs	17,783	74.8	98,201	75.3	166,352	76.1	76,904	76.7	96,818	74.8
Cow milk infant										
formula	101,584	47.1	73,660	46.3	61,722	44.5	31,754	44.7	24,225	44.0
Adult & children milk										
powder	22,004	30.1	25,490	26.3	23,313	20.6	9,566	17.1	8,635	15.9
OEM and dairy										
product related										
materials	71,404	23.4	74,339	25.6	26,209	10.6	12,792	10.9	12,451	10.9
Others	2,851	23.0	1,431	13.1	671	5.9	728	18.5	933	17.1
Total	633,123	45.2	805,188	49.9	878,881	49.9	453,330	50.4	409,865	50.9

For details on fluctuation of our gross profit and gross profit margin during the Track Record Period, please refer to “– Period to Period Comparison of Results of Operations” below.

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of service fees, marketing and promotion expenses, staff costs, travel expenses, exhibition expenses, share-based payment expenses, and others.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our selling and distribution expenses amounted to RMB240.3 million, RMB371.4 million, RMB432.4 million, RMB219.9 million, and RMB232.9 million, respectively, representing 17.1%, 23.0%, 24.5%, 24.5%, and 28.9% of our total revenue for the corresponding years.

The table below sets forth a breakdown of our selling and distribution expenses by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Service fees.	45,137	18.8	115,917	31.3	166,299	38.4	74,651	34.0	87,120	37.4
Marketing and										
promotion expenses .	110,371	45.9	126,698	34.1	126,082	29.2	73,980	33.6	70,368	30.2
Staff costs	60,985	25.4	91,258	24.6	96,109	22.2	48,860	22.2	53,222	22.9
Travel expenses	9,660	4.0	15,405	4.1	18,507	4.3	9,108	4.1	8,874	3.8
Exhibition expenses . .	6,313	2.6	10,101	2.7	9,399	2.2	5,221	2.4	4,286	1.8
Share-based payment										
expenses	668	0.3	1,511	0.4	5,106	1.2	2,414	1.1	2,522	1.1
Others	7,207	3.0	10,525	2.8	10,905	2.5	5,652	2.6	6,488	2.8
Total	240,341	100.0	371,415	100.0	432,407	100.0	219,886	100.0	232,880	100.0

- **Service fees.** These are primarily commissions and platform service charges we pay to our e-commerce platform partners. Service fees rose from RMB45.1 million in 2022 to RMB166.3 million in 2024, and from RMB74.7 million in the six months ended June 30, 2024 to RMB87.1 million in the same period of 2025, mainly driven by our product sales growth.
- **Marketing and promotion expenses.** These include media advertising, IP/branding campaigns, offline promotions and brand-strategy services (for example, content placement and event marketing).
- **Staff costs.** These comprise salaries and performance-linked bonuses for sales and marketing personnel (for example, monthly base pay and sell-through incentives). Staff costs rose from RMB61.0 million in 2022 to RMB96.1 million in 2024, broadly in line with revenue growth over the same period, performance bonuses also increased alongside our sales growth. For the six months ended June 30, 2025, staff costs were RMB53.2 million versus RMB48.9 million in the same period of 2024, mainly reflecting proactive team build-out ahead of planned initiatives.

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- **Travel expenses.** These cover business travel for promotions, distributor and retail-terminal visits, and client engagement. They were generally stable.
- **Exhibition expenses.** These relate to participation in trade fairs, product launches and sponsored industry events.
- **Share-based payment expenses.** These are equity-settled incentives for sales and marketing personnel. They remained modest in 2022 and 2023 (RMB0.7 million and RMB1.5 million), increased to RMB5.1 million in 2024 following grants made in late 2023, and were stable at RMB2.5 million in the first half of 2025 versus RMB2.4 million in the first half of 2024.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, including salaries, bonuses and welfare of our management and administrative personnel; (ii) depreciation, representing depreciation and amortization expenses for property, plant and equipment and right-of-use assets; (iii) office, entertainment and travelling expenses, including office supplies, training, insurance, and event-related expenses; (iv) share-based payment expenses, which represent non-cash compensation expenses; (v) service fees, including legal, tax advisory, consulting, and IT system maintenance expenses; (vi) [REDACTED]; (vii) research and development expenses; and (viii) others, primarily comprising miscellaneous fees such as inspection, rental and leasing expenses.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our administrative expenses amounted to RMB125.5 million, RMB168.7 million, RMB141.1 million, RMB65.2 million and RMB72.2 million, respectively, representing 9.0%, 10.5%, 8.0%, 7.3% and 9.0% of our total revenue for the respective periods.

The table below sets forth a breakdown of our administrative expenses by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Staff costs	54,955	43.7	63,711	37.7	63,855	45.2	31,031	47.6	31,258	43.2
Depreciation	7,765	6.2	10,580	6.3	10,144	7.2	4,810	7.4	5,950	8.2
Office, entertainment and travelling expenses	16,668	13.3	22,710	13.5	19,837	14.1	10,312	15.8	9,098	12.6
Share-based payment expenses	1,511	1.2	31,805	18.8	9,424	6.7	607	0.9	813	1.1
Service fees	6,757	5.4	12,260	7.3	11,630	8.2	7,179	11.0	6,919	9.6
[REDACTED]	–	0.0	–	0.0	–	0.0	–	0.0	6,049	8.4
Research and development expenses	19,910	15.9	8,418	5.0	8,014	5.7	3,579	5.5	3,724	5.2
Others	17,960	14.3	19,261	11.4	18,217	12.9	7,669	11.8	8,425	11.7
Total	125,526	100.0	168,745	100.0	141,121	100.0	65,187	100.0	72,236	100.0

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Administrative expenses increased from RMB125.5 million in 2022 to RMB168.7 million in 2023. The increase was mainly driven by a surge in share-based payment expenses to RMB 31.8 million arising from our 2023 grants, growth in staff costs as our organization expanded, and higher office, entertainment and travelling expenses attributable to one-off items in 2023, including insurance for our Spain facilities and large-scale training. Service fees also rose because we began to incur more market research and advisory activities from 2023.

Administrative expenses decreased to RMB141.1 million in 2024, primarily because share-based payment expenses normalized to RMB9.4 million with no recurrence of the 2023 grants. Other administrative cost items were generally stable year on year.

Administrative expenses increased to RMB72.2 million for the six months ended June 30, 2025 from RMB65.2 million for the same period in 2024. The increase mainly reflected higher service fees, including [REDACTED] and higher depreciation and amortization following the addition of office premises and leased sites in early 2025.

Impairment Losses/(Reversal of Impairment Losses) on Financial Assets, Net

Impairment losses/(reversal of impairment losses) on financial assets, net primarily represent expected credit losses (“ECL”) recognized on our trade and other receivables. We assess ECL using a forward-looking expected credit loss model, which requires judgment and estimation. In making such assessments, we consider historical repayment data as well as current and forecast macroeconomic conditions, regulatory policies, and industry-specific risks. The amount of impairment provisions recognized may differ from actual credit losses that materialize, and actual losses may also deviate from past estimates.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, impairment losses/(reversal of impairment losses) on financial assets, net amounted to RMB1.5 million, RMB(0.4) million, RMB0.01 million, RMB0.6 million and RMB3.2 million, respectively. The overall decrease from 2022 to 2024 reflected improved credit quality of our customer base, enhanced internal credit controls, and the absence of significant overdue balances. The increase in impairment losses in the six months ended June 30, 2025, compared with the same period in 2024, was mainly attributable to the growth in trade receivables during the period, which, under our credit risk assessment model, resulted in higher expected credit loss provisions.

Substantially all such provisions were general provisions made in accordance with our credit loss matrix and internal risk models, with no specific provision made against individual counterparties. As of the Latest Practicable Date, we had no plans for material asset impairments, nor have we initiated any one-off or exceptional items, disposals of key assets, or termination of business lines.

Other Income and Gains

Our other income and gains primarily consist of (i) government grants; (ii) bank interest income and investment income from structured deposits; and (iii) other miscellaneous income items such as distributor compensation income, foreign exchange gains or losses, fair value gains, and gains on disposal or termination of lease.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our other income and gains amounted to RMB44.3 million, RMB43.0 million and RMB26.2 million, RMB13.3 million and RMB14.6 million, respectively, representing 3.2%, 2.7%, 1.5%, 1.5% and 1.8% of our total revenue for the respective periods.

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The table below sets forth a breakdown of our other income and gains for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Other income										
Government grants . . .	37,389	84.5	36,555	85.2	16,374	62.6	8,936	66.9	10,690	72.9
Bank interest income . .	1,118	2.5	3,957	9.2	2,747	10.5	1,117	8.4	1,047	7.2
Investment income										
from structured										
deposits	196	0.4	233	0.5	149	0.6	58	0.4	22	0.2
Distributor										
compensation										
income	4,946	11.2	463	1.1	1,473	5.6	824	6.2	1,305	8.9
Others	586	1.3	915	2.1	2,373	9.1	1,213	9.1	1,574	10.8
Gains										
Fair value gains on										
structured deposits .	40	0.1	105	0.2	–	–	–	–	–	–
Gain on a lease										
termination	–	–	217	0.5	111	0.4	111	0.8	–	–
Gain on disposal of										
property, plant and										
equipment	–	–	–	–	–	–	146	1.1	–	–
Foreign exchange										
gains, net	–	–	514	1.2	2,926	11.2	943	7.1	–	–
Total	44,275	100.0	42,959	100.0	26,153	100.0	13,348	100.0	14,638	100.0

Our other income and gains primarily consist of government grants, which include subsidies related to agricultural, livestock industry support, and various enterprise support funds. From 2022 to 2024, government grants were the largest contributor to other income, which decreased from RMB36.6 million in 2023 to RMB16.4 million in 2024. This reduction was mainly due to stricter subsidy policies. Government grants increased from RMB8.9 million for the six months ended June 30, 2024 to RMB10.7 million for the six months ended June 30, 2025, mainly due to increased amortization of deferred government grants received in June 2024.

Other Expenses

Our other expenses primarily consist of (i) impairment or disposal losses on property, plant and equipment; (ii) donations; (iii) foreign exchange losses; and (iv) other miscellaneous expenses. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our other expenses amounted to RMB6.2 million, RMB14.8 million, RMB3.3 million, RMB0.5 million and RMB11.6 million, respectively, representing 0.4%, 0.9%, 0.2%, 0.1% and 1.4% of our total revenue for the respective periods.

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The table below sets forth a breakdown of our other expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)	
Losses on disposal of items of property, plant and equipment	646	10.5	345	2.3	1,139	34.3	–	–	1,934	16.7		
Impairment losses on property, plant and equipment	–	–	9,084	61.4	–	–	–	–	–	–		
Donations	1,047	17.0	4,344	29.3	1,121	33.8	140	26.3	37	0.3		
Foreign exchange losses, net	3,992	64.7	–	–	–	–	–	–	8,779	75.8		
Others	480	7.8	1,041	7.0	1,058	31.9	392	73.7	835	7.2		
Total	6,165	100.0	14,814	100.0	3,318	100.0	532	100.0	11,585	100.0		

Other expenses increased from RMB 6.2 million for the year ended December 31, 2022 to RMB 14.8 million for the year ended December 31, 2023. The primary driver of this increase was the impairment losses on property, plant, and equipment. In 2023, we identified indicators of impairment for certain buildings, boilers and other related facilities and equipments. We recognized an impairment loss of RMB9.1 million, which was recorded in other expenses, due to certain buildings and machineries subject to replacement or demolition. For the year ended December 31, 2024, other expenses decreased to RMB3.3 million, mainly due to the absence of impairment losses from property, plant, and equipment.

For the six months ended June 30, 2025, other expenses rose to RMB11.6 million, compared to RMB0.5 million in the same period of 2024. This increase was primarily driven by foreign exchange losses, which surged to RMB8.8 million in 2025. The foreign exchange losses were mainly due to the depreciation of the Renminbi against key currencies such as the Euro and the Korean Won, reflecting the volatility in currency markets during this period.

Changes in Fair Value less Costs to Sell of Biological Assets

We measure biological assets at fair value less costs to sell. Our biological assets comprise dairy cow, dairy goat and dairy sheep herds. Depending on the stage and purpose of the animals, fair value is determined by reference to observable market selling prices, or particularly for productive dairy cow herds, by income approach that projects future cash flows from raw milk and sales of culled cattle, and discounts them to present value in line with market-based valuation practices. Key inputs include assumed raw milk prices, milk yields, herd reproduction and culling rates, feed and husbandry costs and a market-based discount rate. The valuation methodology and the principal assumptions are assessed for consistency with our operating data and prevailing market conditions.

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For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our changes in fair value less costs to sell of biological assets were RMB4.2 million, RMB(33.5) million, RMB(62.5) million, RMB(31.7) million and RMB(15.3) million, respectively. The losses recognized in 2023 and 2024 primarily reflected declines in the fair value of dairy cow and dairy goat herds driven by sustained decreases in raw milk prices and weaker market prices for live animals. In the first half of 2025, losses narrowed compared with the same period in 2024 due to changes in market conditions, although pricing pressure persisted.

To illustrate sensitivity to market pricing, we modelled changes in the raw milk price for the dairy cow valuation while holding other variables (milk yield, herd profile, feed costs and discount rate) constant. Using a current raw milk price of Jersey cow assumption of RMB5.64/kg and a base valuation of RMB29.86 million, a 10% increase in the raw milk price (to RMB6.20/kg) would increase the valuation to approximately RMB44.39 million, an uplift of RMB14.53 million or 48.66%. Conversely, a 10% decrease (to RMB5.08/kg) would reduce the valuation to approximately RMB15.32 million, a decrease of RMB14.54 million or 48.69%. This analysis is illustrative only, is not a forecast, and shows directional sensitivity assuming all other inputs remain unchanged.

Finance Costs

Our finance costs primarily consist of (i) interest on bank loans, (ii) interest on other borrowings, including borrowings from a financial institution, discounted notes, and letters of credit, and (iii) interest on lease liabilities recognized under applicable accounting standards.

For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, our finance costs amounted to RMB10.9 million, RMB21.8 million, and RMB24.6 million, RMB12.4 million, and RMB10.6 million, respectively, representing 0.9%, 1.3%, 1.5%, 1.3% and 1.3% of our total revenue for the respective periods.

The table below sets forth a breakdown of our finance costs by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Interest on bank loans . .	8,295	76.3	14,902	68.3	18,939	76.9	9,404	75.7	8,974	84.6
Interest on other										
borrowings	1,664	15.3	6,057	27.7	5,067	20.5	2,684	21.6	1,148	10.9
Interest on lease										
liabilities.	919	8.4	862	4.0	631	2.6	341	2.7	480	4.5
Total	10,878	100.0	21,821	100.0	24,637	100.0	12,429	100.0	10,602	100.0

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Finance costs increased from RMB10.9 million in 2022 to RMB21.8 million in 2023. This sharp increase was primarily due to a rise in bank borrowings, with the average outstanding balance increasing significantly, resulting in an additional RMB6.6 million in interest expenses. Additionally, interest on other borrowings, also contributed to the increase. For the year ended December 31, 2024, finance costs further rose to RMB24.6 million, driven by that the interest-bearing bank and other borrowings increased to RMB708.8 million. However, for the six months ended June 30, 2025, finance costs decreased to RMB 10.6 million, reflecting a reduction in both bank loans and interest on other borrowings compared to the same period in 2024.

Income Tax Expense

Our income tax expenses primarily comprise current tax charges and deferred tax expenses in Mainland China and other jurisdictions where we operate. For the years ended December 31, 2022, 2023, and 2024 and for the six months ended June 30, 2024 and 2025, our income tax expenses amounted to RMB70.2 million, RMB70.5 million, RMB68.9 million, RMB37.6 million and RMB22.0 million, respectively.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<i>Current income tax</i>					
Mainland China	81,023	58,557	56,934	35,658	21,853
Korea	1,915	502	7,139	4,971	236
Spain	2,133	6,905	10,487	10,036	4,171
<i>Deferred tax</i>	<u>(14,851)</u>	<u>4,555</u>	<u>(5,630)</u>	<u>(13,030)</u>	<u>(4,289)</u>
Total tax charge for					
the year/period	<u>70,220</u>	<u>70,519</u>	<u>68,930</u>	<u>37,635</u>	<u>21,971</u>

From 2022 to 2024, our tax expenses remained relatively stable.

The decrease in income tax expenses in the first half of 2025 to RMB22.0 million was primarily due to a decline in profits before tax, which decreased by 42.3% to RMB78.7 million compared to the same period in 2024. Additionally, some subsidiaries benefited from preferential tax rates and deductions, contributing to lower tax charges. Specifically, subsidiaries in Mainland China continued to enjoy tax incentives, such as the 20% tax rate on profits between RMB1 million and RMB3 million, available to businesses qualifying for the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy.

In terms of deferred tax expenses, the increase in deductible temporary differences, amounting to a tax credit of RMB4.3 million in the first half of 2025, also contributed to the reduction in tax expenses.

Our effective tax rates for the years ended December 31, 2022, 2023 and 2024, and for the six months ended June 30, 2025 were 24%, 30%, 29% and 28%, respectively.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2025

Revenue and gross profit

Our revenue decreased by 10.4% to RMB805.9 million for the six months ended June 30, 2025 from RMB899.0 million for the six months ended June 30, 2024, primarily due to lower shipments of infant formula as a result of a packaging refresh that temporarily adjusted our shipment cadence.

- Goat/sheep milk infant formula revenue decreased by 18.6% to RMB447.8 million from RMB550.0 million, accounting for 55.6% and 61.2% of total revenue for the six months ended June 30, 2025 and 2024, respectively. This decline was primarily due to the transition to new packaging, which temporarily affected product visibility and sales.
- FSMPs revenue increased by 29.2% to RMB129.5 million from RMB100.2 million, representing 16.1% and 11.1% of total revenue for the respective periods, driven by an effective product marketing and promotional strategy.
- Cow milk infant formula revenue decreased by 22.5% to RMB55.1 million from RMB71.1 million, representing 6.8% and 7.9% of total revenue for the respective periods, as a result of intensified market competition. In response, we strategically allocated resources more cautiously towards this category, which impacted the sales of cow milk infant formula.
- Adult and children milk powder revenue remained stable, with no significant changes during the period.
- OEM and dairy product related materials revenue decreased slightly by 3.4% to RMB113.7 million from RMB117.7 million. This category is ancillary to our core business, and changes mainly reflected the timing of OEM processing orders for formula-brand customers.

Our gross profit decreased by 9.6% to RMB409.9 million for the six months ended June 30, 2025 from RMB453.3 million for the six months ended June 30, 2024, generally in line with the revenue trend. Gross profit margin remained relatively stable at 50.9% for the six months ended June 30, 2025 compared with 50.4% for the six months ended June 30, 2024.

Cost of sales

Cost of sales decreased by 11.1% to RMB396.0 million for the six months ended June 30, 2025 from RMB445.7 million for the same period in 2024, broadly in line with the decline in revenue. The decrease was mainly attributable to lower usage of raw materials.

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Selling and distribution expenses

Selling and distribution expenses increased by 5.9% to RMB232.9 million for the six months ended June 30, 2025 from RMB219.9 million for the same period in 2024. The increase was mainly driven by higher service fees from e-commerce partners and higher staff costs.

Administrative expenses

Administrative expenses increased by 10.8% to RMB72.2 million for the six months ended June 30, 2025 from RMB65.2 million for the same period in 2024. The increase was mainly due to [REDACTED] and higher depreciation and amortization.

Impairment losses on financial assets, net

Impairment losses on financial assets, net increased to RMB3.2 million for the six months ended June 30, 2025 from RMB0.6 million for the six months ended June 30, 2024, mainly attributable to growth in aging of trade receivables during the period.

Other income and gains

Other income and gains increased by 9.7% to RMB14.6 million for the six months ended June 30, 2025 from RMB13.3 million for the six months ended June 30, 2024, primarily due to higher government grants and distributor compensation income.

Other expenses

Other expenses increased to RMB11.6 million for the six months ended June 30, 2025 from RMB0.5 million for the six months ended June 30, 2024, mainly due to (i) foreign exchange losses of RMB8.8 million recorded in the first half of 2025 (nil in the same period of 2024) and (ii) losses on disposal of property, plant and equipment of RMB1.9 million (nil in the same period of 2024).

Changes in fair value less costs to sell of biological assets

The fair value loss on biological assets narrowed to RMB15.3 million for the six months ended June 30, 2025 from RMB31.7 million for the six months ended June 30, 2024, reflecting changes in the market environment and revised valuation assumptions.

Finance costs

Finance costs decreased by 14.7% to RMB10.6 million for the six months ended June 30, 2025 from RMB12.4 million for the same period in 2024. The decrease was primarily due to interest expenses on other borrowings.

Income tax expenses

Income tax expense decreased by 41.6% to RMB22.0 million for the six months ended June 30, 2025 from RMB37.6 million for the six months ended June 30, 2024, consistent with the decline in taxable income.

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Profit for the period

As a result of the foregoing, profit for the period decreased by 42.6% to RMB56.7 million for the six months ended June 30, 2025 from RMB98.7 million for the six months ended June 30, 2024. In the same period, our profit for the period excluding unrealized fair value gain/loss on biological assets amounted to RMB56.2 million for the six months ended June 30, 2025 and RMB104.8 million for the six months ended June 30, 2024, respectively.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2024

Revenue and gross profit

Our revenue increased by 9.2% to RMB1,762.2 million for the year ended December 31, 2024 from RMB1,614.3 million for the year ended December 31, 2023, primarily driven by growth in goat/sheep milk infant formula and FSMPs.

- Goat/sheep milk infant formula revenue increased by 11.5% from RMB926.4 million in 2023 to RMB1,032.7 million in 2024, representing 57.4% and 58.6% of total revenue, respectively, supported by sustained demand for low-allergen formulas and portfolio upgrades.
- FSMPs revenue increased by 67.7% from RMB130.4 million in 2023 to RMB218.6 million in 2024, representing 8.1% and 12.4% of total revenue, respectively, primarily due to the additional registration approvals in late 2023, which contributed to the new product portfolio in 2024.
- Cow milk infant formula revenue decreased by 12.7% from RMB158.9 million in 2023 to RMB138.8 million in 2024, accounting for 9.8% and 7.9% of total revenue, respectively, reflecting our prudent resource allocation to cow milk infant formula.
- Adult & children milk powder revenue increased by 16.5% from RMB97.0 million in 2023 to RMB113.0 million in 2024, representing 6.0% and 6.4% of total revenue, respectively, primarily due to new product launch and portfolio upgrades.
- OEM and dairy product related materials revenue decreased by 14.7% from RMB290.6 million in 2023 to RMB247.8 million in 2024, mainly attributable to lower sales of base powder.

Our gross profit increased to RMB878.9 million in 2024 from RMB805.2 million in 2023, while the gross profit margin remained broadly stable at 49.9%. By product category, gross profit from goat/sheep milk infant formula rose to RMB600.6 million from RMB532.1 million and its gross profit margin improved to 58.2% from 57.4%, in line with revenue growth. Gross profit from FSMPs increased to RMB166.4 million from RMB98.2 million and gross profit margin edged up to 76.1% from 75.3%, consistent with revenue growth as newly registered products were launched in 2024. Gross profit from cow milk infant formula decreased to RMB61.7 million from RMB73.7 million and its gross profit margin declined to 44.5% from 46.3%, broadly in line with revenue as we prudently allocated resources to cow milk infant formula amid competitive conditions. For adult and children milk powder, gross profit decreased to RMB23.3 million from RMB25.5 million and the gross profit margin contracted to 20.6% from 26.3%, mainly due to intensified competition in the adult milk powder subcategory leading to higher promotional pressure. Gross profit from OEM and dairy product related materials decreased to RMB26.2 million from RMB74.3 million with the gross profit margin down to 10.6% from 25.6%, consistent with revenue declines.

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Cost of sales

Our cost of sales increased by 9.2% to RMB883.3 million for the year ended December 31, 2024, compared to RMB809.1 million for the year ended December 31, 2023. The increase was primarily driven by the expanded sales volumes of our products, which resulted in higher associated production costs.

Other income and gains

Other income and gains decreased by 39.1% to RMB26.2 million for the year ended December 31, 2024, compared to RMB43.0 million for the year ended December 31, 2023. This decline was primarily due to a reduction in government grants.

Selling and distribution expenses

Selling and distribution expenses increased by 16.4% to RMB432.4 million for the year ended December 31, 2024, compared to RMB371.4 million for the year ended December 31, 2023. The increase was mainly driven by increased e-commerce platform service fees.

Administrative expenses

Administrative expenses decreased by 16.4% to RMB141.1 million for the year ended December 31, 2024, compared to RMB168.7 million for the year ended December 31, 2023. This decrease was primarily driven by the change in share-based payment expenses. In 2023, the expenses were higher due to a one-time large immediate exercisable share-based payment.

Impairment losses on financial assets, net

We recorded impairment losses on financial assets, net of RMB7 thousand for the year ended December 31, 2024, compared to a reversal of impairment losses of RMB0.4 million for the year ended December 31, 2023.

Other expenses

Other expenses decreased by 77.6% to RMB3.3 million for the year ended December 31, 2024, compared to RMB14.8 million for the year ended December 31, 2023. The decrease was primarily due to a RMB9.1 million impairment of property, plant and equipment in 2023.

Changes in fair value less costs to sell of biological assets

We recorded a loss of RMB62.5 million for the year ended December 31, 2024, compared to a loss of RMB33.5 million for the year ended December 31, 2023, representing an 86.4% increase in loss.

Finance costs

Our finance costs increased by 12.9% to RMB24.6 million for the year ended December 31, 2024, compared to RMB21.8 million for the year ended December 31, 2023. The increase was primarily due to higher interest expenses associated with higher bank and other borrowings.

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Income tax expenses

Our income tax expense decreased by 2.3% to RMB68.9 million for the year ended December 31, 2024, compared to RMB70.5 million for the year ended December 31, 2023.

Profit for the year

As a result of the foregoing, our profit for the year increased by 2.6% to RMB172.1 million for the year ended December 31, 2024, compared to RMB167.7 million for the year ended December 31, 2023. In the same year, our profit for the year excluding unrealized fair value gain/loss on biological assets amounted to RMB172.6 million in 2024 and RMB181.0 million in 2023, respectively.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2023

Revenue and gross profit

Our revenue increased by 15.2% to RMB1,614.3 million for the year ended December 31, 2023 from RMB1,401.6 million for the year ended December 31, 2022, primarily due to growth in goat/sheep milk infant formula and FSMPs.

- Goat/sheep milk infant formula revenue increased by 20.0% from RMB771.8 million in 2022 to RMB926.4 million in 2023, representing 55.1% and 57.4% of total revenue, respectively, supported by strong consumption demands toward low-allergen formulas.
- FSMPs revenue increased sharply by 448.6% from RMB23.8 million in 2022 to RMB130.4 million in 2023, representing 1.7% and 8.1% of total revenue, respectively, reflecting rapid scale-up due to our effective marketing and promotional strategy.
- Cow milk infant formula revenue decreased by 26.3% from RMB215.6 million in 2022 to RMB158.9 million in 2023, representing 15.4% and 9.8% of total revenue, respectively, reflecting our prudent resource allocation to cow milk infant formula.
- Adult & children milk powder revenue increased by 32.5% from RMB73.2 million in 2022 to RMB97.0 million in 2023, representing 5.2% and 6.0% of total revenue, respectively.
- OEM and dairy product related materials revenue decreased by 4.7% from RMB304.9 million in 2022 to RMB290.6 million in 2023.

Our gross profit increased by 27.2% to RMB805.2 million for 2023 from RMB633.1 million for 2022, and gross profit margin improved from 45.2% to approximately 49.9%, reflecting improved mix and scale. By category, goat/sheep milk infant formula moved in line with revenue, with gross profit rising to RMB532.1 million from RMB417.5 million and gross profit margin expanding to 57.4% from 54.1% on operating efficiencies. FSMP likewise tracked revenue growth, with gross profit up to RMB98.2 million from RMB17.8 million and gross profit margin remained relatively stable at 75.3% from 74.8%. Cow milk infant formula also followed revenue, with gross

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profit down to RMB73.7 million from RMB101.6 million and gross profit margin slightly lower at 46.3% versus 47.1%, consistent with our prudent resource allocation. For adult and children milk powder, gross profit increased to RMB25.5 million from RMB22.0 million but gross profit margin contracted to 26.3% from 30.1%, mainly due to product upgrades that temporarily compressed margin. OEM and dairy product related materials diverged from revenue, with gross profit increasing to RMB 74.3 million from RMB 71.4 million and gross profit margin improving to 25.6% from 23.4%.

Cost of sales

Our cost of sales increased by 5.3% to RMB809.1 million for the year ended December 31, 2023, compared to RMB768.5 million for the year ended December 31, 2022. As sales volume for goat/sheep milk infant formula and FSMPs expanded, related production costs increased accordingly.

Other income and gains

Other income and gains decreased by 3.0% to RMB43.0 million for the year ended December 31, 2023, compared to RMB44.3 million for the year ended December 31, 2022. This decline was primarily due to a reduction in government grants.

Selling and distribution expenses

Selling and distribution expenses increased by 54.5% to RMB371.4 million for the year ended December 31, 2023, compared to RMB240.3 million for the year ended December 31, 2022. The increase was mainly driven by increased e-commerce platform service fees.

Administrative expenses

Administrative expenses increased by 34.4% to RMB168.7 million for the year ended December 31, 2023, compared to RMB125.5 million for the year ended December 31, 2022. This increase was primarily driven by the change in share-based payment expenses. In 2023, the share-based payment expenses were higher due to a one-time large immediate exercisable share-based payment.

Impairment losses on financial assets, net

We record a reversal of impairment losses on financial assets, net of RMB0.4 million for the year ended December 31, 2023, compared to impairment losses of RMB1.5 million for the year ended December 31, 2022.

Other expenses

Other expenses and losses increased by 140.3% to RMB14.8 million for the year ended December 31, 2023, compared to RMB6.2 million for the year ended December 31, 2022. The increase was mainly due to impairment loss on property, plant and equipment recognized for the decommissioned boilers and sheds.

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Changes in fair value less costs to sell of biological assets

We recorded a loss of RMB33.5 million for the year ended December 31, 2023, compared to a gain of RMB4.2 million for the year ended December 31, 2022. The loss was primarily due to the decrease in the fair value of dairy cows.

Finance costs

Finance costs increased by 100.6% to RMB21.8 million for the year ended December 31, 2023, compared to RMB10.9 million for the year ended December 31, 2022. This increase was mainly due to higher interest expenses resulting from increased borrowings to fund the expansion of our operations and new production facilities.

Income tax expenses

Our income tax expense increased by 0.4% to RMB70.5 million for the year ended December 31, 2023, compared to RMB70.2 million for the year ended December 31, 2022.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 26.1% to RMB167.7 million for the year ended December 31, 2023, compared to RMB226.9 million for the year ended December 31, 2022. In the same year, our profit for the year excluding unrealized fair value gain/loss on biological assets amounted to RMB181.0 million in 2023 and RMB221.7 million in 2022, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We finance our operations primarily through cash generated from operating activities. During the Track Record Period, our principal source of funds was net cash from operations, supplemented by bank borrowings as necessary. We maintain a prudent approach to capital management and regularly monitor our liquidity position to ensure operational flexibility and financial stability.

Working Capital Statement

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources and the estimated net [REDACTED] of the [REDACTED], our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

Our Directors confirm that there were no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the date of this document.

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Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash flows from					
operating activities . .	196,513	243,290	201,496	114,901	44,002
Net cash flows used in					
investing activities . .	(208,773)	(223,802)	(114,872)	(28,214)	(72,196)
Net cash flows					
from/(used in)					
financing activities . .	168,109	(71,872)	(97,831)	(117,979)	5,100
Cash and cash					
equivalents at					
beginning of the					
year/period	230,370	387,613	346,790	346,790	337,100
Cash and cash					
equivalents at end of					
the year/period	387,613	346,790	337,100	318,084	321,600

Net cash flows generated from operating activities

For the six months ended June 30, 2025, net cash generated from operating activities amounted to RMB44.0 million. This was mainly derived from (i) profit before tax of RMB78.7 million; (ii) non-cash and other reconciling items, including depreciation of property, plant and equipment of RMB35.7 million, changes in fair value less costs to sell of biological assets of RMB15.3 million, write-down of inventories to net realisable value of RMB12.2 million, finance costs of RMB10.6 million, depreciation of right-of-use assets of RMB4.3 million, impairment of financial assets (net) of RMB3.2 million, equity-settled share-based payment expenses of RMB3.4 million, amortization of long-term prepayments of RMB1.4 million and loss on disposal of items of property, plant and equipment of RMB1.9 million, offset by reconciling items that reduced operating cash such as the effect of foreign exchange rate changes of RMB4.3 million, assets-related government grants released of RMB2.6 million and interest income of RMB1.0 million; (iii) changes in working capital comprising increases in inventories of RMB26.0 million and in prepayments, other receivables and other assets of RMB22.5 million, a decrease in other payables and accruals of RMB18.8 million and a decrease in contract liabilities of RMB14.5 million, partly offset by an increase in trade and bills payables of RMB12.2 million; (iv) interest received of RMB740 thousand; and (v) income tax paid of RMB34.0 million, resulting in the aforesaid operating cash inflow.

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For the year ended December 31, 2024, net cash generated from operating activities amounted to RMB201.5 million. This was mainly derived from (i) profit before tax of RMB241.0 million; (ii) non-cash and other reconciling items, including depreciation of property, plant and equipment of RMB65.5 million, changes in fair value less costs to sell of biological assets of RMB62.5 million, finance costs of RMB24.6 million, write-down of inventories to net realisable value of RMB19.6 million, equity-settled share-based payment expenses of RMB14.7 million, depreciation of right-of-use assets of RMB8.9 million and losses on disposal of items of property, plant and equipment of RMB1.1 million, offset by items that reduced operating cash such as the effect of foreign exchange rate changes of RMB5.0 million, assets-related government grants released of RMB3.7 million and interest income of RMB2.7 million; (iii) changes in working capital primarily comprising an increase in inventories of RMB88.6 million and a decrease in contract liabilities of RMB69.4 million, partly offset by an increase in other payables and accruals of RMB14.6 million and a decrease in trade and bills receivables of RMB3.2 million; (iv) interest received of RMB2.0 million; and (v) income tax paid of RMB70.9 million, resulting in the aforesaid operating cash inflow.

For the year ended December 31, 2023, net cash generated from operating activities amounted to RMB243.3 million. This was mainly derived from (i) profit before tax of RMB238.2 million; (ii) non-cash and other reconciling items, including depreciation of property, plant and equipment of RMB53.0 million, equity-settled share-based payment expenses of RMB33.5 million, changes in fair value less costs to sell of biological assets of RMB33.5 million, finance costs of RMB21.8 million, depreciation of right-of-use assets of RMB8.6 million, write-down of inventories to net realisable value of RMB9.7 million and impairment losses on property, plant and equipment of RMB9.1 million, offset by items reducing operating cash such as interest income of RMB4.0 million and the net effect of foreign exchange rate changes of RMB5.2 million; (iii) changes in working capital comprising an increase in inventories of RMB118.4 million, a decrease in prepayments, other receivables and other assets that provided RMB24.7 million of cash, an increase in trade and bills payables that provided RMB18.1 million of cash, and a decrease in contract liabilities of RMB12.6 million; (iv) interest received of RMB3.7 million; and (v) income tax paid of RMB85.7 million, resulting in the aforesaid operating cash inflow.

For the year ended December 31, 2022, net cash generated from operating activities amounted to RMB196.5 million. This was mainly derived from (i) profit before tax of RMB297.2 million; (ii) non-cash and other reconciling items, including depreciation of property, plant and equipment of RMB43.2 million, write-down of inventories to net realisable value of RMB13.3 million, finance costs of RMB10.9 million, depreciation of right-of-use assets of RMB6.2 million and amortisation of long-term prepayments of RMB4.2 million, offset by items that reduced operating cash such as a fair value gain on biological assets of RMB4.2 million, the net effect of foreign exchange rate changes of RMB3.3 million and interest income of RMB1.1 million; (iii) changes in working capital comprising an increase in inventories of RMB54.9 million and in trade and bills receivables of RMB11.2 million, and decreases in other payables and accruals of RMB73.2 million and in trade and bills payables of RMB12.8 million, partly offset by an increase in contract liabilities of RMB57.2 million; (iv) interest received of RMB896 thousand; and (v) income tax paid of RMB82.1 million, resulting in the aforesaid operating cash inflow.

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Net cash flows used in investing activities

For the six months ended June 30, 2025, net cash used in investing activities amounted to RMB72.2 million. This was mainly derived from (i) purchases of items of property, plant and equipment of RMB57.2 million; (ii) additions to biological assets of RMB19.6 million; (iii) purchases and redemptions of structured deposits of RMB43.0 million each and (iv) inflows including receipt of government grants for property, plant and equipment of RMB2.8 million, proceeds from disposal of biological assets of RMB1.3 million and proceeds from maturity of debt investments of RMB995 thousand.

For the year ended December 31, 2024, net cash used in investing activities amounted to RMB 114.9 million. This was mainly derived from (i) purchases of items of property, plant and equipment of RMB 92.8 million; (ii) additions to biological assets of RMB58.2 million; (iii) purchases of structured deposits of RMB 38.0 million; and (iv) placement of time deposits with original maturity over three months of RMB 25.0 million and purchase of debt investments of RMB 1.0 million; partially offset by (v) proceeds from redemption of structured deposits of RMB 53.1 million; (vi) receipt of government grants for property, plant and equipment of RMB 22.7 million; (vii) proceeds from disposal of biological assets of RMB 9.8 million; (viii) proceeds from maturity of time deposits of RMB 8.2 million and from disposal of items of property, plant and equipment of RMB 1.9 million; and (ix) interest received of RMB 172 thousand and structural deposit income of RMB 149 thousand.

For the year ended December 31, 2023, net cash used in investing activities amounted to RMB223.8 million. This was mainly derived from (i) purchases of items of property, plant and equipment of RMB187.0 million; (ii) additions to biological assets of RMB65.6 million; (iii) purchases of structured deposits of RMB106.2 million; and (iv) placement of time deposits with original maturity over three months of RMB8.1 million; partially offset by (v) proceeds from redemption of structured deposits of RMB106.2 million; (vi) receipt of government grants for property, plant and equipment of RMB23.9 million; (vii) proceeds from maturity of time deposits of RMB10.6 million; (viii) proceeds from disposal of biological assets of RMB1.5 million and from disposal of items of property, plant and equipment of RMB873 thousand; and (ix) interest received of RMB147 thousand and structural deposit income of RMB233 thousand.

For the year ended December 31, 2022, net cash used in investing activities amounted to RMB208.8 million. This was mainly derived from (i) purchases of items of property, plant and equipment of RMB131.1 million; (ii) additions to biological assets of RMB52.5 million; (iii) purchases of structured deposits of RMB93.7 million; (iv) placement of time deposits with original maturity over three months of RMB10.5 million; and (v) purchase of land use right of RMB1.2 million; partially offset by (vi) proceeds from redemption of structured deposits of RMB78.8 million; (vii) proceeds from disposal of items of property, plant and equipment of RMB1.9 million; and (viii) interest received of RMB147 thousand and structural deposit income of RMB196 thousand.

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Net cash flows from/(used in) financing activities

For the six months ended June 30, 2025, net cash generated from financing activities amounted to RMB5.1 million. This was mainly derived from (i) inflows including new bank borrowings of RMB287.1 million, new other borrowings of RMB141.1 million, capital contributions in relation to the share award scheme of RMB56.8 million and a decrease in restricted cash of RMB8.6 million; and (ii) outflows including repayments of bank borrowings of RMB247.7 million, repayments of other borrowings of RMB177.0 million, dividends paid of RMB44.9 million, interest paid of RMB7.2 million, repayment of loans from related parties of RMB5.0 million, and the principal portion of lease payments of RMB4.2 million, resulting in the aforesaid net inflow.

For the year ended December 31, 2024, net cash used in financing activities amounted to RMB97.8 million. This was mainly derived from (i) inflows including new bank borrowings of RMB536.6 million, new other borrowings of RMB180.4 million, and capital contributions in relation to the share award scheme of RMB19.1 million; and (ii) outflows including repayments of bank borrowings of RMB545.0 million, repayments of other borrowings of RMB128.8 million, dividends paid of RMB67.7 million, acquisition of non-controlling interests of RMB37.4 million and dividends paid to non-controlling shareholders of RMB30.0 million, resulting in the aforesaid net outflow.

For the year ended December 31, 2023, net cash used in financing activities amounted to RMB71.9 million. This was mainly derived from (i) inflows including new bank borrowings of RMB532.0 million, new other borrowings of RMB145.4 million, capital contribution in relation to the share award scheme of RMB83.0 million and capital contribution from shareholders of RMB25.0 million; and (ii) outflows including repayments of bank borrowings of RMB386.5 million, dividends paid of RMB172.7 million, repayments of other borrowings of RMB162.0 million and dividends paid to non-controlling shareholders of RMB64.8 million, resulting in the aforesaid net outflow.

For the year ended December 31, 2022, net cash generated from financing activities amounted to RMB168.1 million. This was mainly derived from (i) inflows comprising new bank borrowings of RMB406.9 million, new other borrowings of RMB148.0 million and capital contribution in relation to the share award scheme of RMB9.5 million; and (ii) outflows including repayments of bank borrowings of RMB239.4 million, repayment of other borrowings of RMB63.3 million, dividends paid to non-controlling shareholders of RMB46.2 million, increase in restricted cash of RMB23.4 million and interest paid of RMB9.2 million, resulting in the aforesaid net inflow.

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DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	610,236	718,854	787,912	801,660
Trade and bills receivables	46,468	59,529	56,269	62,364
Prepayments, other receivables and other assets	113,148	93,542	108,876	128,979
Financial investments	13,000	20,164	995	6,248
Time deposits	10,590	8,160	5,595	5,900
Restricted cash	28,518	67,204	57,772	49,155
Cash and cash equivalents	387,613	346,790	337,100	321,600
Total current assets	1,209,573	1,314,243	1,354,519	1,375,906
Current liabilities				
Trade and bills payables	245,745	263,836	263,552	275,795
Other payables and accruals	252,074	396,703	258,634	218,032
Contract liabilities	276,737	264,106	194,725	180,241
Interest-bearing bank and other borrowings	269,653	412,272	508,774	502,354
Lease liabilities	8,182	4,462	2,895	6,497
Tax payable	42,440	28,007	29,629	21,225
Total current liabilities	1,094,831	1,369,386	1,258,209	1,204,144
Net current assets/liabilities	114,742	(55,143)	96,310	171,762

As of December 31, 2022, we recorded net current assets of RMB114.7 million; as of December 31, 2023, we moved to net current liabilities of RMB55.1 million; as of December 31, 2024, we returned to net current assets of RMB96.3 million; and as of June 30, 2025, our net current assets increased to RMB171.8 million. This trajectory reflects movements mainly in other payables and accruals, contract liabilities, current interest-bearing borrowings and key current-asset lines including inventories and prepayments.

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As of December 31, 2023, the temporary net current liabilities position was driven by current liabilities outpacing current assets, primarily due to: (i) an increase in other payables and accruals to RMB396.7 million, largely reflecting a spike in dividends payable (settled mainly in 2024) alongside higher payroll and welfare payables and amounts related to capital expenditure and deposits received; (ii) higher current interest-bearing bank and other borrowings of RMB412.3 million to support working capital; and (iii) only modest current-asset growth despite an inventory build-up to RMB718.9 million.

As of December 31, 2024, net current assets recovered as (i) other payables and accruals decreased to RMB 258.6 million following the settlement of dividends payable and lower balances in certain sub-items; and (ii) contract liabilities fell to RMB194.7 million as advances from customers were recognized fulfilment of related obligations. These improvements were partly offset by a rise in current borrowings to RMB508.8 million. On the asset side, total current assets increased to RMB1,354.5 million, led by inventories of RMB787.9 million and stable cash and deposits.

As of June 30, 2025, net current assets further improved to RMB171.8 million as total current liabilities decreased to RMB1,204.1 million, reflecting lower other payables and accruals of RMB218.0 million and contract liabilities of RMB 180.2 million, together with a slight reduction in current borrowings to RMB502.4 million, while total current assets rose to RMB1,375.9 million, supported by inventories of RMB801.7 million and higher prepayments, other receivables and other assets.

Property, Plant and Equipment

Our property, plant and equipment (“PPE”) primarily comprise buildings, machinery, office equipment and electronic devices, motor vehicles, freehold land and construction in progress. We depreciate our property, plant and equipment on a straight-line basis over their estimated useful lives after taking into account the estimated residual values. The useful lives of our assets generally range from 3 to 50 years, with estimated residual values of 5%. Our depreciation policies are in compliance with the applicable requirements under the Accounting Standards for Business Enterprises in the PRC and are consistent with industry practices. We did not change our depreciation policies during the Track Record Period.

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The table below sets forth the breakdown of our PPE as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net carrying amount				
Buildings	296,081	386,328	403,835	408,344
Machinery	277,735	349,115	341,229	352,256
Office equipment and electronic devices	12,861	15,018	14,452	14,351
Motor vehicles	8,227	8,168	15,689	14,875
Freehold land	8,159	8,639	8,272	9,236
Construction in progress . . .	134,036	28,820	72,096	90,095
Total	737,099	796,088	855,573	889,157

The net carrying amount of our property, plant, and equipment increased from RMB737.1 million as of December 31, 2022, to RMB796.1 million as of December 31, 2023, and further to RMB855.6 million as of December 31, 2024. As of June 30, 2025, the net carrying amount reached RMB889.2 million, mainly due to the following reasons:

- The increase in buildings from RMB296.1 million in 2022 to RMB386.3 million in 2023 was primarily driven by the completion and capitalization of expansion projects at our whey powder processing facility in Spain and the conversion of self-constructed cow sheds and ancillary farm buildings in Heilongjiang. The continued increase to RMB403.8 million in 2024 was mainly attributed to the acquisition of a new office property in China. As of June 30, 2025, the net value of buildings reached RMB408.3 million, reflecting ongoing capitalizations and additions.
- Machinery saw an increase from RMB277.7 million in 2022 to RMB349.1 million in 2023, largely due to the installation of new drying machinery in Spain and the capitalization of dairy farm equipment in Heilongjiang. However, in 2024, the value decreased slightly to RMB341.2 million, primarily due to depreciation of newly acquired equipment and disposals of outdated machinery. As of June 30, 2025, machinery had increased to RMB352.3 million, driven by new purchases and installations.
- Construction in progress declined significantly from RMB134.0 million in 2022 to RMB28.8 million in 2023, as many projects, particularly in Spain and Heilongjiang, reached completion. In 2024, the balance rose to RMB72.1 million, mainly due to the commencement of renovation works for a newly acquired plant in Spain and the expansion of production lines. By June 30, 2025, the balance in construction in progress had reached RMB90.1 million, reflecting new production lines.

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Right-of-Use Assets

Our right-of-use assets primarily comprise leasehold lands and leased plant and office properties. In accordance with IFRS 16, leases are recognized as right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are initially measured at cost and subsequently depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

The table below sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Net carrying amount</i>				
Leasehold lands	76,546	75,498	73,959	72,423
Plant and properties	13,122	8,207	4,675	17,170
Total	89,668	83,705	78,634	89,593

The carrying amount of our right-of-use assets decreased from RMB89.7 million as of December 31, 2022, to RMB83.7 million as of December 31, 2023, and further to RMB78.6 million as of December 31, 2024. As of June 30, 2025, the carrying amount reached RMB89.6 million, mainly due to the following reasons:

- **Leased plant and properties.** The decrease in 2023 and 2024 was primarily due to the combined effect of depreciation on existing leases and early terminations of certain lease contracts. In 2023, despite signing a new three-year office lease in Hunan, the early termination of another lease in the same location resulted in a larger net decrease in leased properties. In 2024, despite the addition of new leases in Hunan and for our goat/sheep milk powder business, the early termination of a warehouse lease in Hunan, driven by reduced storage needs, offset these additions, further reducing the carrying value of leased properties. However, by June 30, 2025, the carrying value of leased plant and properties had increased to RMB17.2 million due to the renewal and expansion of certain leases.
- **Leasehold land.** The decrease in 2023 and 2024 was mainly due to the ongoing amortization of land use rights. While new farmland leases were entered into in Heilongjiang and other regions, the impact of amortization exceeded the additions, leading to a net decrease in carrying value. As of June 30, 2025, leasehold land stood at RMB72.4 million, with a slight decrease from the previous year due to amortization continuing to exceed new additions.

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Regarding the lease terminations, the early termination of the office lease in Hunan was part of a strategic decision to optimize resources. We signed a new lease for the same location, making the previous lease unnecessary. In Hunan, the warehouse lease termination occurred due to a shift in logistics, with goods redirected to be shipped from the Laixi warehouse starting in October 2023, reducing the need for storage space. Both lease terminations were handled without disputes, and the adjustments have been accounted for in the financials.

Intangible Assets

Our intangible assets primarily comprise software, trademarks and licenses. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which typically range from three to ten years. These assets are reviewed for impairment whenever there is an indication that they may be impaired.

The table below sets forth the breakdown of our intangible assets as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Software.	864	804	1,179	1,482
Trademarks.	217	197	174	167
Total	1,081	1,001	1,353	1,649

Financial Investments

Our financial investments primarily consist of equity investments, structured deposits, bank acceptance bills and debt investments, classified as either non-current or current based on their expected maturities. As of December 31, 2022, 2023, 2024, and June 30, 2025, our total non-current financial investments amounted to RMB14.1 million, RMB7.1 million, RMB9.4 million and RMB8.9 million; our total current financial investments amounts to RMB13.0 million, RMB20.2 million, RMB1.0 million and RMB6.2 million.

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Biological Assets

As of December 31, 2022, 2023, 2024, and for the six months ended June 30, 2025, we owned biological assets primarily related to dairy cows, dairy goats and sheep.

The following table provides a breakdown of the number of our biological assets as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
<i>Dairy cows</i>				
Milkable cows	–	1,729	1,854	2,139
Heifers and calves	<u>2,031</u>	<u>2,318</u>	<u>1,949</u>	<u>2,125</u>
Total dairy cows	<u>2,031</u>	<u>4,047</u>	<u>3,803</u>	<u>4,264</u>

	As of December 31,			As of June 30,
	2022	2023	2024	2025
<i>Dairy goats and sheep</i>				
Lambs, young goats and sheep	5,686	7,000	2,230	2,346
Breeding goats and sheep . .	82	130	112	109
Milkable goats and sheep . .	<u>345</u>	<u>1,865</u>	<u>5,428</u>	<u>5,156</u>
Total dairy goats and sheep	<u>6,113</u>	<u>8,995</u>	<u>7,770</u>	<u>7,611</u>

Over the years, the number of dairy cows has increased steadily, with milkable cows showing a consistent rise as they reach maturity. The lactation cycle for a milkable cow typically lasts 305-325 days, followed by a 70-day dry period. We closely monitor the number of dairy cows as they directly impact our raw milk production. For the past few years, the fair value of milkable cows has fluctuated based on market conditions and production trends.

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Similarly, we also monitor our dairy goats and sheep, which include lambs, young goats and sheep, breeding goats, and milkable goats. Lambs, young goats and sheep are those that have not yet started milk production. Over time, we have seen changes in the composition of our goat herd, with an increase in milkable goats and a reduction in others, reflecting operational changes and market demand. The fair value of our dairy goats is determined by market prices for animals of similar age and breed, with prices showing slight fluctuations over the track record period.

The following table shows the value of our biological assets for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Dairy cows</i>				
Milkable cows	–	42,840	34,790	42,570
Heifers and calves	51,150	50,339	34,249	36,859
Total dairy cows	51,150	93,179	69,039	79,429

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Dairy goats and sheep</i>				
Lambs, young goats and sheep	13,033	13,582	4,235	4,178
Breeding goats and sheep	273	637	1,040	1,082
Milkable goats	794	5,968	18,193	15,571
Total dairy goats and sheep	14,100	20,187	23,468	20,831

The fair value of both dairy cows, dairy goats and sheep has fluctuated to certain extent, driven by the dynamics of market prices for dairy products and the costs associated with raising these animals. In particular, changes in the fair value of dairy cows in 2023 and 2024 were impacted by market conditions and adjustments in our operational strategies, including natural aging and reduced milk production.

We are exposed to fair value risks arising from changes in the price of dairy products. We have not entered into derivative contracts to manage the risk of these price fluctuations.

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To manage risks associated with our biological assets, we have implemented comprehensive systems for monitoring and controlling factors such as climate, disease, and other natural risks. We conduct regular inspections, disease prevention measures, and have insurance in place for critical biological assets. Additionally, the fair value of our biological assets is determined of fair value within Level 3 of the hierarchy. For milkable cows, we use the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows. For heifers and calves, dairy goats and sheep, the fair value is determined by referencing market prices for similar animals, adjusted for factors like age, breed and genetic merit.

Valuation

Our biological assets were independently valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with us, which has appropriate qualifications and experiences in valuation of biological assets. Having considered the market reputation of Jones Lang LaSalle and relevant background research, our Directors and the Joint Sponsors are satisfied that Jones Lang LaSalle is independent from the Company and is competent in conducting the valuation of the biological assets. For valuation of our biological assets (including the valuation technique, material inputs and assumptions), see Notes 2.3 and 18 to the Accountants’ Report in Appendix I to this document.

The Reporting Accountants have performed their work on the historical financial information of the Group for each of the years ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2025 (the “**Historical Financial Information**”) in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circular. As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole. Please see Appendix I to this document for further details.

The Joint Sponsors held various discussions with Jones Lang LaSalle in relation to the valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process and reviewed the qualification and relevant valuation experience of Jones Lang LaSalle and its professional valuers. In addition, the Joint Sponsors discussed with our management and the Reporting Accountants with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. In addition, the Joint Sponsors have discussed with the Reporting Accountants regarding the valuation of biological assets compiled by Jones Lang LaSalle and noted that the Reporting Accountants had considered the audited procedures performed in accordance with the relevant auditing standards. Given the above, the Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation technique are appropriate and reasonable.

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Inventories

Our inventories primarily comprise raw materials, work in progress, finished goods, packaging materials, and consumables. Inventory write-downs are recognized when the net realizable value is below the carrying cost.

The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	318,141	405,698	460,801	494,739
Work in progress	151,809	183,292	160,857	155,616
Finished goods	108,045	106,856	136,874	122,388
Other materials	32,241	23,008	29,380	28,917
Total	610,236	718,854	787,912	801,660

As of December 31, 2022, 2023, 2024, and June 30, 2025, our total inventories increased from RMB610.2 million as of December 31, 2022 to RMB718.9 million as of December 31, 2023, and further increased to RMB787.9 million as of December 31, 2024. By June 30, 2025, our total inventories reached RMB801.7 million, primarily due to the increase in raw materials, primarily driven by proactive strategic procurement to ensure production continuity and maintain a competitive advantage amid market volatility. The expansion of production at our Laixi Facility, along with the strategic stocking of milk powder and whey powder in anticipation of market growth, contributed to the increase in raw material inventory from the year-end of 2023 to the year-end of 2024. As of June 30, 2025, raw materials continued to be stocked at higher levels due to the ongoing production expansion and market forecasts.

Turnover days

The following table sets forth our inventory turnover days during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	<i>days</i>			
Inventory turnover days . . .	276	296	307	361

Note:

- (1) Inventory turnover days is calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year/period, then multiplied by 360/180.

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Our inventory turnover days were approximately 276 days, 296 days, 307 days, and 361 days for the years ended December 31, 2022, 2023 and 2024, and for the six months ended June 30, 2025 respectively. The increase in inventory turnover days was primarily driven by our strategic decision in 2023 to stockpile raw materials in response to the implementation of the New National Standard issued in 2021, requiring all milk powder products sold in China to be registered and fully compliant by February 22, 2023. Our turnover days for work in progress goods and finished goods are much shorter, typically around one to two months. This indicates that the longer inventory turnover period mainly reflects the holding of raw materials rather than a slow-moving finished goods inventory.

Aging analysis

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Inventories</i>				
Within 12 months	592,861	658,189	663,117	692,284
13th to 24th months	16,872	57,940	124,095	89,006
25th to 36th months	211	2,510	409	20,067
Over 36 months	292	215	291	303
Total	610,236	718,854	787,912	801,660

We assess inventories for impairment at each reporting date and recognize write-downs when the carrying amount exceeds the net realizable value. For raw materials, work in progress and finished goods, impairment is determined based on expiry status, shelf life, turnover rate, and realizable market value. Expired or unsellable items are fully written down, while slow-moving or near-expiry items are partially written down by comparing cost and net realizable value. Write-downs are reversed if the underlying conditions improve, subject to the original impairment amount.

Trade and Bills Receivables

Our trade and bills receivables primarily represent outstanding payments from the sale of our products. We generally require upfront payment for infant formula products, while credit terms within 180 days.

The table below sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	46,468	53,864	47,480	57,407
Bills receivables	—	5,665	8,789	4,957
Total	46,468	59,529	56,269	62,364

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Our total trade and bills receivables increased from RMB46.5 million as of December 31, 2022, to RMB59.5 million as of December 31, 2023 mainly due to increased sales of our products during market expansion, and remained relatively stable at RMB56.3 million as of December 31, 2024. June 30, 2025, total receivables stood at RMB62.4 million.

Turnover days

The following table sets forth our trade and bills receivables turnover days during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	days			
Trade and bills receivables turnover days	12	12	12	13

Note:

- (2) Trade and bills receivables turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables divided by cost of sales for the year/period, then multiplied by 360/180.

Our trade and bills receivables turnover days were approximately 12 days, 12 days, 12 days, and 13 days for the years ended December 31, 2022, 2023 and 2024, and for the six months ended June 30, 2025, respectively.

Aging analysis

The table below sets forth the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Within 12 months	45,061	53,040	45,915	48,962
13th to 24th months	1,338	764	1,563	8,054
25th to 36th months	69	60	2	391
Total	46,468	53,864	47,480	57,407

In terms of impairment, we apply a provision matrix to estimate expected credit losses, considering factors such as overdue status, customer category, historical default rates, and economic forecasts. Our monitoring system for overdue balances remains effective, and we have implemented tailored collection actions, including reminders, in-person follow-ups, and legal measures when necessary.

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Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily comprise prepayments to suppliers, recoverable VAT, deposits, balances with payment platforms, and various receivables from third parties. The total balance of these assets increased from RMB113.1 million as of December 31, 2022, to RMB93.5 million as of December 31, 2023, and further increased to RMB108.9 million as of December 31, 2024. As of June 30, 2025, the balance stood at RMB129.0 million.

The table below sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	26,375	28,903	27,089	29,737
Value-added tax recoverable and prepaid other tax	48,550	24,917	38,627	42,238
Deposits	20,936	22,212	21,815	20,916
Other receivables	20,409	20,766	24,560	39,285
	116,270	96,798	112,091	132,176
Impairment allowance	(3,122)	(3,256)	(3,215)	(3,197)
Total	113,148	93,542	108,876	128,979

The prepayments increased slightly from RMB26.4 million in 2022 to RMB28.9 million in 2023, and further to RMB27.1 million in 2024. These changes were primarily due to a stable procurement strategy, with no significant shifts in supplier contracts or purchasing tactics. The prepaid other taxes decreased significantly from RMB48.6 million in 2022 to RMB24.9 million in 2023, largely due to the receipt of VAT refund from tax authorities. In 2024, the VAT prepayments remained stable, as the increase in procurement and sales offset the previous year's reduction.

Our other receivables increased substantially from RMB24.6 million in 2024 to RMB39.3 million as of June 30, 2025. This increase was primarily attributed to the following:

- The fluctuation in e-commerce platform payments, leading to an increase of RMB8.9 million in receivables. The increase in receivables for e-commerce service fees is primarily attributable to the rise in sales of FSMPs.
- Long-term deferred expenses related to advertising contracts, which increased by RMB3.9 million as a result of re-classification between current and non-current portion of costs related to endorsement and advertising contracts.

The impairment allowance for prepayments, deposits, and other receivables remained minimal. It increased from RMB3.1 million in 2022 to RMB3.3 million in 2023, then decreased to RMB3.2 million in 2024, remained stable as at June 30, 2025 reflecting minor adjustments based on the ongoing assessment of counterparty risk.

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Trade and Bills Payables

Our trade and bills payables primarily comprise amounts payable for raw materials such as whey powder, base powder, food additives, silage, and packaging materials. These payables are generally settled through bank transfers or bank acceptance bills, with credit terms typically within 180 days depending on supplier agreements.

The table below sets forth our trade and bills payables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	243,801	257,716	262,277	274,447
Bills payables	1,944	6,120	1,275	1,348
Total	245,745	263,836	263,552	275,795

Turnover days

The following table sets forth our trade and bills payables turnover days during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	days			
Trade and bills payables turnover days	120	113	107	123

Note:

- (3) Trade and bills payables turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables divided by cost of sales for the year/period, then multiplied by 360/180.

Our trade and bills payables turnover days were approximately 120 days, 113 days, 107 days, and 123 days for the years ended December 31, 2022, 2023 and 2024, and for the six months ended June 30, 2025 respectively. The relatively longer turnover days was primarily due to a historically large amount of trade payables related to a specific outstanding payable, which was not actively pursued by the supplier, which led to our decision to delay payment. However, we plan to settle this liability before our [REDACTED]. The increase in turnover days reflects this historical payment delay, rather than any operational inefficiencies.

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Aging analysis

The table below sets forth the aging analysis of trade payables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 12 months	163,110	189,284	182,830	194,131
13th to 24th months	12,297	2,966	12,511	3,040
25th to 36th months	6,272	1,166	2,315	11,746
Over 36 months	62,122	64,300	64,621	65,530
Total	243,801	257,716	262,277	274,447

We closely monitor and manage trade payables through real-time tracking systems, periodic reconciliations with suppliers, and strategically planned payment schedules aligned with our cash flow management and contractual obligations, ensuring timely settlements and maintaining strong supplier relationships.

Other Payables and Accruals

Our other payables and accruals primarily consist of payroll and welfare payables, tax payables, deposits received, accrued expenses, amounts payable for property, plant, and equipment, payables for the acquisition of equity interests, related party loans, dividends payable, and other miscellaneous items. These balances include both current and non-current liabilities. Most items are non-interest-bearing and are settled within one year unless otherwise specified.

The table below sets forth our other payables and accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred Income	35	1,963	5,264	5,474
Payroll and welfare payable.	23,171	36,469	44,959	31,133
Other tax payables	33,899	30,061	29,947	26,562
Deposits received	16,987	18,491	27,707	29,815
Accrued expenses	28,056	25,317	37,988	34,171
Payables for purchase of				
long-term assets	93,756	84,636	71,291	69,711
Loans from related parties . .	7,376	22,376	14,165	9,165
Payables for acquisition of				
non-controlling interests . .	21,480	42,878	5,480	4,980
Dividends payables	7,589	113,934	16,261	1,332
Other payables	19,725	20,578	5,572	5,689
Total	252,074	396,703	258,634	218,032

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The total balance of other payables and accruals increased from RMB252.1 million as of December 31, 2022, to RMB396.7 million as of December 31, 2023. And it decreased from RMB396.7 million as of December 31, 2023, to RMB258.6 million as of December 31, 2024. By June 30, 2025, the balance stood at RMB218.0 million, primarily due to the following factors:

- Deposits received grew from RMB17.0 million in 2022 to RMB18.5 million in 2023, and then increased sharply to RMB27.7 million in 2024. This increase was driven by additional customer deposits for future orders, particularly in new contracts and expanded business activities. As of June 30, 2025, this balance further increased to RMB29.8 million, reflecting the ongoing business growth.
- Payables for the purchase of long-term assets decreased from RMB93.8 million in 2022 to RMB84.6 million in 2023 and further dropped to RMB71.3 million in 2024, primarily due to the completion of major capital expenditures. By June 30, 2025, this balance stood at RMB69.7 million, reflecting fewer ongoing capital projects.
- Loans from related parties increased from RMB7.4 million in 2022 to RMB22.4 million in 2023, and then decreased to RMB14.2 million in 2024 due to additional financing in 2023 and subsequent repayment in 2024. By June 30, 2025, the balance stood at RMB9.2 million, reflecting the ongoing financing arrangements.
- Payables for the acquisition of non-controlling interests rose sharply in 2023 to RMB42.9 million due to acquisitions made during the year. This balance decreased significantly to RMB5.5 million in 2024, as payments for these acquisitions were made. By June 30, 2025, it further decreased to RMB5.0 million.
- Dividends payable surged to RMB113.9 million in 2023 due to the declaration of dividends based on strong 2022 performance. The balance decreased significantly in 2024 to RMB16.3 million as the dividends were paid out. By June 30, 2025, the balance had decreased to RMB1.3 million.

Contract Liabilities

Our contract liabilities primarily comprise advances from customers for sale of dairy products and deferred sales incentives. These balances are recognized when consideration is received from customers prior to the transfer of goods or fulfilment of related obligations, and are settled in the normal course of business within one year. Revenue is recognized when the performance obligations are satisfied.

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The table below sets forth the breakdown of our contract liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of dairy products	141,994	176,565	148,389	139,070
Deferred sales incentives . . .	134,743	87,541	46,336	41,171
Total	276,737	264,106	194,725	180,241

Deferred sales incentives mainly comprise unredeemed distributor and customer reward points and unfulfilled volume rebates or discounts granted under our sales incentive programs. The portion of consideration allocated to these incentives is recorded as contract liabilities and recognized as revenue when the obligations to supply products are fulfilled. The balance decreased from RMB134.7 million as of December 31, 2022 to RMB41.2 million as of June 30, 2025, primarily reflecting our strategic adjustment of sales incentive policies and promotion structure.

INDEBTEDNESS

As of June 30, 2025 being the most recent practicable date for this indebtedness statement, save as disclosed in this paragraph headed “Indebtedness” in this section, we did not have any outstanding or unutilized bank borrowings, loan capital issued or agreed to be issued, bank overdrafts, liabilities under acceptances (other than normal trade payables), acceptance credits, debt securities, term loans, or indebtedness in the nature of borrowings, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees.

As of the Latest Practicable Date, our Directors confirmed that we had not entered into any material loan agreements and had not drawn down on any credit facilities. We had not been subject to any material covenants associated with debt obligations, nor had we breached any financial or operational covenants during the Track Record Period and up to the Latest Practicable Date. There has been no difficulty in obtaining or repaying any bank facilities or borrowings, and no default or delay in any scheduled repayment occurred. Our Directors further confirmed that there has been no material change in our indebtedness or contingent liabilities since June 30, 2025 and up to the date of this document.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings-Short . .	269,653	412,272	508,774	502,354
Lease liabilities-current . . .	8,182	4,462	2,895	6,497
Total current liabilities . . .	277,835	416,734	511,669	508,851
Interest-bearing bank loans .	233,755	247,688	200,018	219,350
Lease liabilities	10,438	7,903	8,475	15,917
Total non-current	244,193	255,591	208,493	235,267
Total indebtedness	522,028	672,325	720,162	744,118

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Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank loans and other borrowings primarily consist of secured and unsecured loans, which are used to finance our operations and capital expenditures. These borrowings are classified into current and non-current liabilities based on their maturity.

The following table sets forth our interest-bearing bank and other borrowings as at the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>				
Bank loans – secured	90,507	169,004	202,479	218,997
Bank loans – unsecured	–	–	30,000	40,000
Other borrowings – secured	163,737	138,617	166,193	147,303
Other borrowings – unsecured	–	21,300	36,606	20,744
Current portion of long – term bank loans – secured	10,516	73,341	66,909	69,947
Current portion of long – term other borrowings – secured	4,893	10,010	6,587	5,363
<i>Non-current</i>				
Bank loans – secured	228,600	239,090	198,007	219,350
Other borrowings – secured	5,155	8,598	2,011	–
Total	503,408	659,960	708,792	721,704

Our borrowing structure has evolved over time to accommodate the financing needs of its growth. For more detailed information, please refer to Note 27 to the Accountants’ Report set out in Appendix I to this document.

CAPITAL EXPENDITURE

Our Group incurred capital expenditures of approximately RMB185.5 million, RMB253.1 million, RMB151.8 million, RMB41.6 million, and RMB77.3 million for the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2024 and 2025, respectively. Our capital expenditure primarily related to additions to property, plant and equipment, and biological assets.

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RELATED PARTY TRANSACTIONS

During the Track Record Period, our principal related party transactions comprised: (i) sales of goods; (ii) purchases of biological assets; (iii) purchases of goods; (iv) rental payments; and (v) interest expense. These transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

As of June 30, 2025, our interest-bearing borrowing due to Kangwang Investment was RMB20.7 million. These loans are unsecured and bear interest at approximately 3.45% and 3.35% per annum, respectively. Our Directors confirmed that the outstanding balance due to Kangwang will be settled prior to the [REDACTED]. In addition, certain of our historical bank loans were secured by Mr. Mu, or jointly by him and us. As of the Latest Practicable Date, credit facilities in an aggregate amount of approximately RMB30.0 million were guaranteed by Mr. Mu and certain our subsidiaries. We expect that the guarantee granted by Mr. Mu to us will be released before the [REDACTED].

For more detailed information, please refer to Note 36 to the Accountants’ Report set out in Appendix I to and the section headed “Relationship with our Controlling Shareholders” in this document.

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
<i>Contracted, but not provided for:</i>				
Properties, plant and equipment	144,080	75,445	22,562	27,806
Equity investment designated at fair value through other comprehensive income . . .	600	600	600	600
Total	<u>144,680</u>	<u>76,045</u>	<u>23,162</u>	<u>28,406</u>

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	As of December 31/For the year ended December 31,			As of June 30/For the six months ended June 30,
	2022	2023	2024	2025
Return on equity	30%	20%	19%	11%
Return on total assets	12%	7%	7%	4%
Current ratio	1.1	1.0	1.1	1.1
Gearing ratio	42%	54%	46%	44%

Return on equity

Return on equity equals profit for the year/period divided by the average balance of total equity at the beginning and the end of that year/period, multiplied by 100%. For stub periods, profit is annualized. Our return on equity was 30% in 2022, 20% in 2023, 19% in 2024 and 11% annualized for the six months ended June 30, 2025. The 2023 decline primarily reflected lower profit against a growing average equity base; our return on equity stabilised in 2024 alongside improved operating performance, while the first half 2025 level reflects the annualization of a six-month profit contribution on higher average equity.

Return on total assets

Return on total assets equals profit for the year/period divided by the average balance of total assets at the beginning and the end of that year/period, multiplied by 100%. For stub periods, profit is annualized. Our return on average assets was 12% in 2022, 7% in 2023, 7% in 2024 and 4% (annualized) for the six months ended June 30, 2025. The trend mainly tracked profit movements against a comparatively stable asset base, softening in 2023, steady in 2024, and lower on an annualised basis for the six months ended June 30, 2025, due to the smaller six-month contribution.

Current ratio

Current ratio equals current assets divided by current liabilities as of the respective date. Our current ratio was 1.1, 1.0 and 1.1 as of December 31, 2022, 2023 and 2024, respectively, and 1.1 as of June 30, 2025, reflecting working-capital normalisation after a temporary dip in 2023.

Gearing ratio

Gearing ratio equals net debt divided by (net debt plus equity attributable to owners of the parent) and multiplied by 100%. Our gearing ratio was 42% as of December 31, 2022, 54% as of December 31, 2023, 46% as of December 31, 2024 and 44% as of June 30, 2025. The ratio increased in 2023 and improved in 2024, broadly reflecting movements in borrowings, lease liabilities and trade-related payables relative to cash balances and equity accumulation.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

In the ordinary course of our business, we are exposed to various financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. We have adopted financial risk management policies to identify, assess and mitigate such risks. We do not engage in speculative trading of financial instruments.

Interest Rate Risk

We are exposed to interest rate risk primarily due to fluctuations in market interest rates, particularly concerning floating-rate interest-bearing bank borrowings. Our policy is to manage interest costs through the use of variable-rate debt. We monitor interest rate levels continuously, and in the event that there is an expectation of interest rate increases, we leverage our credit rating and financing advantages to replace floating-rate debt with other more suitable financing instruments.

Foreign Currency Risk

Our functional currency is Renminbi. We are exposed to fluctuations in Korean Won (“KRW”) arising mainly from certain purchases and payables. Sensitivity analysis in the audited financial statements indicates that, all else being equal, as of June 30, 2025 a 5% change in KRW would have affected profit after tax by approximately RMB2.8 million (December 31, 2024: approximately RMB2.1 million for a 5% KRW change). Given the scale and nature of our exposures, we currently manage currency risk primarily through natural hedging embedded in our procurement cycle and regular monitoring, and we do not use complex derivatives.

Credit Risk

Our principal exposures arise from trade and bills receivables, financial assets included in prepayments/other receivables/other assets, deposits and bank balances. We adopt the simplified approach for trade and bills receivables and the 12-month ECL model for other financial assets, staging items based on whether there has been a significant increase in credit risk since initial recognition. As of June 30, 2025, trade and bills receivables were RMB68.6 million; financial assets included in prepayments/other receivables/other assets totalled RMB60.2 million (of which RMB3.0 million were categorized as doubtful under our ECL matrix); time deposits were RMB5.9 million; restricted cash was RMB49.2 million; and cash and cash equivalents were RMB321.6 million. Other than the portion classified as doubtful, these balances were not past due. We maintain strict receivable controls and, given a diversified customer base, did not experience a significant concentration of credit risk during the Track Record Period.

Liquidity Risk

Our objective is to maintain adequate liquidity while preserving flexibility. We use recurring liquidity planning to match the maturities of financial liabilities with expected operating cash inflows and committed facilities. As of June 30, 2025, contractual undiscounted cash outflows due on demand or within one year primarily comprised interest-bearing bank and other borrowings of RMB512.6 million, trade and bills payables of RMB275.8 million, other payables and accruals of RMB154.9 million and lease liabilities of RMB7.3 million. Amounts due in one to five years were mainly interest-bearing bank and other borrowings of RMB187.0 million and lease liabilities of RMB14.3 million.

FINANCIAL INFORMATION

DIVIDEND

On February 20, 2023, we declared dividends of RMB211.0 million to our shareholders. The dividend was paid in three installments: RMB141.2 million was paid in 2023, RMB60.7 million in 2024, and RMB9.1 million in 2025. On March 29, 2023, we declared an additional dividend of RMB38.1 million, which was paid in three installments as well: RMB23.9 million in 2023, RMB6.9 million in 2024, and RMB7.2 million in 2025. Furthermore, on January 20, 2025, we declared dividends of RMB30.0 million to our shareholders, of which RMB28.7 million was paid during the six months ending June 30, 2025. We do not currently have a formal dividend policy. The declaration and payment of dividends are at the discretion of our Board of Directors and require approval by our shareholders. In determining whether to propose a dividend distribution, our Board will consider, among other factors, our financial results, cash flow position, future funding needs, capital expenditure plans, and general business and economic conditions. Subject to these considerations, we intend to distribute dividends primarily in cash and will review the dividend distribution ratio dynamically based on our actual operating circumstances.

As of the Latest Practicable Date, we had no plan to declare or pay any dividends prior to the [REDACTED]. We do not anticipate any material changes to our dividend considerations in the foreseeable future.

DISTRIBUTABLE RESERVES

As of June 30, 2025, we had no distributable reserves.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The unaudited [REDACTED] statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out to illustrate the effect of the [REDACTED] on the consolidated net tangible assets as at June 30, 2025 as if it had taken place on that date.

The unaudited [REDACTED] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company had the [REDACTED] been completed as at June 30, 2025 or any future dates. The unaudited [REDACTED] statement of adjusted consolidated net tangible assets of our Group attributable to the owners of our Company is based on the consolidated net tangible assets of our Group attributable to the owners of our Company as at June 30, 2025 as set out in the Accountants’ Report of our Company, the text of which is set out in Appendix II to this document.

FINANCIAL INFORMATION

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and the [REDACTED] is not exercised, and of which approximately RMB[REDACTED] is directly attributable to the issue of the [REDACTED] which is expected to be accounted for as a deduction from equity upon the [REDACTED] in accordance with relevant accounting standards. The remaining estimated [REDACTED] expenses amount to approximately RMB[REDACTED], of which (i) [REDACTED] and approximately RMB[REDACTED] was recognized for the years ended December 31, 2022, 2023, 2024, and for the six months ended June 30, 2025, respectively; and (ii) approximately RMB[REDACTED] is expected to be recognized as expenses from June 30, 2025 and up to the [REDACTED]. Such total estimated [REDACTED] expenses include (i) [REDACTED] expenses of RMB[REDACTED]; (ii) fees and expenses of legal advisers and reporting accountant of RMB[REDACTED]; and (iii) other fees and expenses of RMB[REDACTED]. The [REDACTED] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since June 30, 2025, being the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business – Strategies” in this document for a detailed discussion of our future plans.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised.

In alignment with our strategies and development plans, we intend to allocate the net [REDACTED] for the following purposes:

Strengthening Research and Development

We intend to allocate approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to research and development, focusing on advancing our product offerings and ensuring we remain competitive in the rapidly evolving dairy and nutritional products industry. This investment will be distributed across the following five key areas:

- **Research for low-allergen formulations and advancing goat/sheep milk processing techniques:** Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be dedicated to research in low-allergen formula development for sensitive populations, as well as to advancing goat/sheep milk processing techniques, aiming to enhance nutritional functionality, digestibility, bioavailability, and palatability for applications in infant FSMPs.
- **Infant formula and FSMPs research:** Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be used to expand our research in infant formula and FSMPs. This will include clinical trials and registration efforts to develop new formulations, particularly those based on goat and sheep milk, ensuring the safety and efficacy of these products.
- **Cheese product development:** Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be invested in developing new cheese products to meet the growing consumer demand for diverse dairy offerings. This includes optimizing taste and texture to create unique cheese products with both functional and sensory appeal.
- **Deepening existing product lineups:** Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be used to enhance existing products, including specialized formulas for children and the elderly.

FUTURE PLANS AND [REDACTED]

Industrial Chain Upgrading and Intelligent Manufacturing

We intend to allocate approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to industrial chain upgrading and intelligent manufacturing.

- Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be used to invest in and co-develop upstream dairy goat/sheep farm resources, thereby enhancing the self-sufficiency of milk production. This investment will be used to expand our existing dairy farms and develop new facilities between 2026 and 2028. New livestock will be introduced to gradually expand the herd size, with a target of achieving a substantially higher capacity by 2027, ensuring a stable and traceable supply of high-quality raw milk. This initiative is in line with our vertical integration strategy, reducing dependency on external sources and ensuring supply security.
- Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to upgrading and expanding our production facilities in Spain and South Korea. From 2026 to 2028, we will focus on improving the efficiency and output of our facilities by upgrading production lines and introducing new equipment, such as spray dryers, mixing machines, and automated packaging systems. These upgrades are essential to meet the increasing demand in European and Asian markets and ensure our global competitiveness.
- Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be dedicated to automation upgrades of our domestic production lines and the implementation of advanced digital quality control systems. The investments between 2026 and 2027 will include the installation of automated packaging lines, precision testing devices, and the integration of real-time monitoring systems and Manufacturing Execution Systems (“MES”). These efforts will enhance product consistency, improve manufacturing efficiency, and establish a fully digitalized quality control framework across our domestic production facilities.

Brand Building and Product Marketing

We intend to allocate approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to brand building and product marketing, focusing on the following initiatives:

- Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be used for traditional media advertising, including high-traffic locations like airports and high-speed rail stations, as well as television commercials. These efforts aim to enhance brand recognition and expand our reach, especially in emerging markets.
- Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be invested in new media promotion, including social media campaigns on platforms such as Weibo, Douyin, and Xiaohongshu. This will help boost our brand visibility and engagement with our target consumers.

FUTURE PLANS AND [REDACTED]

International Expansion

We intend to allocate approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to international expansion. This will help us establish and strengthen our presence in key global markets, ensuring rapid growth beyond China.

Our plan includes building regional sales offices to support both sales and after-sales services. We will establish regional service centers and further expand tailored to local market needs. Additionally, we will enhance our global operations through digital tools such as cloud-based management platforms and AI-driven inventory systems, improving customer interactions and logistics efficiency. We will also focus on boosting brand recognition and customer loyalty in international markets.

Enhancing Digital Infrastructure

We intend to allocate approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (equivalent to HK\$[REDACTED]) to enhancing our digital infrastructure.

We plan to upgrade our servers and construct new data centers to improve system reliability and data security. We will also strengthen our marketing systems and establish an intelligent marketing headquarters to support more precise consumer engagement and brand management. In addition, we will implement automated production line systems, warehouse management systems, and digital farm management systems to improve manufacturing efficiency, inventory control, and upstream farm operations.

Working capital and general corporate purposes

Approximately [REDACTED]% of the net [REDACTED] (equivalent to HK\$[REDACTED]) will be reserved for general working capital and operational flexibility, allowing us to respond to strategic opportunities and unforeseen market shifts in a timely and prudent manner.

In the event that the designated net [REDACTED] are insufficient to fully fund the aforementioned purposes, we intend to utilize internal resources or equity debt financing to address any shortfalls. Conversely, should there be surplus funds, these will be applied toward other projects consistent with our strategic objectives.

In the event that the [REDACTED] is fixed below or above the mid-point of the indicative [REDACTED], the net [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [REDACTED] received from the exercise of the [REDACTED] will be allocated to the above purposes on a pro rata basis.

In the event of any material change in our use of net [REDACTED] of the [REDACTED] from the purposes described above or in our allocation of the net [REDACTED] among the purposes described above, a formal announcement will be made.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we will only deposit such net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

We will issue an announcement in the event that there is any material change in the [REDACTED] of the [REDACTED] as described above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YEEPER NUTRITION TECHNOLOGY (QINGDAO) GROUP CO., LTD., HAITONG INTERNATIONAL CAPITAL LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Yeepor Nutrition Technology (Qingdao) Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-90, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024 and June 30, 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-90 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

APPENDIX I

ACCOUNTANTS’ REPORT

effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at December 31, 2022, 2023 and 2024 and June 30, 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2024 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[date]

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ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
REVENUE	5	1,401,612	1,614,258	1,762,229	899,000	805,892
Cost of sales		(768,489)	(809,070)	(883,348)	(445,670)	(396,027)
Gross profit		633,123	805,188	878,881	453,330	409,865
Other income and gains . .	5	44,275	42,959	26,153	13,348	14,638
Selling and distribution expenses		(240,341)	(371,415)	(432,407)	(219,886)	(232,880)
Administrative expenses .		(125,526)	(168,745)	(141,121)	(65,187)	(72,236)
(Impairment losses)/reversal of impairment losses on financial assets, net . . .		(1,506)	431	(7)	(584)	(3,196)
Other expenses	6	(6,165)	(14,814)	(3,318)	(532)	(11,585)
Changes in fair value less costs to sell of biological assets	18	4,178	(33,549)	(62,522)	(31,718)	(15,345)
Finance costs	8	(10,878)	(21,821)	(24,637)	(12,429)	(10,602)
PROFIT BEFORE TAX . .	7	297,160	238,234	241,022	136,342	78,659
Income tax expense . . .	11	(70,220)	(70,519)	(68,930)	(37,635)	(21,971)
PROFIT FOR THE YEAR/PERIOD		<u>226,940</u>	<u>167,715</u>	<u>172,092</u>	<u>98,707</u>	<u>56,688</u>
Attributable to:						
Owners of the parent . .		189,851	139,575	172,092	98,707	56,688
Non-controlling interests		<u>37,089</u>	<u>28,140</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>226,940</u>	<u>167,715</u>	<u>172,092</u>	<u>98,707</u>	<u>56,688</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB) .	13	<u>1.49</u>	<u>0.72</u>	<u>0.79</u>	<u>0.46</u>	<u>0.24</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR/PERIOD	<u>226,940</u>	<u>167,715</u>	<u>172,092</u>	<u>98,707</u>	<u>56,688</u>
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>7,034</u>	<u>4,270</u>	<u>(21,816)</u>	<u>(11,873)</u>	<u>24,544</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>7,034</u>	<u>4,270</u>	<u>(21,816)</u>	<u>(11,873)</u>	<u>24,544</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income/(loss):					
Changes in fair value	3,141	–	2,371	–	(565)
Income tax effect	<u>(785)</u>	<u>–</u>	<u>(593)</u>	<u>–</u>	<u>141</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>2,356</u>	<u>–</u>	<u>1,778</u>	<u>–</u>	<u>(424)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	<u>9,390</u>	<u>4,270</u>	<u>(20,038)</u>	<u>(11,873)</u>	<u>24,120</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>236,330</u>	<u>171,985</u>	<u>152,054</u>	<u>86,834</u>	<u>80,808</u>
Attributable to:					
Owners of the parent.	199,240	143,848	152,054	86,834	80,808
Non-controlling interests	<u>37,090</u>	<u>28,137</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>236,330</u>	<u>171,985</u>	<u>152,054</u>	<u>86,834</u>	<u>80,808</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,			June 30,
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	737,099	796,088	855,573	889,157
Right-of-use assets	15	89,668	83,705	78,634	89,593
Intangible assets	16	1,081	1,001	1,353	1,649
Financial investments	17	14,131	7,066	9,437	8,872
Biological assets	18	65,250	113,366	92,507	100,260
Long-term prepayments	22	29,802	71,965	12,466	20,576
Time deposits	23	—	—	20,000	20,000
Deferred tax assets	19	56,357	51,931	57,121	61,893
Total non-current assets		993,388	1,125,122	1,127,091	1,192,000
CURRENT ASSETS					
Inventories	20	610,236	718,854	787,912	801,660
Trade and bills receivables	21	46,468	59,529	56,269	62,364
Prepayments, other receivables and other assets	22	113,148	93,542	108,876	128,979
Financial investments	17	13,000	20,164	995	6,248
Time deposits	23	10,590	8,160	5,595	5,900
Restricted cash	23	28,518	67,204	57,772	49,155
Cash and cash equivalents	23	387,613	346,790	337,100	321,600
Total current assets		1,209,573	1,314,243	1,354,519	1,375,906
CURRENT LIABILITIES					
Trade and bills payables	24	245,745	263,836	263,552	275,795
Other payables and accruals	25	252,074	396,703	258,634	218,032
Contract liabilities	26	276,737	264,106	194,725	180,241
Interest-bearing bank and other borrowings	27	269,653	412,272	508,774	502,354
Lease liabilities	15	8,182	4,462	2,895	6,497
Tax payable		42,440	28,007	29,629	21,225
Total current liabilities		1,094,831	1,369,386	1,258,209	1,204,144
NET CURRENT					
ASSETS/(LIABILITIES)		114,742	(55,143)	96,310	171,762
TOTAL ASSETS LESS CURRENT					
LIABILITIES		1,108,130	1,069,979	1,223,401	1,363,762

APPENDIX I

ACCOUNTANTS’ REPORT

		December 31,			June 30,
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other					
borrowings	27	233,755	247,688	200,018	219,350
Lease liabilities	15	10,438	7,903	8,475	15,917
Deferred income	28	200	21,987	36,336	38,820
Deferred tax liabilities	19	2,335	2,317	2,581	2,647
Total non-current liabilities		246,728	279,895	247,410	276,734
Net assets		861,402	790,084	975,991	1,087,028
EQUITY					
Equity attributable to owners of the					
parent					
Paid-in capital	29	131,127	210,895	223,562	—
Share capital	29	—	—	—	261,000
Reserves	31	647,117	579,189	752,429	826,028
		778,244	790,084	975,991	1,087,028
Non-controlling interests		83,158	—	—	—
Total equity		861,402	790,084	975,991	1,087,028

Year ended December 31, 2022

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ACCOUNTANTS’ REPORT

Year ended December 31, 2023

Attributable to owners of the parent										
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	131,127	16,041	139,308	46,904	3,800	(7,985)	449,049	778,244	83,158	861,402
Profit for the year	-	-	-	-	-	-	139,575	139,575	28,140	167,715
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	4,273	-	4,273	(3)	4,270
Total comprehensive income for the year	-	-	-	-	-	4,273	139,575	143,848	28,137	171,985
Capital contribution from shareholders	25,000	-	-	-	-	-	-	25,000	-	25,000
Capital contribution in relation to the share award scheme	54,768	122,019	(93,892)	-	-	-	-	82,895	-	82,895
Equity-settled share-based payment arrangements (note 30)	-	-	33,518	-	-	-	-	33,518	-	33,518
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(94,791)	(94,791)
Acquisition of non-controlling interests	-	(24,381)	-	-	-	-	-	(24,381)	(16,504)	(40,885)
Dividends declared	-	-	-	-	-	-	(249,040)	(249,040)	-	(249,040)
Appropriation to statutory surplus reserve	-	-	-	54,533	-	-	(54,533)	-	-	-
At December 31, 2023	210,895	113,679	78,934	101,437	3,800	(3,712)	285,051	790,084	-	790,084

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ACCOUNTANTS’ REPORT

Year ended December 31, 2024

	Paid-in capital	Capital reserve*	Share-based payment reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total
	RMB'000 (note 29)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000	RMB'000 (note 31)	RMB'000	RMB'000
At January 1, 2024	210,895	113,679	78,934	101,437	3,800	(3,712)	285,051	790,084
Profit for the year	–	–	–	–	–	–	172,092	172,092
Other comprehensive income/(loss) for the year:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	1,778	–	–	1,778
Exchange differences on translation of foreign operations	–	–	–	–	–	(21,816)	–	(21,816)
Total comprehensive income for the year	–	–	–	–	1,778	(21,816)	172,092	152,054
Capital contribution in relation to the share award scheme	12,667	30,363	(23,909)	–	–	–	–	19,121
Equity-settled share-based payment arrangements (note 30).	–	–	14,732	–	–	–	–	14,732
Appropriation to statutory surplus reserve.	–	–	–	22,699	–	–	(22,699)	–
At December 31, 2024	223,562	144,042	69,757	124,136	5,578	(25,528)	434,444	975,991

APPENDIX I

ACCOUNTANTS’ REPORT

For the six months ended June 30, 2024

	Paid-in capital	Capital reserve*	Share- based payment reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total
	RMB '000 (note 29)	RMB '000 (note 31)	RMB '000 (note 31)	RMB '000 (note 31)	RMB '000	RMB '000 (note 31)	RMB '000	RMB '000
At January 1, 2024.	210,895	113,679	78,934	101,437	3,800	(3,712)	285,051	790,084
Profit for the period (unaudited)	–	–	–	–	–	–	98,707	98,707
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	(11,873)	–	(11,873)
Total comprehensive income for the period (unaudited)	–	–	–	–	–	(11,873)	98,707	86,834
Capital contribution in relation to the share award scheme (unaudited)	7,891	21,545	(17,599)	–	–	–	–	11,837
Equity-settled share-based payment arrangements (note 30) (unaudited)	–	–	3,121	–	–	–	–	3,121
Appropriation to statutory surplus reserve (unaudited)	–	–	–	12,339	–	–	(12,339)	–
At June 30, 2024 (unaudited)	218,786	135,224	64,456	113,776	3,800	(15,585)	371,419	891,876

APPENDIX I

ACCOUNTANTS’ REPORT

For the six months ended June 30, 2025

	Paid-in capital	Share capital	Share premium*	Capital reserve*	Share-based payment reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total
	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000 (note 31)	RMB'000	RMB'000 (note 31)	RMB'000	RMB'000
At January 1, 2025	223,562	-	-	144,042	69,757	124,136	5,578	(25,528)	434,444	975,991
Profit for the period	-	-	-	-	-	-	-	-	56,688	56,688
Other comprehensive income/(loss) for the period:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(424)	-	-	(424)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	24,544	-	24,544
Total comprehensive income for the period	-	-	-	-	-	-	(424)	24,544	56,688	80,808
Capital contribution in relation to the share award scheme	37,438	-	-	78,174	(58,818)	-	-	-	-	56,794
Equity-settled share-based payment arrangements (note 30)	-	-	-	-	3,435	-	-	-	-	3,435
Dividends declared	-	-	-	-	-	-	-	-	(30,000)	(30,000)
Conversion into a joint stock company	(261,000)	261,000	289,325	(267,861)	-	(21,464)	-	-	-	-
Appropriation to statutory surplus reserve	-	-	-	-	-	9,945	-	-	(9,945)	-
At June 30, 2025	-	261,000	289,325	(45,645)	14,374	112,617	5,154	(984)	451,187	1,087,028

* These reserve accounts represent the total consolidated reserves of RMB647,117,000, RMB579,189,000, RMB752,429,000 and RMB826,028,000 in the consolidated statements of financial position as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		297,160	238,234	241,022	136,342	78,659
Adjustments for:						
Finance costs	8	10,878	21,821	24,637	12,429	10,602
Interest income	5	(1,118)	(3,957)	(2,747)	(1,117)	(1,047)
Investment income from structured deposits	5	(196)	(233)	(149)	(58)	(22)
Losses/(gains) on disposal of items of property, plant and equipment	5, 6	646	345	1,139	(146)	1,934
Gains on a lease termination	15(c)	–	(217)	(111)	(111)	–
Changes in fair value less costs to sell of biological assets	18	(4,178)	33,549	62,522	31,718	15,345
Fair value gains on structured deposits	5	(40)	(105)	–	–	–
Depreciation of property, plant and equipment	7	43,210	53,040	65,486	32,003	35,653
Depreciation of right-of-use assets	7	6,210	8,617	8,897	4,493	4,290
Amortization of intangible assets	7	588	594	419	182	319
Amortization of long-term prepayments		4,153	4,739	895	294	1,410
Assets-related government grants released	28	(36)	(233)	(3,657)	(1,481)	(2,557)
Equity-settled share-based payment expenses	30	2,467	33,518	14,732	3,121	3,435
Impairment of/(reversal of impairment of) financial assets, net	7	1,506	(431)	7	584	3,196
Write-down of inventories to net realizable value	7	13,272	9,738	19,558	18,570	12,234
Impairment losses on property, plant and equipment	6, 14	–	9,084	–	–	–
Effect of foreign exchange rate changes, net		(3,318)	(5,182)	(5,030)	9,928	(4,345)
		371,204	402,921	427,620	246,751	159,106
Increase in inventories		(54,940)	(118,356)	(88,616)	(66,830)	(25,982)
Decrease/(increase) in trade and bills receivables		(11,159)	1,416	3,213	9,118	(6,095)
Increase in financial assets at fair value through other comprehensive income		–	–	–	–	(6,248)
Decrease/(increase) in prepayments, other receivables and other assets		2,161	24,745	(17,376)	(70,755)	(22,464)

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Decrease/(increase) in restricted cash		(680)	(4)	534	84	15
Increase/(decrease) in trade and bills payables		(12,833)	18,091	(284)	71,396	12,243
Increase/(decrease) in other payables and accruals		(73,207)	9,078	14,637	6,883	(18,803)
Increase/(decrease) in contract liabilities		57,201	(12,631)	(69,381)	(47,104)	(14,484)
Cash generated from operations		277,747	325,260	270,347	149,543	77,288
Interest received		896	3,700	2,005	793	740
Income tax paid		(82,130)	(85,670)	(70,856)	(35,435)	(34,026)
Net cash flows from operating activities		<u>196,513</u>	<u>243,290</u>	<u>201,496</u>	<u>114,901</u>	<u>44,002</u>
CASH FLOWS USED IN INVESTING ACTIVITIES						
Interest received		147	147	172	–	2
Purchases of items of property, plant and equipment		(131,090)	(186,957)	(92,840)	(5,116)	(57,239)
Purchase of a land use right		(1,237)	–	–	–	–
Proceeds from disposal of items of property, plant and equipment		1,851	873	1,870	576	6
Purchases of intangible assets		(675)	(488)	(800)	(363)	(545)
Additions to biological assets		(52,530)	(65,557)	(58,235)	(36,078)	(19,551)
Proceeds from disposal of biological assets		–	1,456	9,788	1,607	1,274
Receipt of government grants for property, plant and equipment	28	–	23,945	22,720	13,878	2,840
Purchases of structured deposits		(93,722)	(106,202)	(38,000)	(26,000)	(43,000)
Proceeds from redemption of structured deposits		78,802	106,208	53,139	35,139	43,000
Investment income received from structured deposits		196	233	149	58	22
Placement of time deposits with original maturity over three months		(10,515)	(8,050)	(25,000)	(20,000)	–
Proceeds from maturity of time deposits with original maturity over three months		–	10,590	8,160	8,085	–
Purchases of debt investments		–	–	(995)	–	–
Proceeds from maturity of debt investments		–	–	5,000	–	995
Net cash flows used in investing activities		<u>(208,773)</u>	<u>(223,802)</u>	<u>(114,872)</u>	<u>(28,214)</u>	<u>(72,196)</u>

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ACCOUNTANTS’ REPORT

	Notes	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)				
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of issuance costs		–	–	–	–	(1,473)
Capital contribution in relation to the share award scheme . . .		9,490	82,895	19,121	11,837	56,794
Capital contribution from shareholders		–	25,000	–	–	–
New bank borrowings		406,908	531,994	536,637	412,798	287,058
Repayment of bank borrowings .		(239,359)	(386,489)	(545,041)	(399,050)	(247,728)
New other borrowings		147,999	145,438	180,383	113,953	141,080
Repayment of other borrowings .		(63,293)	(162,041)	(128,774)	(126,563)	(176,981)
Decrease/(increase) in restricted cash		(23,390)	(38,682)	8,898	(49,040)	8,602
New loans from related parties . .		–	15,000	–	–	–
Repayment of loans from related parties		(2,455)	–	(8,211)	(8,211)	(5,000)
Acquisition of non-controlling interests		(4,690)	(19,487)	(37,398)	(27,612)	(500)
Principal portion of lease payments		(6,796)	(8,656)	(4,192)	(2,444)	(4,156)
Interest portion of lease payments		(919)	(862)	(631)	(341)	(480)
Dividends paid		–	(172,695)	(67,673)	(3,634)	(44,929)
Dividends paid to non-controlling shareholders . .		(46,200)	(64,791)	(30,000)	(30,000)	–
Interest paid		(9,186)	(18,496)	(20,950)	(9,672)	(7,187)
Net cash flows from/(used in) financing activities		168,109	(71,872)	(97,831)	(117,979)	5,100
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
		155,849	(52,384)	(11,207)	(31,292)	(23,094)
Cash and cash equivalents at beginning of year/period		230,370	387,613	346,790	346,790	337,100
Effect of foreign exchange rate changes, net		1,394	11,561	1,517	2,586	7,594
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD						
		387,613	346,790	337,100	318,084	321,600
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances and time deposits	23	426,721	422,154	420,467	454,570	396,655
Less: Time deposits with original maturity over three months when acquired	23	10,590	8,160	25,595	20,326	25,900
Restricted cash	23	28,518	67,204	57,772	116,160	49,155
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position		387,613	346,790	337,100	318,084	321,600

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		December 31,			June 30,
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment.	14	3,687	283	13,194	13,030
Right-of-use assets	15	1,557	1,519	1,481	1,462
Intangible assets	16	235	263	399	454
Investments in subsidiaries	1	632,285	734,486	757,981	779,203
Financial investments	17	7,066	7,066	9,437	8,872
Total non-current assets		644,830	743,617	782,492	803,021
CURRENT ASSETS					
Prepayments, other receivables and other assets.	22	191,589	263,459	329,741	302,111
Cash and cash equivalents	23	8,277	10,829	3,566	2,308
Total current assets		199,866	274,288	333,307	304,419
CURRENT LIABILITIES					
Trade and bills payables	24	101	46	46	46
Other payables and accruals	25	478,309	529,674	526,401	504,537
Interest-bearing bank and other borrowings	27	–	21,300	42,124	26,306
Tax payable		467	1,605	99	99
Total current liabilities		478,877	552,625	568,670	530,988
NET CURRENT LIABILITIES		(279,011)	(278,337)	(235,363)	(226,569)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		365,819	465,280	547,129	576,452
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	27	–	–	18,555	15,797
Deferred tax liabilities	19	1,263	1,267	1,859	1,718
Total non-current liabilities		1,263	1,267	20,414	17,515
Net assets		364,556	464,013	526,715	558,937
EQUITY					
Paid-in capital	29	131,127	210,895	223,562	–
Share capital	29	–	–	–	261,000
Reserves	31	233,429	253,118	303,153	297,937
Total equity		364,556	464,013	526,715	558,937

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on July 24, 2012 as a limited liability company. The Company was converted into a joint stock company with limited liability in June 18, 2025, and its name was changed from Yeeper Dairy (Qingdao) Group Co., Ltd.* (宜品乳業(青島)集團有限公司) to Yeeper Nutrition Technology (Qingdao) Group Co., Ltd.* (宜品營養科技(青島)集團股份有限公司). The registered office of the Company is located at 168, Weihai West Road, Guhe Subdistrict Office, Laixi City, Qingdao City, Shandong Province, PRC.

During the Relevant Periods, the Group was principally engaged in the development, production and sale of dairy products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bei'an Yeeper Nuka Dairy Co., Ltd.* (北安宜品努卡乳業有限公司) (note (c))	PRC/Mainland China June 2, 2004	RMB50,000,000	100%	–	Manufacture of dairy products
Heilongjiang Yeeper Dairy Co., Ltd.* (黑龍江宜品乳業有限公司) (note (c))	PRC/Mainland China May 17, 1997	RMB30,000,000	100%	–	Manufacture of dairy products
Heilongjiang Aubecca Nutritional Food Co., Ltd.* (黑龍江歐貝嘉營養食品有限公司) (note (c))	PRC/Mainland China May 8, 2007	RMB10,800,000	100%	–	Manufacture of dairy products
Yeeper (Qingdao) Goat Milk Products Co., Ltd.* (宜品(青島)羊乳製品有限公司) (note (c)).	PRC/Mainland China September 22, 2020	RMB250,000,000	100%	–	Manufacture of dairy products
HAM Co., Ltd. (note (c)).	Korea April 1, 2021	Korea Won (“KRW”) 4,804,270,000	100%	–	Manufacture of dairy products
OHSUNG Co., Ltd. (note (c))	Korea December 26, 2023	KRW6,677,860,000	100%	–	Manufacture of dairy products
Oviganic Iberica S.L. (note (b))	Spain June 29, 2001	Euro (“EUR”) 4,350,877.7	–	100%	Manufacture of dairy products
Queserias Prado S.L. (note (b))	Spain March 31, 1982	EUR120,202.42	–	100%	Manufacture of dairy products
Qingdao Neighbor Trade Co., Ltd.* (青島若比鄰貿易有限公司) (note (c)).	PRC/Mainland China September 7, 2007	RMB50,000,000	100%	–	Sale of dairy products
Qingdao OMK International Trade Co., Ltd.* (青島歐米國際經貿有限公司) (note (c))	PRC/Mainland China May 26, 2020	RMB10,000,000	100%	–	Sale of dairy products
Bei'an Youte Dairy Co., Ltd.* (北安優特乳品有限公司) (note (a)).	PRC/Mainland China May 8, 2018	RMB5,000,000	100%	–	Sale of dairy products
Biovinatur Iberica S.L. (note (c)).	Spain October 10, 2018	EUR3,000	–	100%	Sale of dairy products
Qingdao Grand Upward Trade Co., Ltd.* (青島鴻鵠貿易有限公司) (note (c))	PRC/Mainland China August 5, 2021	RMB5,000,000	100%	–	Sale of dairy products
Changsha Bekari Nutrient Products Co., Ltd.* (“Changsha Bekari”) (長沙蓓康禧營養品有限公司) (note (c)).	PRC/Mainland China December 21, 2016	RMB2,000,000	64%	36%	Sale of dairy products
Jiangxi HAM Qibo Nutritional Products Co., Ltd.* (“HAM Qibo”) (江西漢姆啟鉅營養品有限公司) (note (c))	PRC/Mainland China May 14, 2019	RMB3,000,000	–	100%	Sale of dairy products

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Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qingdao Sheep Era Dairy Products Co., Ltd.* (青島純羊時代羊乳製品有限公司) (note (c))	PRC/Mainland China November 6, 2020	RMB5,000,000	100%	–	Sale of dairy products
Yeeper Organic Dairy (Qingdao) Co., Ltd.* (宜品愛尼可乳業(青島)有限公司) (note (c))	PRC/Mainland China September 18, 2020	RMB5,000,000	100%	–	Sale of dairy products
Qingdao Organic Food Co., Ltd.* (青島愛尼可食品有限公司) (note (c))	PRC/Mainland China July 22, 2011	RMB1,000,000	100%	–	Sale of dairy products
Ningbo Yeeper Food Co., Ltd.* (寧波宜品食品有限公司) (note (c))	PRC/Mainland China May 15, 2018	RMB5,000,000	100%	–	Sale of dairy products
Yeeper Sheep Dairy Products (Qingdao) Co., Ltd.* (宜品綿羊乳製品(青島)有限公司) (note (c))	PRC/Mainland China September 10, 2020	RMB5,000,000	100%	–	Sale of dairy products
Qingdao Yeeper Biotechnology Co., Ltd.* (青島宜品生物科技有限公司) (note (c))	PRC/Mainland China March 1, 2018	RMB7,000,000	100%	–	Sale of dairy products
Qingdao Euland Dairy Co., Ltd.* (青島歐能多乳業有限公司) (note (c))	PRC/Mainland China November 6, 2020	RMB5,000,000	100%	–	Sale of dairy products
Hunan Euland Dairy Co., Ltd.* (湖南歐能多乳業有限公司) (note (c))	PRC/Mainland China December 8, 2020	RMB2,000,000	100%	–	Sale of dairy products
Yeeper Special Medical (Qingdao) Nutritional Food Co., Ltd.* (宜品特醫(青島)營養食品有限公司) (note (c))	PRC/Mainland China June 8, 2021	RMB5,000,000	100%	–	Sale of dairy products
Qingdao Yeeper Health Food Co., Ltd.* (青島宜品健康食品有限公司) (note (c))	PRC/Mainland China September 24, 2024	RMB10,000,000	100%	–	Sale of dairy products
Qingdao Yide Nutritional Food Co., Ltd.* (青島宜德營養食品有限公司) (note (c))	PRC/Mainland China November 12, 2024	RMB1,000,000	–	100%	Sale of dairy products
Qingdao Yeeper Nutrition Food Co., Ltd.* (青島宜品營養食品有限公司) (note (c))	PRC/Mainland China March 24, 2025	RMB1,000,000	100%	–	Sale of dairy products
Qingdao HAM Nutritional Food Co., Ltd.* (青島瀚姆營養食品有限公司) (note (c))	PRC/Mainland China September 4, 2018	RMB2,000,000	100%	–	Sale of dairy products
Qingdao Cloud Bay Biotech Co., Ltd.* (青島雲之唄生物科技有限公司) (note (c))	PRC/Mainland China April 17, 2019	RMB10,000,000	100%	–	Animal husbandry
Qingdao Yunbo Culture Technology Co., Ltd.* (青島雲博文化科技有限公司) (note (c))	PRC/Mainland China April 26, 2021	RMB1,000,000	100%	–	Technology promotion and application services
Heilongjiang MianMianDee Agriculture And Animal Husbandry Co., Ltd.* (黑龍江綿綿廸農牧業有限公司) (note (c))	PRC/Mainland China March 29, 2021	RMB30,000,000	100%	–	Animal husbandry
Qingdao Aote Sheep Co., Ltd.* (青島奧特種羊有限公司) (note (c))	PRC/Mainland China March 29, 2003	RMB500,000	100%	–	Animal husbandry

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Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qingdao Yiyangqianxi Agriculture and Animal Husbandry Technology Co., Ltd.* (青島宜羊千億農牧科技有限公司) (note (c))	PRC/Mainland China April 25, 2021	RMB10,000,000	100%	–	Animal husbandry
Heilongjiang Yiyangqianxi Dairy Sheep Breeding Co., Ltd.* (黑龍江宜羊千億奶羊養殖有限公司) (note (c))	PRC/Mainland China June 20, 2024	RMB5,000,000	–	100%	Animal husbandry

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

Notes:

- (a) The statutory financial statements of the entity for the year ended December 31, 2022 prepared in accordance with the Accounting Standards for Business Enterprises (“ASBEs”) were audited by Beijing Jinlide Certified Public Accountants (General Partnership) (北京金利得會計師事務所(普通合夥)), certified public accountants registered in the PRC, and the statutory financial statements of the entity for the year ended December 31, 2023 prepared in accordance with ASBEs were audited by Beijing Hongchangtai Certified Public Accountants (General Partnership) (北京弘昌泰會計師事務所(普通合夥)), certified public accountants registered in the PRC. No audited financial statements have been prepared for the entity for the year ended 31 December 2024, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.
- (b) The statutory financial statements of these entities for the years ended December 31, 2022, 2023 and 2024 prepared in accordance with Spanish General Accounting Plan were audited by CAPELLA Auditores, S.L.P., certified public accountants registered in Spain.
- (c) No audited financial statements have been prepared for these entities for the years ended December 31, 2022, 2023 and 2024, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investment designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and biological assets which have been measured at fair value.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that, at June 30, 2025, the Company recorded net current liabilities amounting to RMB226,569,000. The net current liabilities of the Company primarily arose from the use of its cash and cash equivalents for the ongoing investments in its subsidiaries. In the opinion of the directors of the Company, taking into account that (i) the Company has control over cash resources of the subsidiaries, and (ii) there are anticipated cash flows to be generated from the Group’s operations based on the Group’s cash flow projections prepared by the management of the Group for the period not less than twelve months from June 30, 2025. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Annual Improvements to IFRS Accounting Standards – Volume 11 . . .	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

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

² Effective for annual/reporting periods beginning on or after January 1, 2027

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below:

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after January 1, 2027 with earlier application permitted. Retrospective application is required. The Group is currently analyzing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group’s financial information.

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IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of each of the Relevant Periods, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. Some of the Company’s subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognized and introduce an accounting policy option to derecognize 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. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “owner-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. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.
- **IFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognize any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.
- **IFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial information.
- **IAS 7 *Statement of Cash Flows*:** The amendments replace the term “cost method” with “at cost” in paragraph 37 of IAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group’s financial statements.

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2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures its biological assets, equity investments designated at fair value through other comprehensive income, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	1.90% to 4.75%
Machinery	4.75% to 19.00%
Office equipment and electronic devices	9.50% to 31.67%
Motor vehicles	9.50% to 19.00%

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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of 3 to 10 years, which are mainly determined by reference to the licensed period of the purchased software.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Biological assets

Biological assets comprise dairy cows, dairy goats and sheep. Biological assets are measured on initial recognition and at the end of each of the Relevant Periods at their fair values less costs to sell, with any resulting gain or loss recognized in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs, excluding finance costs and income taxes. The fair values of dairy cows, dairy goats and sheep are determined based on their present location and condition and are determined independently by professional valuers.

The feeding costs and other related costs including staff costs, depreciation and amortization, utility costs and consumables incurred for raising of heifers and calves as well as lambs and young goats and sheep are capitalized, until such time as the heifers and calves, lambs and young goats and sheep begin to produce milk.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	3 to 50 years
Plant and properties	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

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Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank and other borrowings.

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Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods 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 deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of dairy products

Revenue from the sale of dairy products, mainly comprising goat/sheep milk infant formula, food for special medical purposes, cow milk infant formula, adult and children milk powder, OEM and dairy product related materials, is recognized at the point in time when control of the asset is transferred to the customer, generally on acceptance of the products by the customer. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Sales incentive program

The Group operates the sales incentive program to provide additional incentives to distributors and customers that provide a material right to each of them when they purchase products of the Group.

The sales incentives can then be redeemed for free products, subject to a minimum number of incentives being obtained. The consideration received or receivable from the products sold is allocated between the incentives earned by the distributor incentive program members and the actual sales amount of the products sold. The amount allocated to the incentives earned by the distributor incentive program members, based on the relative stand-alone selling prices, is deferred with a contract liability recognized and the related contract liabilities are recognized as revenue until the incentives are redeemed when the Group fulfils its obligations to supply products.

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Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates an employee share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined with reference to the fair value of the underlying share for share awards, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, at the grant date or over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable at the end of each of the Relevant Periods.

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Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Events after the reporting period

If the Group receives information after the end of the Relevant Periods, but prior to the date of authorization for issue, about conditions that existed at the end of the Relevant Periods, it will assess whether the information affects the amounts that it recognizes in the Historical Financial Information. The Group will adjust the amounts recognized in the Historical Financial Information to reflect any adjusting events after the end of the Relevant Periods and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the end of the Relevant Periods, the Group will not change the amounts recognized in the Historical Financial Information, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

This Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of the Group’s entities not operating in Mainland China are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into the RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in the statement of profit or loss. For the purpose of the consolidated statement of cash flows, the cash flows of the Group’s entities not operating in Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of such entities which arise throughout a particular year are translated into RMB at the weighted average exchange rates for that particular year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details are contained in note 19 to the Historical Financial Information.

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Identifying performance obligations in sales incentives

The Group operates the sales incentive program to provide additional incentives to distributors and customers that provides a material right to each of them when they purchase products of the Group. The Group assessed that the sales incentive program provides a material right to customers that they would not receive without entering into a contract. Consequently, the Group concludes that the promise to provide sales incentives to the customer is a performance obligation. The Group accounts for sales incentives as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the dairy products sold and the sales incentives granted. The allocation is made by reference to the relative standalone selling price.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimating the fair value of sales incentives

The fair value of the sales incentives is estimated by reference to the discount that the customer would obtain when redeeming the sales incentives for goods. The nominal value of this discount is reduced to take into account: (i) any discount that would be offered to customers who have not earned sales incentives from an initial sale; and (ii) the proportion of sales incentives that are expected to be forfeited by customers.

The Group recognizes revenue in respect of the sales incentives in the periods, and reflecting the pattern, in which sales incentives are redeemed. The amount of revenue recognized is based on the number of sales incentives that have been redeemed relative to the total number expected to be redeemed. The part of the consideration allocated to the goods sold is recorded in gross sales of products in profit or loss and the deferred revenue is recorded in “Contract liabilities” in the consolidated statement of financial position. The deferred sales incentives at the end of each of the Relevant Periods are recorded in note 26 to the Historical Financial Information.

Fair values of dairy cows, dairy goats and sheep

The Group’s dairy cows, dairy goats and sheep are valued at fair value less costs to sell. The fair values of dairy cows, dairy goats and sheep are determined based on either the market-determined prices as at the end of each of the Relevant Periods adjusted with reference to species, age, growing condition, cost incurred and expected yield of the milk to reflect differences in characteristics and/or stages of growth of dairy cows, dairy goats and sheep; or the present value of expected net cash flows from dairy cows, dairy goats and sheep discounted at a current market-determined rate, when market determined prices are unavailable. Any changes in the estimates may affect the fair values of dairy cows, dairy goats and sheep significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in fair values of dairy cows, dairy goats and sheep. Further details are given in note 18 to the Historical Financial Information.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of products, or from a change in the market demand for the product output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14 to the Historical Financial Information.

Provision for inventories

Net realizable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each of the Relevant Periods. The carrying amount of inventories is disclosed in note [20] to the Historical Financial Information.

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4. OPERATING SEGMENT INFORMATION

The Group principally focuses on the production and sale of dairy products. Information reported to the Group’s chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Mainland China	1,278,560	1,540,563	1,684,307	861,189	771,957
Spain	115,982	62,520	57,181	29,045	26,629
Other countries/regions.	7,070	11,175	20,741	8,766	7,306
Total	<u>1,401,612</u>	<u>1,614,258</u>	<u>1,762,229</u>	<u>899,000</u>	<u>805,892</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	December 31,			June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Mainland China	668,750	772,344	757,695	774,208
Spain	164,609	210,550	212,781	250,368
Other countries/regions.	89,541	83,231	70,057	76,659
Total	<u>922,900</u>	<u>1,066,125</u>	<u>1,040,533</u>	<u>1,101,235</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group’s revenue for each of the Relevant Periods and the six months ended June 30, 2024.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Revenue from contracts with customers . .	<u>1,401,612</u>	<u>1,614,258</u>	<u>1,762,229</u>	<u>899,000</u>	<u>805,892</u>

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Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Types of goods					
Goat/sheep milk infant formula	771,780	926,438	1,032,745	550,019	447,818
Food for special medical purposes	23,762	130,365	218,617	100,214	129,510
Cow milk infant formula	215,555	158,929	138,771	71,053	55,075
Adult and children milk powder	73,214	96,993	112,993	56,041	54,292
OEM and dairy product related materials	304,918	290,610	247,805	117,737	113,739
Others	12,383	10,923	11,298	3,936	5,458
Total	1,401,612	1,614,258	1,762,229	899,000	805,892
Geographical markets					
Mainland China	1,278,560	1,540,563	1,684,307	861,189	771,957
Spain	115,982	62,520	57,181	29,045	26,629
Other countries/regions	7,070	11,175	20,741	8,766	7,306
Total	1,401,612	1,614,258	1,762,229	899,000	805,892
Timing of revenue recognition					
Goods transferred at a point in time	1,401,612	1,614,258	1,762,229	899,000	805,892

The following table shows the amounts of revenue recognized in each of the Relevant Periods and the six months ended June 30, 2024 that were included in the contract liabilities at the beginning of each reporting period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sale of dairy products	150,943	141,256	175,895	175,569	147,709
Deferred sales incentives	66,180	123,494	76,359	55,789	25,081
Total	217,123	264,750	252,254	231,358	172,790

(b) Performance obligations

Information about the Group’s performance obligations is summarized below:

Distribution partnerships

The performance obligation is satisfied upon delivery and acceptance of the dairy products. The Group generally requires distributors to make payments in advance before the delivery of products.

The Group provides incentives to distributors in the form of volume rebates, discount and other promotion. The distributors can then redeem such incentives for free goods and such incentives provide a material right to distributors. The consideration received or receivable from the dairy products sold is allocated to the incentives earned by distributors on a relative stand-alone selling prices which reflect the discount that distributors would obtain when redeeming the incentives, and deferred with contract liabilities recognized. Such contract liabilities are recognized as revenue until the incentives are redeemed when the Group fulfils its obligations to supply goods.

Direct sales

The Group’s direct sales include (i) the sale of semi-finished dairy ingredients to enterprise customers, of which advance payment is required except for some major customers, where the trading terms are on credit with credit period ranging from one to six months from the date of invoice to these customers, and (ii) the online sale of finished products through e-commerce platforms, of which payments from end users are generally made to the e-commerce platforms before goods delivery and are remitted to the Group on a monthly basis. The performance obligation of direct sales is satisfied upon the delivery and acceptance of dairy products by customers.

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An analysis of other income and gains is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income					
Government grants*	37,389	36,555	16,374	8,936	10,690
Bank interest income	1,118	3,957	2,747	1,117	1,047
Investment income from structured deposits	196	233	149	58	22
Distributor compensation income**	4,946	463	1,473	824	1,305
Others	586	915	2,373	1,213	1,574
Total other income	44,235	42,123	23,116	12,148	14,638
Gains					
Fair value gains on structured deposits	40	105	–	–	–
Gains on a lease termination	–	217	111	111	–
Gains on disposal of property, plant and equipment	–	–	–	146	–
Foreign exchange gains, net	–	514	2,926	943	–
Total gains	40	836	3,037	1,200	–
Total other income and gains	44,275	42,959	26,153	13,348	14,638

* Government grants have been received for contributions made to certain districts where the Group’s businesses operate. There were no unfulfilled conditions or contingencies relating to these grants.

** Distributor compensation income represents compensation received from distributors who sold products outside of the stipulated geographic sales region or other sales behaviours that are in breach of distribution agreements and other miscellaneous items.

6. OTHER EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Losses on disposal of items of property, plant and equipment	646	345	1,139	–	1,934
Impairment losses on property, plant and equipment	–	9,084	–	–	–
Donations	1,047	4,344	1,121	140	37
Foreign exchange losses, net	3,992	–	–	–	8,779
Others	480	1,041	1,058	392	835
Total	6,165	14,814	3,318	532	11,585

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ACCOUNTANTS’ REPORT

7. PROFIT BEFORE TAX

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

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of inventories sold*		768,489	809,070	883,348	445,670	396,027
Depreciation of property, plant and equipment*	14	43,511	56,948	72,367	34,636	40,467
Less: Capitalized in biological assets		(301)	(3,908)	(6,881)	(2,633)	(4,814)
Total		43,210	53,040	65,486	32,003	35,653
Depreciation of right-of-use assets*	15	7,636	8,617	8,897	4,493	4,290
Less: Capitalized in property, plant and equipment		(1,426)	—	—	—	—
Total		6,210	8,617	8,897	4,493	4,290
Amortization of intangible assets*	16	588	596	433	189	326
Less: Capitalized in biological assets		—	(2)	(14)	(7)	(7)
Total		588	594	419	182	319
Research and development costs*		19,910	8,418	8,014	3,579	3,726
Lease payments not included in the measurement of lease liabilities	15(c)	1,581	1,225	1,696	681	528
[REDACTED].		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expense (excluding directors’, chief executive’s and supervisors’ remuneration (<i>note 9</i>)):						
Wages and salaries		153,098	201,234	219,746	109,140	116,253
Pension scheme contributions and social welfare		13,417	15,612	19,048	9,818	11,920
Equity-settled share-based payment expenses		1,191	17,984	11,395	3,114	3,187
Less: Capitalized in biological assets		(963)	(5,286)	(8,197)	(3,243)	(5,626)
Total		166,743	229,544	241,992	118,829	125,734
Impairment of/(reversal of impairment of) financial assets, net:						
Trade receivables	21	1,545	(565)	48	637	3,214
Financial assets included in prepayments, other receivables and other assets	22	(39)	134	(41)	(53)	(18)
Total		1,506	(431)	7	584	3,196
Write-down of inventories to net realizable value		13,272	9,738	19,558	18,570	12,234

* Cost of inventories sold and research and development expenses include write-down of inventories to net realisable value, expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on bank loans	8,295	14,902	18,939	9,404	8,974
Interest on other borrowings	1,664	6,057	5,067	2,684	1,148
Interest on lease liabilities	919	862	631	341	480
	<u>10,878</u>	<u>21,821</u>	<u>24,637</u>	<u>12,429</u>	<u>10,602</u>

9. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

The remuneration of the Company’s directors (including the chief executive) and supervisors during the Relevant Periods and the six months ended June 30, 2024 is summarized as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	2,839	3,528	3,476	1,824	1,605
Performance related bonuses	670	490	720	361	351
Share-based payment expenses	1,276	15,534	3,337	7	248
Pension scheme contributions and social welfare	180	214	237	118	119
Subtotal	<u>4,965</u>	<u>19,766</u>	<u>7,770</u>	<u>2,310</u>	<u>2,323</u>
Total	<u>4,965</u>	<u>19,766</u>	<u>7,770</u>	<u>2,310</u>	<u>2,323</u>

During the Relevant Periods and the six months ended June 30, 2024, certain directors were granted share awards of the Company in respect of their services to the Group, under the share awarded scheme of the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such share awards, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2024 is included in the above directors’ and supervisors’ remuneration disclosures.

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods and the six months ended June 30, 2024.

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(b) Executive directors, the chief executive and supervisors

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022					
Executive directors:					
Mr. MU Shanbo* (note (i))	786	–	997	37	1,820
Mr. LIU Guomin (note (ii))	246	20	4	28	298
Mr. LIANG Xing (note (ii))	605	–	156	31	792
Ms. YU Haixia (note (ii))	273	288	19	31	611
Subtotal	1,910	308	1,176	127	3,521
Supervisors:					
Mr. WANG Shuangrong (note (iii)) . . .	218	94	15	25	352
Ms. LOU Yang (note (iii))	488	160	–	13	661
Mr. CHEN Ruiting (note (iii))	130	11	–	15	156
Mr. MU Shanyong (note (iv))	93	97	85	–	275
Subtotal	929	362	100	53	1,444
Total	2,839	670	1,276	180	4,965

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023					
Executive directors:					
Mr. MU Shanbo* (note (i))	845	–	–	38	883
Mr. LIU Guomin (note (ii))	246	–	–	28	274
Mr. LIANG Xing (note (ii))	597	–	15,519	31	16,147
Ms. YU Haixia (note (ii))	510	144	–	32	686
Mr. LI Zhen (note (ii))	433	38	–	24	495
Subtotal	2,631	182	15,519	153	18,485
Supervisors:					
Mr. WANG Shuangrong (note (iii)) . . .	315	109	15	26	465
Ms. LOU Yang (note (iii))	365	140	–	16	521
Mr. CHEN Ruiting (note (iii))	120	23	–	19	162
Mr. MU Shanyong (note (iv))	97	36	–	–	133
Subtotal	897	308	15	61	1,281
Total	3,528	490	15,534	214	19,766

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024					
Executive directors:					
Mr. MU Shanbo* (note (i))	846	70	–	38	954
Mr. LIU Guomin (note (ii))	326	–	–	31	357
Mr. LIANG Xing (note (ii))	325	–	–	31	356
Ms. YU Haixia (note (ii))	596	77	3,318	38	4,029
Mr. LI Zhen (note (ii))	589	50	4	32	675
Subtotal	2,682	197	3,322	170	6,371
Supervisors:					
Mr. WANG Shuangrong (note (iii)) . . .	256	162	15	32	465
Ms. LOU Yang (note (iii))	310	278	–	15	603
Mr. CHEN Ruiting (note (iii))	96	70	–	20	186
Mr. MU Shanyong (note (iv))	132	13	–	–	145
Subtotal	794	523	15	67	1,399
Total	3,476	720	3,337	237	7,770

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	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB’000 (Unaudited)	RMB’000 (Unaudited)	RMB’000 (Unaudited)	RMB’000 (Unaudited)	RMB’000 (Unaudited)
Period ended June 30, 2024					
Executive directors:					
Mr. MU Shanbo* (note (i))	423	35	—	19	477
Mr. LIU Guomin (note (ii))	163	—	—	15	178
Mr. LIANG Xing (note (ii))	161	—	—	16	177
Ms. YU Haixia (note (ii))	365	39	—	19	423
Mr. LI Zhen (note (ii))	291	25	—	16	332
Subtotal	1,403	99	—	85	1,587
Supervisors:					
Mr. WANG Shuangrong (note (iii)) . . .	127	81	7	16	231
Ms. LOU Yang (note (iii))	155	139	—	7	301
Mr. CHEN Ruiting (note (iii))	46	35	—	10	91
Mr. MU Shanyong (note (iv))	93	7	—	—	100
Subtotal	421	262	7	33	723
Total	1,824	361	7	118	2,310

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Period ended June 30, 2025					
Executive directors:					
Mr. MU Shanbo* (note (i))	409	35	—	19	463
Mr. LIU Guomin (note (ii))	123	—	—	16	139
Mr. LIANG Xing (note (ii))	162	—	—	16	178
Ms. YU Haixia (note (ii))	232	38	—	19	289
Mr. LI Zhen (note (ii))	301	25	241	16	583
Subtotal	1,227	98	241	86	1,652
Supervisors:					
Mr. WANG Shuangrong (note (iii)) . . .	129	81	7	16	233
Ms. LOU Yang (note (iii))	155	130	—	8	293
Mr. CHEN Ruiting (note (iii))	54	35	—	9	98
Mr. MU Shanyong (note (iv))	40	7	—	—	47
Subtotal	378	253	7	33	671
Total	1,605	351	248	119	2,323

* Mr. MU Shanbo is also the chief executive of the Company.

Notes:

- (i) Since January 26, 2018, Mr. MU Shanbo has been serving as the chairman of the board of directors of the Company, and on June 16, 2025, he was re-designated as an executive director of the Company.
- (ii) On June 16, 2025, Mr. LIU Guomin, Mr. LIANG Xing, Ms. YU Haixia and Mr. LI Zhen were appointed as executive directors of the Company. The remuneration of Mr. LIU Guomin, Mr. LIANG Xing, Ms. YU Haixia and Mr. LI Zhen for the years ended December 31, 2022, 2023 and 2024 and for the period from January 1, 2025 to June 16, 2025, which was paid for their services in connection with the management of the affairs of the Group before they were appointed as executive directors of the Company, is included in the table above. Mr. LI Zhen became an employee of the Group in April 2023, therefore, there was no remuneration paid to him by the Group for the year ended December 31, 2022.
- (iii) On June 16, 2025, Mr. WANG Shuangrong, Ms. LOU Yang and Mr. CHEN Ruiting were appointed as supervisors of the Company. The remuneration of Mr. WANG Shuangrong, Ms. LOU Yang and Mr. CHEN Ruiting for the years ended December 31, 2022, 2023 and 2024 and for the period from January 1, 2025 to June 16, 2025, which was paid for their services to the Group before they were appointed as supervisors of the Company, is included in the table above.
- (iv) On July 24, 2012, Mr. MU Shanyong was appointed as a supervisor of the Company. On June 16, 2025, Mr. MU Shanyong resigned as a supervisor of the Company.

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On August 19, 2025, Mr. HONG Xiaoming, Mr. FENG Guohua and Mr. CHEN LIN were appointed as independent non-executive directors of the Company effective from the date on which the Company is to be [REDACTED] and on which [REDACTED] in the shares of the Company are to be first permitted to take place on The Stock Exchange of Hong Kong Limited.

There was no arrangement under which a director, the chief executive or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and the six months ended June 30, 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 included two, one, one, nil and nil directors, respectively. Details of the remuneration of the remaining three, four, four, five and five highest paid employees who are neither a director, chief executive, nor a supervisor of the Company for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	1,663	6,244	8,872	6,063	6,462
Performance related bonuses	382	836	2,492	1,246	1,533
Share-based payment expenses	—	149	4,889	—	—
Pension scheme contributions and social welfare	147	74	58	31	33
Total	<u>2,192</u>	<u>7,303</u>	<u>16,311</u>	<u>7,340</u>	<u>8,028</u>

The number of non-director, non-chief executive and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
				(Unaudited)	
Nil to HK\$1,000,000	3	—	—	—	—
HK\$1,000,001 to HK\$1,500,000	—	1	—	—	2
HK\$1,500,001 to HK\$2,000,000	—	1	—	5	2
HK\$2,000,001 to HK\$2,500,000	—	—	—	—	1
HK\$2,500,001 to HK\$3,000,000	—	2	1	—	—
HK\$3,000,001 to HK\$3,500,000	—	—	2	—	—
HK\$8,000,001 to HK\$8,500,000	—	—	1	—	—
Total	<u>3</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate for the Company and the Group’s PRC subsidiaries is 25% unless those are entitled to preferential tax rates as set out below.

Certain subsidiaries of the Group have applied for the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy (the “Policy”) announced by the PRC’s State Administration of Taxation. Pursuant to the Policy announced by the PRC’s State Administration of Taxation, in 2022, for the Small-Scaled Minimal Profit Corporation with an annual taxable income below RMB1,000,000 (RMB1,000,000 included), the taxable income is reduced by 12.5%, and the corporate income tax is paid at the tax rate of 20%, and the Small-Scaled Minimal Profit Corporation with an annual taxable income between RMB1,000,000 and RMB3,000,000 (RMB3,000,000 included) is entitled to a preferential tax treatment with only 25% income taxable at the preferential EIT rate of 20%. For the period from January 1, 2023 to December 31, 2027, the annual taxable income of a Small-Scaled Minimal Profit Corporation shall be computed at a reduced rate of 25% as taxable income, and shall be levied at a reduced tax rate of 20%.

According to the prevailing tax rules and regulation of the EIT Law, certain subsidiaries of the Group in the PRC are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the Relevant Periods and the six months ended June 30, 2024.

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Republic of Korea

Republic of Korea adopts a progressive tax rate system in accordance with the local tax laws of Republic of Korea. From 2021 to 2022, for enterprises with annual taxable income for the portion of annual taxable income ranging from KRW20 million to KRW200 million, a tax rate of 20% applies; starting from 2023, for annual taxable income ranging from KRW200 million to KRW20 billion, a tax rate of 19% applies; and a 10% local income tax is levied on the basis of the taxable amount.

Under the Restriction of Tax Reduction and Exemption Act of the Republic of Korea, foreign-invested manufacturing enterprises located in foreign investment zones shall be entitled to a 100% exemption from corporate tax for the first 3 years starting from the date with taxable income, and a 50% reduction in corporate tax for the subsequent 2 years. Certain subsidiaries are entitled to the above policies.

Spain

The subsidiaries incorporated in Spain are subject to Spain profits tax at the statutory rate of 25% on any estimated assessable profits arising in Spain for the Relevant Periods and the six months ended June 30, 2024.

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current – Mainland China	81,023	58,557	56,934	35,658	21,853
Current – Korea	1,915	502	7,139	4,971	236
Current – Spain	2,133	6,905	10,487	10,036	4,171
Deferred (note 19)	(14,851)	4,555	(5,630)	(13,030)	(4,289)
Total tax charge for the year/period	<u>70,220</u>	<u>70,519</u>	<u>68,930</u>	<u>37,635</u>	<u>21,971</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	297,160	238,234	241,022	136,342	78,659
Tax at the statutory tax rates	74,290	59,559	60,255	34,085	19,665
Impact of different tax rates among subsidiaries	(3,167)	1,662	5,595	987	(1,370)
Income not subject to tax	(49)	(26)	–	–	(1)
Effect on opening deferred tax of increase in rates	(999)	96	–	–	–
Expenses not deductible for tax	3,267	8,909	2,229	1,536	1,254
Additional deductible allowance for research and development expenses . .	(2,922)	(481)	(1,014)	(191)	(333)
Tax losses utilized from previous periods .	(227)	(12)	(28)	–	(57)
Deductible temporary differences and tax losses not recognized	<u>27</u>	<u>812</u>	<u>1,893</u>	<u>1,218</u>	<u>2,813</u>
Tax charge at the Group’s effective tax rate	<u>70,220</u>	<u>70,519</u>	<u>68,930</u>	<u>37,635</u>	<u>21,971</u>

12. DIVIDENDS

On February 20, 2023, the Company declared dividends of RMB210,964,000 to its shareholders, of which RMB141,162,000, RMB60,745,000 and RMB9,057,000 were paid in 2023, 2024 and 2025, respectively.

On March 29, 2023, the Company declared dividends of RMB38,076,000 to its shareholders, of which RMB23,944,000, RMB6,928,000 and RMB7,204,000 were paid in 2023, 2024 and 2025, respectively.

On January 20, 2025, the Company declared dividends of RMB30,000,000 to its shareholders, of which RMB28,668,000 were paid during the period ended June 30, 2025.

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13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year or the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the Relevant Periods and the six months ended June 30, 2024.

As described in note 29, the Company was converted into a joint stock company with limited liability. The Company’s paid-in capital of RMB261,000,000 was converted into 261,000,000 shares of RMB1.00 each accordingly. For the purpose of computing basic and diluted earnings per share, the weighted average number of ordinary shares deemed to be outstanding before the Company’s conversion into a joint stock company was determined assuming the conversion had occurred since January 1, 2022, at the exchange ratio established in the conversion in June 2025.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended June 30, 2024.

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	(Unaudited)				
Earnings					
Profit attributable to ordinary equity holders of the parent (RMB’000)	189,851	139,575	172,092	98,707	56,688
Shares					
Weighted average number of ordinary shares outstanding during the year/period	127,334,649	194,704,957	217,472,544	215,472,237	236,075,387
Earnings per share					
Basic and diluted (RMB)	1.49	0.72	0.79	0.46	0.24

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Office equipment and electronic devices	Motor vehicles	Freehold land	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2022:							
Cost	178,807	280,172	9,071	11,843	7,883	286,656	774,432
Accumulated depreciation and impairment	(52,724)	(134,104)	(4,483)	(2,759)	—	—	(194,070)
Net carrying amount	126,083	146,068	4,588	9,084	7,883	286,656	580,362
At January 1, 2022, net of accumulated depreciation and impairment	126,083	146,068	4,588	9,084	7,883	286,656	580,362
Additions	4,171	45,708	9,975	913	52	131,886	192,705
Depreciation provided during the year	(14,418)	(26,017)	(1,952)	(1,124)	—	—	(43,511)
Transfers	175,943	111,642	213	—	—	(287,798)	—
Disposals	(72)	(1,720)	(33)	(672)	—	—	(2,497)
Exchange realignment	4,374	2,054	70	26	224	3,292	10,040
At December 31, 2022, net of accumulated depreciation and impairment	296,081	277,735	12,861	8,227	8,159	134,036	737,099
At December 31, 2022:							
Cost	361,530	438,960	19,303	11,946	8,159	134,036	973,934
Accumulated depreciation and impairment	(65,449)	(161,225)	(6,442)	(3,719)	—	—	(236,835)
Net carrying amount	296,081	277,735	12,861	8,227	8,159	134,036	737,099

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ACCOUNTANTS’ REPORT

	Buildings	Machinery	Office equipment and electronic devices	Motor vehicles	Freehold land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023:							
Cost	361,530	438,960	19,303	11,946	8,159	134,036	973,934
Accumulated depreciation and impairment	(65,449)	(161,225)	(6,442)	(3,719)	—	—	(236,835)
Net carrying amount	<u>296,081</u>	<u>277,735</u>	<u>12,861</u>	<u>8,227</u>	<u>8,159</u>	<u>134,036</u>	<u>737,099</u>
At January 1, 2023, net of accumulated depreciation and impairment.	296,081	277,735	12,861	8,227	8,159	134,036	737,099
Additions	9,290	23,402	6,092	1,096	—	77,401	117,281
Depreciation provided during the year	(15,756)	(36,332)	(3,688)	(1,172)	—	—	(56,948)
Transfers	101,448	83,825	70	—	—	(185,343)	—
Disposals	—	(820)	(398)	—	—	—	(1,218)
Impairment	(6,744)	(2,340)	—	—	—	—	(9,084)
Exchange realignment	2,009	3,645	81	17	480	2,726	8,958
At December 31, 2023, net of accumulated depreciation and impairment.	<u>386,328</u>	<u>349,115</u>	<u>15,018</u>	<u>8,168</u>	<u>8,639</u>	<u>28,820</u>	<u>796,088</u>
At December 31, 2023:							
Cost	465,138	546,137	25,044	13,083	8,639	28,820	1,086,861
Accumulated depreciation and impairment	(78,810)	(197,022)	(10,026)	(4,915)	—	—	(290,773)
Net carrying amount	<u>386,328</u>	<u>349,115</u>	<u>15,018</u>	<u>8,168</u>	<u>8,639</u>	<u>28,820</u>	<u>796,088</u>
	Buildings	Machinery	Office equipment and electronic devices	Motor vehicles	Freehold land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024:							
Cost	465,138	546,137	25,044	13,083	8,639	28,820	1,086,861
Accumulated depreciation and impairment	(78,810)	(197,022)	(10,026)	(4,915)	—	—	(290,773)
Net carrying amount	<u>386,328</u>	<u>349,115</u>	<u>15,018</u>	<u>8,168</u>	<u>8,639</u>	<u>28,820</u>	<u>796,088</u>
At January 1, 2024, net of accumulated depreciation and impairment.	386,328	349,115	15,018	8,168	8,639	28,820	796,088
Additions	885	30,976	3,664	9,517	—	106,736	151,778
Depreciation provided during the year	(18,989)	(47,709)	(4,025)	(1,644)	—	—	(72,367)
Transfers	42,450	18,658	376	—	—	(61,484)	—
Disposals	—	(2,345)	(391)	(273)	—	—	(3,009)
Exchange realignment	(6,839)	(7,466)	(190)	(79)	(367)	(1,976)	(16,917)
At December 31, 2024, net of accumulated depreciation and impairment.	<u>403,835</u>	<u>341,229</u>	<u>14,452</u>	<u>15,689</u>	<u>8,272</u>	<u>72,096</u>	<u>855,573</u>
At December 31, 2024:							
Cost	496,782	570,587	28,042	21,828	8,272	72,096	1,197,607
Accumulated depreciation and impairment	(92,947)	(229,358)	(13,590)	(6,139)	—	—	(342,034)
Net carrying amount	<u>403,835</u>	<u>341,229</u>	<u>14,452</u>	<u>15,689</u>	<u>8,272</u>	<u>72,096</u>	<u>855,573</u>

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	Buildings	Machinery	Office equipment and electronic devices	Motor vehicles	Freehold land	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025:							
Cost	496,782	570,587	28,042	21,828	8,272	72,096	1,197,607
Accumulated depreciation and impairment	(92,947)	(229,358)	(13,590)	(6,139)	—	—	(342,034)
Net carrying amount	<u>403,835</u>	<u>341,229</u>	<u>14,452</u>	<u>15,689</u>	<u>8,272</u>	<u>72,096</u>	<u>855,573</u>
At January 1, 2025, net of accumulated depreciation and impairment	403,835	341,229	14,452	15,689	8,272	72,096	855,573
Additions	4,597	11,558	1,913	170	—	27,901	46,139
Depreciation provided during the period	(11,806)	(25,117)	(2,501)	(1,043)	—	—	(40,467)
Transfers	3,879	11,734	228	—	—	(15,841)	—
Disposals	(751)	(1,155)	(34)	—	—	—	(1,940)
Exchange realignment	<u>8,590</u>	<u>14,007</u>	<u>293</u>	<u>59</u>	<u>964</u>	<u>5,939</u>	<u>29,852</u>
At June 30, 2025, net of accumulated depreciation and impairment	<u>408,344</u>	<u>352,256</u>	<u>14,351</u>	<u>14,875</u>	<u>9,236</u>	<u>90,095</u>	<u>889,157</u>
At June 30, 2025:							
Cost	514,793	613,176	30,373	22,147	9,236	90,095	1,279,820
Accumulated depreciation and impairment	(106,449)	(260,920)	(16,022)	(7,272)	—	—	(390,663)
Net carrying amount	<u>408,344</u>	<u>352,256</u>	<u>14,351</u>	<u>14,875</u>	<u>9,236</u>	<u>90,095</u>	<u>889,157</u>

During the year ended 31 December 2023, the management identified certain buildings and machineries that were no longer in use and their recoverable amounts were assessed as zero, as such buildings and machineries are subject to replacement or demolition. Accordingly, impairment of RMB9,084,000 has been charged to profit or loss in 2023.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s buildings and machinery with aggregate carrying amounts of approximately RMB78,728,000, RMB89,188,000, RMB338,260,000 and RMB325,584,000, respectively, were pledged to secure certain interest-bearing bank borrowings of the Group (note 27).

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s machinery with aggregate carrying amounts of approximately RMB11,313,000, RMB6,976,000, RMB5,293,000 and RMB4,230,000, respectively, was pledged to secure interest-bearing other borrowings of the Group (note 27) as granted by International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司).

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s buildings with aggregate net book values of approximately RMB13,989,000, RMB12,613,000, RMB11,373,000 and RMB10,662,000, respectively, did not have building ownership certificates registered under the names of the respective subsidiaries of the Company.

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The Company

	Buildings
	<i>RMB'000</i>
December 31, 2022	
At January 1, 2022:	
Cost	5,658
Accumulated depreciation and impairment	(1,433)
Net carrying amount	<u>4,225</u>
At January 1, 2022, net of accumulated depreciation and impairment	4,225
Depreciation provided during the year	(538)
At December 31, 2022, net of accumulated depreciation and impairment	<u>3,687</u>
At December 31, 2022:	
Cost	5,658
Accumulated depreciation and impairment	(1,971)
Net carrying amount	<u>3,687</u>
	Buildings
	<i>RMB'000</i>
December 31, 2023	
At January 1, 2023:	
Cost	5,658
Accumulated depreciation and impairment	(1,971)
Net carrying amount	<u>3,687</u>
At January 1, 2023, net of accumulated depreciation and impairment	3,687
Impairment	(2,867)
Depreciation provided during the year	(537)
At December 31, 2023, net of accumulated depreciation and impairment	<u>283</u>
At December 31, 2023:	
Cost	5,658
Accumulated depreciation and impairment	(5,375)
Net carrying amount	<u>283</u>
	Buildings
	<i>RMB'000</i>
December 31, 2024	
At January 1, 2024:	
Cost	5,658
Accumulated depreciation and impairment	(5,375)
Net carrying amount	<u>283</u>
At January 1, 2024, net of accumulated depreciation and impairment	283
Additions	12,911
At December 31, 2024, net of accumulated depreciation and impairment	<u>13,194</u>
At December 31, 2024:	
Cost	18,569
Accumulated depreciation and impairment	(5,375)
Net carrying amount	<u>13,194</u>

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	<u>Buildings</u>
	<i>RMB’000</i>
June 30, 2025	
At January 1, 2025:	
Cost	18,569
Accumulated depreciation and impairment	<u>(5,375)</u>
Net carrying amount	<u>13,194</u>
At January 1, 2025, net of accumulated depreciation and impairment	13,194
Additions	145
Depreciation provided during the period	<u>(309)</u>
At June 30, 2025, net of accumulated depreciation and impairment	<u>13,030</u>
At June 30, 2025:	
Cost	18,714
Accumulated depreciation and impairment	<u>(5,684)</u>
Net carrying amount	<u>13,030</u>

15. LEASES

The Group/Company as a lessee

The Group has lease contracts for various items of leasehold land and plant and properties used in its operations. For leasehold land of land use rights with periods of 50 years, lump sum payments were made upon the acquisition and no ongoing payments will be made under the terms of these land use rights. Except the aforementioned leasehold land, other leases of land generally have terms between 3 and 30 years, lease terms are negotiated on an individual basis and contain different payment terms and conditions, while plant and properties generally have lease terms between 2 and 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during each of the Relevant Periods are as follows:

The Group

	<u>Leasehold land</u>	<u>Plant and properties</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2022	74,065	6,252	80,317
Additions	4,370	12,376	16,746
Depreciation charge	(1,889)	(5,747)	(7,636)
Exchange realignment	–	241	241
As at December 31, 2022 and January 1, 2023	<u>76,546</u>	<u>13,122</u>	<u>89,668</u>
Additions	1,358	2,363	3,721
Depreciation charge	(2,406)	(6,211)	(8,617)
Exchange realignment	–	(46)	(46)
Lease termination	–	(1,021)	(1,021)
As at December 31, 2023 and January 1, 2024	<u>75,498</u>	<u>8,207</u>	<u>83,705</u>
Additions	1,150	3,191	4,341
Depreciation charge	(2,689)	(6,208)	(8,897)
Exchange realignment	–	(102)	(102)
Lease termination	–	(413)	(413)
As at December 31, 2024 and January 1, 2025	<u>73,959</u>	<u>4,675</u>	<u>78,634</u>
Additions	–	15,059	15,059
Depreciation charge	(1,536)	(2,754)	(4,290)
Exchange realignment	–	190	190
As at June 30, 2025	<u>72,423</u>	<u>17,170</u>	<u>89,593</u>

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The Company

	Leasehold land
	<i>RMB'000</i>
As at January 1, 2022	1,595
Depreciation charge	(38)
As at December 31, 2022 and January 1, 2023	1,557
Depreciation charge	(38)
As at December 31, 2023 and January 1, 2024	1,519
Depreciation charge	(38)
As at December 31, 2024 and January 1, 2025	1,481
Depreciation charge	(19)
As at June 30, 2025	1,462

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s leasehold land with aggregate carrying amounts of RMB55,838,000, RMB54,687,000, RMB53,536,000 and RMB52,930,000, respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 27).

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of year/period.	9,674	18,620	12,365	11,370
New leases.	15,509	3,721	4,341	15,059
Accretion of interest recognized during the year/period.	919	862	631	480
Payments.	(7,715)	(9,518)	(4,823)	(4,636)
Exchange realignment	233	(82)	–	141
Lease termination.	–	(1,238)	(1,144)	–
Carrying amount at end of year/period	18,620	12,365	11,370	22,414
Analyzed into:				
Current portion				
within one year	8,182	4,462	2,895	6,497
Non-current portion				
Repayable in the second year. . .	3,546	1,835	2,004	5,727
Repayable in the third to fifth years, inclusive	1,558	2,344	2,398	6,987
Repayable beyond five years . . .	5,334	3,724	4,073	3,203
Sub-total	10,438	7,903	8,475	15,917
Total	18,620	12,365	11,370	22,414

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

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- (c) The amounts recognized in profit or loss in relation to leases are as follows:

The Group

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on lease liabilities	919	862	631	341	480
Depreciation charge of right-of-use assets .	7,636	8,617	8,897	4,493	4,290
Expenses relating to short-term leases . . .	1,516	1,068	1,376	528	444
Expenses relating to leases of low-value assets	65	157	320	153	84
Gain on lease termination	–	(217)	(111)	(111)	–
Total amount recognized in profit or loss .	<u>10,136</u>	<u>10,487</u>	<u>11,113</u>	<u>5,404</u>	<u>5,298</u>

The Company

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets .	<u>38</u>	<u>38</u>	<u>38</u>	<u>19</u>	<u>19</u>

- (d) The total cash outflows for leases are disclosed in note 33 to the Historical Financial Information.

16. INTANGIBLE ASSETS

The Group

	Software	Trademarks	Total
	RMB'000	RMB'000	RMB'000
December 31, 2022			
At January 1, 2022:			
Cost	3,377	92	3,469
Accumulated amortization	(2,431)	(62)	(2,493)
Net carrying amount	<u>946</u>	<u>30</u>	<u>976</u>
At January 1, 2022, net of accumulated amortization.	946	30	976
Additions	469	206	675
Amortization provided during the year	(568)	(20)	(588)
Exchange realignment	<u>17</u>	<u>1</u>	<u>18</u>
At December 31, 2022, net of accumulated amortization.	<u>864</u>	<u>217</u>	<u>1,081</u>
At December 31, 2022:			
Cost	3,930	301	4,231
Accumulated amortization	(3,066)	(84)	(3,150)
Net carrying amount	<u>864</u>	<u>217</u>	<u>1,081</u>
December 31, 2023			
At January 1, 2023:			
Cost	3,930	301	4,231
Accumulated amortization and impairment	(3,066)	(84)	(3,150)
Net carrying amount	<u>864</u>	<u>217</u>	<u>1,081</u>
At January 1, 2023, net of accumulated amortization.	864	217	1,081
Additions	488	–	488
Amortization provided during the year	(574)	(22)	(596)

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	Software	Trademarks	Total
	RMB'000	RMB'000	RMB'000
Exchange realignment	26	2	28
At December 31, 2023, net of accumulated amortization	804	197	1,001
At December 31, 2023:			
Cost	4,580	307	4,887
Accumulated amortization and impairment . . .	(3,776)	(110)	(3,886)
Net carrying amount	804	197	1,001
December 31, 2024			
At January 1, 2024:			
Cost	4,580	307	4,887
Accumulated amortization	(3,776)	(110)	(3,886)
Net carrying amount	804	197	1,001
At January 1, 2024, net of accumulated amortization.	804	197	1,001
Additions	800	–	800
Amortization provided during the year	(411)	(22)	(433)
Exchange realignment	(14)	(1)	(15)
At December 31, 2024, net of accumulated amortization.	1,179	174	1,353
At December 31, 2024:			
Cost	5,247	303	5,550
Accumulated amortization	(4,068)	(129)	(4,197)
Net carrying amount	1,179	174	1,353
June 30, 2025			
At January 1, 2025:			
Cost	5,247	303	5,550
Accumulated amortization	(4,068)	(129)	(4,197)
Net carrying amount	1,179	174	1,353
At January 1, 2025, net of accumulated amortization.	1,179	174	1,353
Additions	545	–	545
Amortization provided during the period	(314)	(12)	(326)
Exchange realignment	72	5	77
At June 30, 2025, net of accumulated amortization.	1,482	167	1,649
At June 30, 2025:			
Cost	6,164	314	6,478
Accumulated amortization	(4,682)	(147)	(4,829)
Net carrying amount	1,482	167	1,649

The Company

	Software	Trademarks	Total
	RMB'000	RMB'000	RMB'000
December 31, 2022			
At January 1, 2022:			
Cost	–	–	–
Accumulated amortization	–	–	–
Net carrying amount	–	–	–
At January 1, 2022, net of accumulated amortization.	–	–	–
Additions	53	200	253
Amortization provided during the year	–	(18)	(18)

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	Software	Trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2022, net of accumulated amortization.	53	182	235
At December 31, 2022:			
Cost	53	200	253
Accumulated amortization	–	(18)	(18)
Net carrying amount	53	182	235
December 31, 2023			
At January 1, 2023:			
Cost	53	200	253
Accumulated amortization	–	(18)	(18)
Net carrying amount	53	182	235
At January 1, 2023, net of accumulated amortization.	53	182	235
Additions	91	–	91
Amortization provided during the year	(43)	(20)	(63)
At December 31, 2023, net of accumulated amortization.	101	162	263
At December 31, 2023:			
Cost	144	200	344
Accumulated amortization	(43)	(38)	(81)
Net carrying amount	101	162	263
December 31, 2024			
At January 1, 2024:			
Cost	144	200	344
Accumulated amortization	(43)	(38)	(81)
Net carrying amount	101	162	263
At January 1, 2024, net of accumulated amortization.	101	162	263
Additions	223	–	223
Amortization provided during the year	(67)	(20)	(87)
At December 31, 2024, net of accumulated amortization.	257	142	399
At December 31, 2024:			
Cost	367	200	567
Accumulated amortization	(110)	(58)	(168)
Net carrying amount	257	142	399
June 30, 2025			
At January 1, 2025:			
Cost	367	200	567
Accumulated amortization	(110)	(58)	(168)
Net carrying amount	257	142	399
At January 1, 2025, net of accumulated amortization.	257	142	399
Additions	192	–	192
Amortization provided during the period	(126)	(11)	(137)
At June 30, 2025, net of accumulated amortization.	323	131	454
At June 30, 2025:			
Cost	558	200	758
Accumulated amortization	(235)	(69)	(304)
Net carrying amount	323	131	454

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17. FINANCIAL INVESTMENTS

The Group

	December 31,			30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
<i>Equity investment designated at fair value through other comprehensive income</i>				
Unlisted equity investment				
(note (a))				
Suzhou Yixi Biotech Co., Ltd.*				
(蘇州一兮生物技術有限公司) .	7,066	7,066	9,437	8,872
<i>Financial assets at fair value through profit or loss</i>				
Structured deposits (note (b)). . .	2,040	—	—	—
Debt investment (note (c)).	5,025	—	—	—
Total non-current financial investments	<u>14,131</u>	<u>7,066</u>	<u>9,437</u>	<u>8,872</u>
Current:				
<i>Financial assets at fair value through other comprehensive income</i>				
Bank acceptance bills (note(e)). .	—	—	—	6,248
<i>Financial assets at fair value through profit or loss</i>				
Structured deposits (note (b)). . .	13,000	15,139	—	—
Debt investment (note (d)).	—	5,025	995	—
Total current financial investments .	<u>13,000</u>	<u>20,164</u>	<u>995</u>	<u>6,248</u>

The Company

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Equity investment designated at fair value through other comprehensive income</i>				
Unlisted equity investments				
(note (a))				
Suzhou Yixi Biotech Co., Ltd.*				
(蘇州一兮生物技術有限公司) .	<u>7,066</u>	<u>7,066</u>	<u>9,437</u>	<u>8,872</u>

Notes:

- (a) The equity investment of Suzhou Yixi Biotech Co., Ltd.* (蘇州一兮生物技術有限公司) was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.
- (b) The structured deposits were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.
- (c) The debt investment is a 3-year fixed-rate government bond purchased by the Group, which was purchased on October 30, 2021 and redeemed on November 1, 2024 with interest received annually by the Group.
- (d) The debt investment is a 68-day fixed-rate government bond purchased by the Group, which was purchased on December 20, 2024 and redeemed on February 26, 2025 with interest received on the redemption date.

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- (e) The above bank acceptance bills are issued by reputable banks in Mainland China. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling. The fair value as at the end of each of the Relevant Periods approximates to the carrying value due to the short maturity.

- * The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

18. BIOLOGICAL ASSETS

(A) Nature of activities

Dairy cows, dairy goats and sheep owned by the Group are primarily held to produce milk.

The Group’s dairy cows contain heifers and calves and milkable cows, the dairy goats and sheep contain lambs, young goats and sheep, breeding goats and sheep as well as milkable goats. Heifers and calves, lambs and young goats and sheep held at the end of each of the Relevant Periods are dairy cows, goats and sheep that have not had their first calves or lambs.

The following table sets forth the number of our dairy cows, dairy goats and sheep, respectively, as of the dates indicated.

	December 31,			June 30,
	2022	2023	2024	2025
<u>Dairy cows</u>				
Milkable cows	—	1,729	1,854	2,139
Heifers and calves	2,031	2,318	1,949	2,125
Total dairy cows	<u>2,031</u>	<u>4,047</u>	<u>3,803</u>	<u>4,264</u>
<u>Dairy goats and sheep</u>				
Lambs, young goats and sheep . . .	5,686	7,000	2,230	2,346
Breeding goats and sheep	82	130	112	109
Milkable goats	345	1,865	5,428	5,156
Total dairy goats and sheep	<u>6,113</u>	<u>8,995</u>	<u>7,770</u>	<u>7,611</u>

In general, the Jersey heifers are inseminated with semen when they reach approximately 16 months old and the Holstein heifers are inseminated with semen when they reach approximately 13 months old. After approximately 9 months following a successful insemination, 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 to 325 days before an approximately 70 days’ dry period.

In general, lambs transform into young goats and sheep after 2 months of birth, and are inseminated with semen when they reach approximately 8 months. After approximately 5 months following a successful insemination, a lamb is born and the dairy goat and sheep begins to produce raw milk and the lactation period begins. A milkable goat and sheep is typically milked for approximately 210 days before an approximately 60 days’ dry period.

When a heifer, young goats and sheep begins to produce milk, it would be transferred to the category of milkable cows, milkable goats and sheep based on the estimated fair value on the date of transfer.

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(B) Value of dairy cows, dairy goats and sheep

The value of dairy cows at the end of each of the Relevant Periods was as follows:

	Heifers and calves	Milkable cows	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at January 1, 2022.	6,380	—	6,380
Increases due to purchase	26,727	—	26,727
Increase due to raising (feeding costs and others)	12,084	—	12,084
Change in fair value less costs to sell of biological assets	5,959	—	5,959
Balance as at December 31, 2022 and January 1, 2023	51,150	—	51,150
Increases due to purchase	13,052	19,338	32,390
Increase due to raising (feeding costs and others)	31,341	—	31,341
Transfer	(33,658)	33,658	—
Decrease due to sales	(345)	(383)	(728)
Change in fair value less costs to sell of biological assets	(11,201)	(9,773)	(20,974)
Balance as at December 31, 2023 and January 1, 2024	50,339	42,840	93,179
Increases due to purchase	2,725	338	3,063
Increase due to raising (feeding costs and others)	35,532	—	35,532
Transfer	(38,583)	38,583	—
Decrease due to sales	(1,222)	(7,149)	(8,371)
Change in fair value less costs to sell of biological assets	(14,542)	(39,822)	(54,364)
Balance as at December 31, 2024 and January 1, 2025	34,249	34,790	69,039
Increase due to raising (feeding cost and others)	18,729	—	18,729
Transfer	(13,624)	13,624	—
Decrease due to sales	(392)	(257)	(649)
Change in fair value less costs to sell of biological assets	(2,103)	(5,587)	(7,690)
Balance as at June 30, 2025.	36,859	42,570	79,429

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The value of dairy goats and sheep at the end of each of the Relevant Periods was as follows:

	Lambs and young goats and sheep	Breeding goats and sheep	Milkable goats	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at January 1, 2022	451	526	859	1,836
Increases due to purchase	11,195	–	–	11,195
Increase due to raising (feeding costs and others)	2,850	–	–	2,850
Transfer	(205)	–	205	–
Change in fair value less costs to sell of biological assets	(1,258)	(253)	(270)	(1,781)
Balance as at December 31, 2022 and January 1, 2023	13,033	273	794	14,100
Increases due to purchase	6,519	115	–	6,634
Increase due to raising (feeding costs and others)	12,756	–	–	12,756
Transfer	(7,756)	457	7,299	–
Decrease due to sales	(216)	(71)	(441)	(728)
Change in fair value less costs to sell of biological assets	(10,754)	(137)	(1,684)	(12,575)
Balance as at December 31, 2023 and January 1, 2024	13,582	637	5,968	20,187
Increases due to purchase	–	244	–	244
Increase due to raising (feeding costs and others)	12,612	–	–	12,612
Transfer	(24,160)	50	24,110	–
Decrease due to sales	(518)	(22)	(877)	(1,417)
Change in fair value less costs to sell of biological assets	2,719	131	(11,008)	(8,158)
Balance as at December 31, 2024 and January 1, 2025	4,235	1,040	18,193	23,468
Increases due to purchase	2,615	440	–	3,055
Increase due to raising (feeding cost and others)	2,588	–	–	2,588
Transfer	(1,269)	57	1,212	–
Decrease due to sales	(91)	(36)	(498)	(625)
Change in fair value less costs to sell of biological assets	(3,900)	(419)	(3,336)	(7,655)
Balance as at June 30, 2025	4,178	1,082	15,571	20,831

The Group’s dairy cows, dairy goats and sheep in Mainland China were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), a firm of independent qualified professional valuers. The fair value less costs to sell of the heifers and calves, dairy goats and sheep are determined with reference to the market prices of items with similar age, breed and genetic merit, as the market prices are available. There is no active market for milkable cows in the Mainland China, the fair values of milkable cows are determined using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.

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(C) DESCRIPTION OF VALUATION TECHNIQUES USED AND KEY INPUTS TO VALUATION ON BIOLOGICAL ASSETS

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy. Below is a summary of the valuation techniques used and the significant unobservable inputs to the valuation of biological assets:

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
Heifers and calves	The fair value of the heifers purchased within 6 months prior to each reporting date is determined with adjustment by adding the feeding costs from the purchase date to the reporting date.	Estimated local market selling price of the Holstein heifer of 14 months old was RMB19,300, RMB18,800 and RMB19,400 per head as at December 31, 2023, 2024 and June 30, 2025, respectively.	An increase in the estimated local market selling price used would result in increase in the fair value of the heifer and calves, and vice versa.
	For the calves and the rest of the heifers, the fair value of 14-month-old heifers is determined by referring to the market price of the actively traded market.	Estimated local market selling price of the Jersey heifer of 14 months old was RMB19,000, RMB18,800, RMB18,300 and RMB19,100 per head as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.	
	The fair values of the heifers over 14 months of age are determined by adding the breeding costs required to raise the heifers from 14 months old to the respective specific ages plus the estimated margins that would be required by a raiser.		
	The fair values of the heifers under 14 months of age and the fair values of the calves are determined by subtracting the breeding costs required to raise the heifers or calves from the respective specific ages to 14 months old and the margins that would be required by a raiser.		
Milkable cows. . .	The fair values of milkable cows are determined 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 of each Holstein mature cow per kg of raw milk used in the valuation process ranged from RMB2.74 to RMB3.03, RMB2.51 to RMB2.77, and RMB2.51 to RMB2.77 as at December 31, 2023, 2024 and June 30, 2025, respectively.	An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value of the milkable cows, and vice versa.
		Estimated feed costs of each Jersey mature cow per kg of raw milk used in the valuation process ranged from RMB3.36 to RMB3.71, RMB3.48 to RMB3.84 and RMB3.26 to RMB3.60 as at December 31, 2023, 2024 and June 30, 2025, respectively.	

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Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield of each Holstein mature cow at each lactation cycle ranges from 27.57 kg to 31.92 kg, from 27.52 kg to 31.92 kg and from 27.52 kg to 31.92 kg as at December 31, 2023, 2024 and June 30, 2025, respectively. Estimated average daily milk yield of each Jersey mature cow at each lactation cycle ranges from 17.08 kg to 25.62 kg, from 16.91 kg to 25.62 kg and from 17.08 kg to 25.62 kg during the projected period of six lactation cycles as at December 31, 2023, 2024 and June 30, 2025, respectively. Estimated average prices of raw milk from Jersey mature cow per kg ranged from RMB6.12 to RMB6.76, RMB5.79 to RMB6.40, RMB5.75 to RMB6.35 as at December 31, 2023, 2024 and June 30, 2025, respectively. Estimated average prices of raw milk from Holstein mature cow per kg ranged from RMB4.86 to RMB5.36, RMB4.56 to RMB5.03, RMB4.56 to RMB5.03 as at December 31, 2023, 2024 and June 30, 2025, respectively. Discount rate for estimated future cash flows used was 13%, 13%, 13% and 13% as at December 31, 2023, 2024 and June 30, 2025, respectively.	An increase in the estimated average daily milk yield per head used would result in an increase in the fair value of milkable cows, and vice versa. An increase in the estimated average price of raw milk would result in an increase in the fair value 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.

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Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
Lambs and young goats	The fair value of lambs and young goats is determined by reference to the local market selling price.	Estimated local market selling price of lambs and young goats per head ranged from RMB450 to RMB2,300, RMB500 to RMB2,100, RMB460 to RMB2,500, RMB500 to RMB2,400 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.	An increase in the estimated local market selling price used would result in increase in the fair value of the lambs and young goats, and vice versa.
Lambs and young sheep.	The fair value of lambs and young sheep is determined by reference to the local market selling price.	Estimated local market selling price of lambs and young sheep per head ranged from RMB500 to RMB2,500 as at June 30, 2025.	An increase in the estimated local market selling price used would result in increase in the fair value of the lambs and young sheep, and vice versa.
Breeding goats	The fair value of breeding goats is determined by reference to the local market selling price.	Estimated local market selling price of breeding goats was RMB8,000, RMB10,000, RMB12,000 and RMB12,000 per head as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.	An increase in the estimated local market selling price used would result in increase in the fair value of the breeding goats, and vice versa.
Breeding sheep	The fair value of breeding sheep is determined by reference to the local market selling price.	Estimated local market selling price of breeding sheep was RMB15,000 as at June 30, 2025.	An increase in the estimated local market selling price used would result in increase in the fair value of the breeding sheep, and vice versa.
Milkable goats	The fair value of Milkable goats is determined by reference to the local market selling price.	Estimated local market selling price of a milkable goat was RMB3,500, RMB3,200, RMB3,500 and RMB3,300 per head as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.	An increase in the estimated local market selling price used would result in increase in the fair value of the milkable goats, and vice versa.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s biological assets with aggregate carrying amounts of RMB26,041,000, RMB27,538,000, RMB18,018,000 and RMB19,201,000 were pledged to secure interest-bearing bank borrowings granted to the Group (note 27).

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19. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of assets	Lease liabilities	Deferred sales incentives	Unrealized profits	Losses available for offsetting against future taxable profits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	2,710	1,238	16,790	17,216	4,308	553	42,815
Deferred tax (charged)/credited to profit or loss during the year	(153)	1,025	16,655	(5,068)	2,891	425	15,775
Exchange realignment	13	23	—	—	62	6	104
Gross deferred tax assets at December 31, 2022	2,570	2,286	33,445	12,148	7,261	984	58,694
Deferred tax credited/ (charged) to profit or loss during the year	1,484	(1,185)	(11,763)	6,562	(1,037)	518	(5,421)
Exchange realignment	8	(8)	—	—	130	16	146
Gross deferred tax assets at December 31, 2023	4,062	1,093	21,682	18,710	6,354	1,518	53,419
Deferred tax credited/ (charged) to profit or loss during the year	748	(283)	(10,534)	8,544	6,548	(263)	4,760
Exchange realignment	(26)	—	—	—	(99)	(6)	(131)
Gross deferred tax assets at December 31, 2024	4,784	810	11,148	27,254	12,803	1,249	58,048
Deferred tax credited/ (charged) to profit or loss during the period	(29)	2,136	(1,973)	(72)	6,929	(411)	6,580
Exchange realignment	18	28	—	—	262	4	312
Gross deferred tax assets at June 30, 2025	4,773	2,974	9,175	27,182	19,994	842	64,940

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Deferred tax liabilities

	Right-of-use assets	Fair value adjustment arising from acquisition of subsidiaries	Fair value change of equity instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	1,311	1,147	481	2,939
Deferred tax charged/(credited) to profit or loss during the year	1,028	(114)	10	924
Deferred tax credited to other comprehensive income during the year	—	—	785	785
Exchange realignment	24	—	—	24
Gross deferred tax liabilities at December 31, 2022 . . .	2,363	1,033	1,276	4,672
Deferred tax charged/(credited) profit or loss during the year	(778)	(115)	27	(866)
Deferred tax credited to other comprehensive income during the year	—	—	—	—
Exchange realignment	(1)	—	—	(1)
Gross deferred tax liabilities at December 31, 2023 . . .	1,584	918	1,303	3,805
Deferred tax charged to profit or loss during the year . .	(721)	(114)	(35)	(870)
Deferred tax credited to other comprehensive income during the year	—	—	593	593
Exchange realignment	(20)	—	—	(20)
Gross deferred tax liabilities at December 31, 2024 . . .	843	804	1,861	3,508
Deferred tax credited to profit or loss during the period	2,348	(57)	—	2,291
Deferred tax credited to other comprehensive income during the period	—	—	(141)	(141)
Exchange realignment	36	—	—	36
Gross deferred tax liabilities at June 30, 2025	3,227	747	1,720	5,694

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

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the consolidated statements of financial position	56,357	51,931	57,121	61,893
Net deferred tax liabilities recognized in the consolidated statements of financial position .	2,335	2,317	2,581	2,647

Deferred tax assets have not been recognized in respect of the following items:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	13,337	16,097	18,441	46,418
Deductible temporary differences . .	704	3,719	3,793	3,798
Total	14,041	19,816	22,234	50,216

The Group has tax losses arising in Mainland China of RMB13,337,000, RMB16,097,000 and RMB18,441,000 and RMB46,418,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

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20. INVENTORIES

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	318,141	405,698	460,801	494,739
Work in progress	151,809	183,292	160,857	155,616
Finished goods	108,045	106,856	136,874	122,388
Other materials	32,241	23,008	29,380	28,917
	<u>610,236</u>	<u>718,854</u>	<u>787,912</u>	<u>801,660</u>

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s inventories with aggregate carrying amounts of approximately RMB12,992,000, RMB11,282,000, RMB5,519,000 and RMB2,966,000, respectively, were pledged to secure interest-bearing other borrowings of the Group (note 27).

21. TRADE AND BILLS RECEIVABLES

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	50,034	56,865	50,529	63,670
Impairment	(3,566)	(3,001)	(3,049)	(6,263)
Trade receivables, net	<u>46,468</u>	<u>53,864</u>	<u>47,480</u>	<u>57,407</u>
Bills receivable	—	5,665	8,789	4,957
Trade and bills receivables	<u>46,468</u>	<u>59,529</u>	<u>56,269</u>	<u>62,364</u>

The Group has a policy of requiring payment in advance from customers for the sale of products (other than cash and credit card sales), except for some major customers, where the trading terms are on credit. The Group grants a defined credit period usually ranging from one to six months from the date of invoice to these customers. The Group seeks to maintain strict control over its receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group’s trade receivables included amounts due from entities controlled by the controlling shareholder of the Company, which are repayable on the terms mutually agreed by the parties involved, further details of which are included in note 36 to the Historical Financial Information.

An aging analysis of the Group’s trade receivables at the end of each of the Relevant Periods, based on the date of revenue recognition and net of loss allowance, is as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 12 months	45,061	53,040	45,915	48,962
13th to 24th months	1,338	764	1,563	8,054
25th to 36th months	69	60	2	391
	<u>46,468</u>	<u>53,864</u>	<u>47,480</u>	<u>57,407</u>

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The movements in the loss allowance for impairment of trade receivables are as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	2,021	3,566	3,001	3,049
Impairment loss/(reversal of impairment loss), net (<i>note 7</i>)	1,545	(565)	48	3,214
At end of year/period	<u>3,566</u>	<u>3,001</u>	<u>3,049</u>	<u>6,263</u>

The increase/decrease in the loss allowance during the Relevant Periods was mainly due to the increase/decrease in the gross amounts of accounts receivable aged over one year.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on the aging for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at December 31, 2022

	Aging				Total
	Within 12 months	13th to 24th months	25th to 36th months	Over 36 months	
Provision on a collective basis:					
Expected credit loss rate	5.00%	31.68%	65.85%	100.00%	7.13%
Gross carrying amount (RMB'000)	47,431	1,959	203	441	50,034
Expected credit losses (RMB'000)	2,370	621	134	441	3,566

As at December 31, 2023

	Aging				Total
	Within 12 months	13th to 24th months	25th to 36th months	Over 36 months	
Provision on a collective basis:					
Expected credit loss rate	4.06%	30.80%	65.57%	100.00%	5.28%
Gross carrying amount (RMB'000)	55,285	1,104	175	301	56,865
Expected credit losses (RMB'000)	2,245	340	115	301	3,001

As at December 31, 2024

	Aging				Total
	Within 12 months	13th to 24th months	25th to 36th months	Over 36 months	
Provision on a collective basis:					
Expected credit loss rate	4.03%	29.48%	52.63%	100.00%	6.03%
Gross carrying amount (RMB'000)	47,841	2,217	5	466	50,529
Expected credit losses (RMB'000)	1,926	654	3	466	3,049

As at June 30, 2025

	Aging				Total
	Within 12 months	13th to 24th months	25th to 36th months	Over 36 months	
Provision on a collective basis:					
Expected credit loss rate	3.52%	31.41%	56.07%	100.00%	9.84%
Gross carrying amount (RMB'000)	50,747	11,743	889	291	63,670
Expected credit losses (RMB'000)	1,785	3,689	498	291	6,263

The Group’s bills receivable were all aged within one year and were neither past due nor impaired.

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As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Group endorsed certain bills receivable in Mainland China (the “Endorsed Bills”) with a carrying amount of nil, RMB4,664,000, RMB5,895,000 and RMB3,155,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain bills receivable accepted by banks in Mainland China (the “Discounted Bills”) were discounted to the banks in Mainland China with a carrying amount in aggregate of RMB7,481,000, RMB57,803,000, nil and nil, respectively. In accordance with the Law of Negotiable Instruments in Mainland China, the holders of the Discounted Bills have a right of recourse against the Group if the Mainland China banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has not transferred substantially all risks and rewards relating to the Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Discounted Bills and the undiscounted cash flows to repurchase these Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Discounted Bills are not significant. The proceeds received from the discount of the Discounted Bills with amounts of RMB7,481,000, RMB57,803,000, nil and nil was recorded as interest-bearing bank and other borrowings at December 31, 2022, 2023 and 2024 and June 30, 2025, because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Current:				
Prepayments	26,375	28,903	27,089	29,737
Value-added tax recoverable and prepaid other tax	48,550	24,917	38,627	42,238
Deposits	20,936	22,212	21,815	20,916
Other receivables	20,409	20,766	24,560	39,285
	116,270	96,798	112,091	132,176
Impairment allowance	(3,122)	(3,256)	(3,215)	(3,197)
Total – current	113,148	93,542	108,876	128,979
Non-current:				
Prepayments	29,802	71,965	12,466	20,576
Total	142,950	165,507	121,342	149,555

The Company

	December 31,			June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Prepayments	824	–	881	1,158
Value-added tax recoverable and prepaid other tax	4	–	1,167	1,441
Amounts due from subsidiaries	188,486	240,478	271,697	261,356
Dividend receivables	–	20,143	55,256	36,675
Deposits	260	–	–	–
Other receivables	2,030	2,871	748	1,481
	191,604	263,492	329,749	302,111
Impairment allowance	(15)	(33)	(8)	–
Total	191,589	263,459	329,741	302,111

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Impairment of deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

Reconciliation of the allowance for deposits and other receivables is as follows:

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	3,161	3,122	3,256	3,215
Impairment loss/(reversal of impairment loss), net (<i>note 7</i>) . .	(39)	134	(41)	(18)
At end of year/period	<u>3,122</u>	<u>3,256</u>	<u>3,215</u>	<u>3,197</u>

The Company

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	–	15	33	8
Impairment loss/(reversal of impairment loss), net	<u>15</u>	<u>18</u>	<u>(25)</u>	<u>(8)</u>
At end of year/period	<u>15</u>	<u>33</u>	<u>8</u>	<u>–</u>

23. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	416,131	407,324	394,872	370,755
Time deposits	<u>10,590</u>	<u>14,830</u>	<u>25,595</u>	<u>25,900</u>
Subtotal	<u>426,721</u>	<u>422,154</u>	<u>420,467</u>	<u>396,655</u>
Less:				
Time deposits with original maturity of over three months:				
Current portion	10,590	8,160	5,595	5,900
Non-current portion	–	–	20,000	20,000
Restricted cash				
Current portion	<u>28,518</u>	<u>67,204</u>	<u>57,772</u>	<u>49,155</u>
Total	<u>387,613</u>	<u>346,790</u>	<u>337,100</u>	<u>321,600</u>
Denominated in				
RMB	421,601	402,615	400,627	377,218
EUR	4,229	10,327	6,930	17,086
KRW	<u>891</u>	<u>9,212</u>	<u>12,910</u>	<u>2,351</u>
Total	<u>426,721</u>	<u>422,154</u>	<u>420,467</u>	<u>396,655</u>

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The Company

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Cash and bank balances	8,277	10,829	3,566	2,308

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Long-term time deposits are placed for periods of three years and short-term deposits are available for withdrawals with varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances, time deposits and restricted cash are deposited with creditworthy banks with no recent history of default.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, restricted cash of RMB680,000, RMB684,000, RMB150,000 and RMB135,000, respectively, were related to the Group’s bills payable (note 24).

As at December 31, 2022, 2023 and 2024 and June 30, 2025, restricted cash of RMB27,838,000, RMB66,520,000, RMB57,622,000 and RMB49,020,000, respectively, were pledged to interest-bearing bank and other borrowings (note 27).

24. TRADE AND BILLS PAYABLES

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	243,801	257,716	262,277	274,447
Bills payable	1,944	6,120	1,275	1,348
Total	245,745	263,836	263,552	275,795

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the good or service received date, is as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 12 months	163,110	189,284	182,830	194,131
13th to 24th months	12,297	2,966	12,511	3,040
25th to 36th months	6,272	1,166	2,315	11,746
Over 36 months	62,122	64,300	64,621	65,530
Total	243,801	257,716	262,277	274,447

The Company

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the good or service received date, is as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 12 months	101	15	–	–
13th to 24th months	–	31	15	15
25th to 36th months	–	–	31	31
	101	46	46	46

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The Group’s trade payables included amounts due to related parties, which are repayable on the terms mutually agreed by the parties involved, further details of which are included in note 36 to the Historical Financial Information.

The trade payables are non-interest-bearing and are normally settled within 90 days upon receipt of the VAT invoice.

25. OTHER PAYABLES AND ACCRUALS

The Group

	December 31,			June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Deferred income	35	1,963	5,264	5,474
Payroll and welfare payable	23,171	36,469	44,959	31,133
Other tax payables	33,899	30,061	29,947	26,562
Deposits received	16,987	18,491	27,707	29,815
Accrued expenses	28,056	25,317	37,988	34,171
Payables for purchase of long-term assets	93,756	84,636	71,291	69,711
Loans from related parties	7,376	22,376	14,165	9,165
Payables for acquisition of non-controlling interests	21,480	42,878	5,480	4,980
Dividend payables	7,589	113,934	16,261	1,332
Other payables	19,725	20,578	5,572	5,689
Total	<u>252,074</u>	<u>396,703</u>	<u>258,634</u>	<u>218,032</u>

The Company

	December 31,			June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Payroll and welfare payable	704	766	1,231	715
Other tax payables	378	544	73	113
Due to subsidiaries	444,937	406,447	501,480	489,910
Accrued expenses	1,105	469	–	4,561
Loans from related parties	2,376	2,376	2,376	2,376
Payables for acquisition of non-controlling interests	20,980	32,592	4,980	4,980
Dividend payables	7,589	83,934	16,261	1,332
Other payables	240	2,546	–	550
Total	<u>478,309</u>	<u>529,674</u>	<u>526,401</u>	<u>504,537</u>

All financial liabilities above are unsecured, non-interest-bearing and repayable on demand.

The Group’s other payables and accruals included amounts due to related parties, which are repayable on the terms mutually agreed by the parties involved, further details of which are included in note 36 to the Historical Financial Information.

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26. CONTRACT LIABILITIES

	1 January	December 31,			June 30,
	2022	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sale of dairy products . . .	151,755	141,994	176,565	148,389	139,070
Deferred sales incentives	67,778	134,743	87,541	46,336	41,171
Total	219,533	276,737	264,106	194,725	180,241

The increase/decrease in contract liabilities during the Relevant Periods was mainly due to the increase/decrease in short-term advances received for sales of dairy products, except for the years ended 31 December 2022 and 2023 which are attributable to the increase and decrease in deferred sales incentives in the respective year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

As at December 31, 2022			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	2.90% – 6.00%	2023	90,507
Other borrowings – secured*	1.60% – 8.40%	2023	163,737
Current portion of long-term bank loans – secured	1.10% – 6.00%	2023	10,516
Current portion of long-term other borrowings – secured**	5.06%	2023	4,893
Total – current			269,653
Non-current			
Bank loans – secured	1.10% – 6.00%	2024 – 2034	228,600
Other borrowings – secured**	5.06%	2024 – 2025	5,155
Total – non-current			233,755
Total			503,408
As at December 31, 2023			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	2.50% – 4.80%	2024	169,004
Other borrowings – secured*	1.25% – 12.00%	2024	138,617
Other borrowings – unsecured***	3.45%	2024	21,300
Current portion of long-term bank loans – secured	1.10% – 6.00%	2024	73,341
Current portion of long-term other borrowings – secured**	5.06% – 7.32%	2024	10,010
Total – current			412,272
Non-current			
Bank loans – secured	1.10% – 6.00%	2025 – 2034	239,090
Other borrowings – secured**	5.06% – 7.32%	2025 – 2026	8,598
Total – non-current			247,688
Total			659,960

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The Group

	As at December 31, 2024		
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans – secured	1.93% – 6.00%	2025	202,479
Bank loans – unsecured	3.60% – 4.00%	2025	30,000
Other borrowings – secured*	2.40% – 12.00%	2025	166,193
Other borrowings – unsecured***	3.35%	2025	36,606
Current portion of long-term bank loans – secured	1.10% – 6.00%	2025	66,909
Current portion of long-term other borrowings – secured**	7.32%	2025	6,587
Total – current			508,774
Non-current			
Bank loans – secured	1.10% – 6.00%	2026 – 2039	198,007
Other borrowings – secured**	7.32%	2026	2,011
Total – non-current			200,018
Total			708,792
	As at June 30, 2025		
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans – secured	2.08% – 4.30%	2026	218,997
Bank loans – unsecured	3.60% – 4.00%	2026	40,000
Other borrowings – secured*	2.20% – 12.00%	2026	147,303
Other borrowings – unsecured***	3.35%	2025	20,744
Current portion of long-term bank loans – secured	1.10% – 6.00%	2026	69,947
Current portion of long-term other borrowings – secured**	7.32%	2026	5,363
Total – current			502,354
Non-current			
Bank loans – secured	1.10% – 6.00%	2027 – 2039	219,350
Total – non-current			219,350
Total			721,704

* The Group discounted certain bills receivable and letter of credit to banks in exchange for cash in each of the Relevant Periods. The Group has retained the substantial risks and rewards, which include default risks relating to such discounted bills, and accordingly, it continued to recognise the full carrying amounts of the bills receivable and the associated cash received as secured other borrowings from the bank, the corresponding discount charges is recorded as interest expense. Further details are included in note 21 to the Historical Financial Information.

** Secured other borrowings were provided by International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) in each of the Relevant Periods, with the Group’s certain machinery serving as collateral.

*** As at 31 December 2023 and 2024 and 30 June 2025, unsecured other borrowing was from Qingdao Kangwang Investment Management Co., Ltd. (青島康旺投資管理有限公司), an entity controlled by the controlling shareholder of the Company. Further details are included in note 36 to the Historical Financial Information.

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The Group

The carrying amounts of borrowings are denominated in the following currencies:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	364,506	542,658	606,136	578,393
KRW	32,621	33,233	25,954	25,649
EUR	106,281	84,069	76,702	117,662
	<u>503,408</u>	<u>659,960</u>	<u>708,792</u>	<u>721,704</u>

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed interest rate	460,017	630,924	581,477	620,947
Variable interest rate	43,391	29,036	127,315	100,757
Total	<u>503,408</u>	<u>659,960</u>	<u>708,792</u>	<u>721,704</u>

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Bank loans repayable:				
Within one year	101,023	242,345	299,388	328,944
In the second year	69,515	60,194	67,697	72,122
In the third to fifth years, inclusive.	111,536	143,285	93,671	104,741
Beyond five years	47,549	35,611	36,639	42,487
Subtotal	<u>329,623</u>	<u>481,435</u>	<u>497,395</u>	<u>548,294</u>
Other borrowings repayable:				
Within one year	168,630	169,927	209,386	173,410
In the second year	3,827	6,587	2,011	—
In the third to fifth years, inclusive.	1,328	2,011	—	—
Subtotal	<u>173,785</u>	<u>178,525</u>	<u>211,397</u>	<u>173,410</u>
Total	<u>503,408</u>	<u>659,960</u>	<u>708,792</u>	<u>721,704</u>

The carrying amounts of the Group’s assets at the end of each of the Relevant Periods which are securities in relation to the Group’s bank and other borrowings are as follows:

	Notes	31 December			30 June
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Buildings and equipment. . .	[14]	78,728	89,188	338,260	325,584
Machinery	[14]	11,313	6,976	5,293	4,230
Leasehold land	[15]	55,838	54,687	53,536	52,930
Biological assets	[18]	26,041	27,538	18,018	19,201
Inventories.	[20]	12,992	11,282	5,519	2,966
Investments in subsidiaries .		—	—	21,722	21,722
Restricted cash	[23]	27,838	66,520	57,622	49,020

As at December 31, 2022, 2023 and 2024 and June 30, 2025, certain of the Group’s bank loans amounting to RMB150,604,000, RMB318,439,000, RMB346,767,000 and RMB337,934,000, respectively, were guaranteed by Mr. MU Shanbo or jointly guaranteed by Mr. MU Shanbo and the Company or certain subsidiaries of the Company.

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As at December 31, 2023			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Other borrowings – unsecured	3.45%	2024	21,300
			<u>21,300</u>
As at December 31, 2024			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Other borrowings – unsecured	3.35%	2025	36,606
Current portion of long-term bank loans – secured	3.55%-4.40%	2025	5,518
			<u>42,124</u>
Non-current			
Bank loans – secured	3.55%-4.40%	2026-2039	18,555
Total			<u>60,679</u>
As at June 30, 2025			
	Effective interest rate (%)	Maturity	RMB’000
Current			
Other borrowings – unsecured	3.35%	2025	20,744
Current portion of long-term bank loans – secured	3.55%-4.05%	2026	5,562
			<u>26,306</u>
Non-current			
Bank loans – secured	3.55%-4.05%	2027-2039	15,797
Total			<u>42,103</u>

The carrying amounts of the Company’s assets at the end of each of the Relevant Periods which are securities in relation to the Company’s bank and other borrowings are as follow:

	December 31,	June 30,
	2024	2025
	RMB’000	RMB’000
Buildings and equipment	12,911	12,747
Investments in subsidiaries	21,722	21,722
	<u>21,722</u>	<u>21,722</u>

28. DEFERRED INCOME

The Group

December 31,				June 30,
2022	2023	2024	2025	
RMB’000	RMB’000	RMB’000	RMB’000	
Government grants	235	23,950	41,600	44,294
	<u>235</u>	<u>23,950</u>	<u>41,600</u>	<u>44,294</u>

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Movements in government grants of the Group during the Relevant Periods are as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	268	235	23,950	41,600
Additions	—	23,945	22,720	2,840
Released to profit or loss	(36)	(233)	(3,657)	(2,557)
Exchange realignment	3	3	(1,413)	2,411
At end of year/period	<u>235</u>	<u>23,950</u>	<u>41,600</u>	<u>44,294</u>
Current portion	35	1,963	5,264	5,474
Non-current portion.	<u>200</u>	<u>21,987</u>	<u>36,336</u>	<u>38,820</u>

The Group received government grants related to capital expenditure incurred for property, plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

29. PAID-IN CAPITAL/SHARE CAPITAL

Paid-in capital

A summary of movements in the Company’s paid-in-capital is as follows:

	Paid-in capital
	RMB'000
At January 1, 2022	125,000
Capital contribution in relation to the share award scheme (<i>note (i)</i>)	<u>6,127</u>
At December 31, 2022 and January 1, 2023.	131,127
Capital contribution in relation to the share award scheme (<i>note (ii)</i>)	<u>54,768</u>
Capital contribution by shareholders (<i>note (iii)</i>)	<u>25,000</u>
At December 31, 2023 and January 1, 2024.	210,895
Capital contribution in relation to the share award scheme (<i>note (iv)</i>).	<u>12,667</u>
At December 31, 2024 and January 1, 2025.	223,562
Capital contribution in relation to the share award scheme (<i>note (vi)</i>).	<u>37,438</u>
At June 18, 2025	<u>261,000</u>

Share capital

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At June 18, 2025	—	—
Issue of ordinary shares upon conversion of the Company into a joint stock company (<i>note (vi)</i>)	<u>261,000,000</u>	<u>261,000</u>
At June 30, 2025	<u>261,000,000</u>	<u>261,000</u>

Notes:

- (i) During the year ended December 31, 2022, the Company received capital contributions (the “Share Incentive Contributions”) of RMB9,490,000 from share incentive platforms with respect to share award granted to certain directors and employees (the “Share Incentive Participants”) under the share award scheme (the “Share Award Scheme”), as disclosed in (note 30) to the Historical Financial Information. The capital contributions increased the paid-in capital and capital reserve by RMB6,127,000 and RMB3,363,000, respectively.

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- (ii) During the year ended December 31, 2023, the Company received capital contributions of RMB82,895,000 in relation to the Share Incentive Contributions. The capital contributions increased the paid-in capital and capital reserve by RMB64,340,000 and RMB18,555,000, respectively.
- (iii) During the year ended December 31, 2023, the Company received capital contributions of RMB25,000,000 from Qingdao Kangwang Investment Management Co., Ltd. (青島康旺投資管理有限公司), an entity controlled by the controlling shareholder of the Company. The capital contributions increased the paid-in capital by RMB25,000,000.
- (iv) During the year ended December 31, 2024, the Company received capital contributions of RMB19,121,000 in relation to the Share Incentive Contributions. The capital contributions increased the paid-in capital and capital reserve by RMB12,667,000 and RMB6,454,000, respectively.
- (v) During the six months ended 30 June 2025, the Company received capital contributions of RMB56,794,000 in relation to the Share Incentive Contributions. The capital contributions increased the paid-in capital and capital reserve by RMB37,438,000 and RMB19,356,000, respectively.
- (vi) As at 18 June 2025, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The paid-in capital of the Company as of the conversion base date, amounting to RMB261,000,000 were converted into 261,000,000 ordinary shares of RMB1.00 each.

30. SHARE-BASED PAYMENTS

The Group approved and adopted the Share Award Scheme for Share Incentive Participants in order to recognize the contributions of the Share Incentive Participants to the growth and development of the Group, and incentivise them to further promote the development of the Group.

In order to implement the Share Award Scheme, Qingdao Qiwang Investment Center (Limited Partnership) (青島啟旺投資中心(有限合夥)), Qingdao Zhenai Investment Center (Limited Partnership) (青島臻愛投資中心(有限合夥)), Qingdao Kunpeng Gongchuang Investment Enterprise (Limited Partnership) (青島鯤鵬共創投資企業(有限合夥)), Qingdao Ousheng Investment Center (Limited Partnership) (青島歐盛投資中心(有限合夥)), Tianjin Yiwang Enterprise Management Consulting Center (Limited Partnership) (天津益旺企業管理諮詢中心(有限合夥)), Qingdao Yiwang Investment Partnership Enterprise (Limited Partnership) (青島益旺投資合夥企業(有限合夥)), Qingdao Changhong Investment Center (Limited Partnership) (青島長虹投資中心(有限合夥)) and Qingdao Zhongwang Investment Center (Limited Partnership) (青島眾旺投資中心(有限合夥)) were established and designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

During the year ended December 31, 2020, the Company granted 40,792,506 shares to the Share Incentive Participants through the share incentive platforms at a subscription price of RMB1.50 per share, of which 1,708,710 shares are subject to a service condition.

During the year ended December 31, 2021, the Company granted 9,278,900 shares and 18,000,000 shares to the Share Incentive Participants through the share incentive platforms at subscription prices of RMB1.50 per share and RMB1.60 per share, respectively, of which 1,639,000 shares are subject to a service condition.

During the year ended December 31, 2022, the Company granted 473,146 shares and 45,500 shares to the Share Incentive Participants through the share incentive platforms at subscription prices of RMB1.50 and RMB1.60 per share, respectively, of which 45,500 shares are subject to a service condition.

During the year ended December 31, 2023, the Company granted 14,589,880 shares, 50,000 shares, 59,500 shares and 79,300 shares to the Share Incentive Participants through the share incentive platforms at subscription prices of RMB1.50, RMB1.60, RMB1.62 and RMB1.63 per share, respectively, of which 4,911,574 shares are subject to a service condition.

During the year ended December 31, 2024, the Company granted 1,210,010 shares, 7,900 shares, 13,100 shares and 260,700 shares to the Share Incentive Participants through the share incentive platforms at subscription prices of RMB1.50, RMB1.59, RMB1.60 and RMB1.99 per share, respectively, of which 273,800 shares are subject to a service condition.

During the six months ended 30 June 2025, the Company granted 58,921 shares and 11,800 shares to the Share Incentive Participants through the share incentive platforms at subscription prices of RMB1.50 and RMB1.60 per share, respectively, of which 70,721 shares are subject to a service condition.

The aforementioned service condition will be satisfied when the Share Incentive Participants continue to be employees of the Group upon the successfully [REDACTED] of the Company’s share on a recognized stock exchange.

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The fair values of the shares granted at the grant date were determined with reference to the fair value of the underlying share which was determined using a market-based technique, which were determined by the Group with the assistance of an independent third party valuation firm. The following table lists the key inputs to the model used:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	(Unaudited)				
Average enterprise value to sales (“EV/Sales”)	0.96	1.14	1.15	1.14	1.15
Discount for lack of marketability	<u>31.1%</u>	<u>32.9%</u>	<u>34.8%</u>	<u>32.9%</u>	<u>34.8%</u>

Movements in the number of shares and their respective weighted average grant price under the Share Award Scheme were as follows:

	Year ended December 31,		Year ended December 31,		Year ended December 31,		Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Weighted average grant price per share	Number of shares	Weighted average grant price per share	Number of shares	Weighted average grant price per share	Number of shares	Weighted average grant price per share	Number of shares	Weighted average grant price per share	Number of shares
	RMB		RMB		RMB		RMB		RMB	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
At beginning of year/period	1.55	3,347,710	1.55	3,302,210	1.52	7,966,063	1.52	7,966,063	1.53	7,899,242
Granted during the year/period	1.51	518,646	1.50	14,778,680	1.59	1,491,711	1.51	66,821	1.52	70,721
Vested during the year/period	1.51	(518,646)	1.50	(9,867,106)	1.50	(1,217,911)	-	-	-	-
Forfeited during the year/period	1.60	(45,500)	1.58	(247,721)	1.58	(340,621)	1.55	(124,521)	1.52	(70,721)
At end of year/period	<u>1.55</u>	<u>3,302,210</u>	<u>1.52</u>	<u>7,966,063</u>	<u>1.53</u>	<u>7,899,242</u>	<u>1.52</u>	<u>7,908,363</u>	<u>1.53</u>	<u>7,899,242</u>

The aforesaid transactions have been accounted for as share-based payment transactions. During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, the Group recognized expenses of RMB2,467,000, RMB33,518,000, RMB14,732,000, RMB3,121,000 (unaudited) and RMB3,435,000, respectively.

31. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) Capital reserve

The capital reserve of the Group represents the difference between the value of the paid-up capital and the consideration received by the Company before its conversion into a joint stock company, as well as the reserves resulting from transactions with non-controlling interests.

(ii) Share premium

The share premium of the Company represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company.

(iii) Share-based payment reserve

Share-based payment reserve of the Group is attributable to the fair value of share award granted to the Group’s employees, less the corresponding grant price, details of which are set out in note 30 to the Historical Financial Information.

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(iv) Statutory surplus reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of its registered capital. The statutory surplus reserve may be used to offset accumulated losses or be converted to increase the registered capital of such companies subject to approval from the relevant PRC authorities, provided that the balance after such conversion is not less than 25% of the registered capital. The statutory surplus reserve is not available for dividend distribution to shareholders of such companies.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented as follows:

	Share premium	Capital reserve	Share-based payment reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2022 . . .	—	—	158,954	1,444	6,539	58,851	225,788
Loss for the year . . .	—	—	—	—	—	(545)	(545)
Other comprehensive income for the year:							
Changes in equity investments designated at fair value through other comprehensive income, net of tax . .	—	—	—	2,356	—	—	2,356
Total comprehensive income for the year .	—	—	—	2,356	—	(545)	1,811
Capital contribution in relation to the share award scheme	—	14,286	(10,923)	—	—	—	3,363
Equity-settled share- based payment arrangements	—	—	2,467	—	—	—	2,467
At December 31, 2022 and January 1, 2023	—	14,286	150,498	3,800	6,539	58,306	233,429
Profit and total comprehensive income for the year .	—	—	—	—	—	207,084	207,084
Capital contribution in relation to the share award scheme	—	122,019	(93,892)	—	—	—	28,127
Dividend declared . . .	—	—	—	—	—	(249,040)	(249,040)
Appropriation to statutory surplus reserve	—	—	—	—	20,708	(20,708)	—
Equity-settled share- based payment arrangements	—	—	33,518	—	—	—	33,518
At December 31, 2023 and January 1, 2024	—	136,287	90,124	3,800	27,247	(4,358)	253,118
Profit for the year . . .	—	—	—	—	—	27,071	27,071
Other comprehensive income for the year:							
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax . .	—	—	—	1,778	—	—	1,778

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	Share premium	Capital reserve	Share-based payment reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income for the year	–	–	–	1,778	–	27,071	28,849
Capital contribution in relation to the share award scheme	–	30,363	(23,909)	–	–	–	6,454
Appropriation to statutory surplus reserve	–	–	–	–	2,707	(2,707)	–
Equity-settled share-based payment arrangements	–	–	14,732	–	–	–	14,732
At December 31, 2024 and January 1, 2025	–	166,650	80,947	5,578	29,954	20,006	303,153
Profit for the period	–	–	–	–	–	2,417	2,417
Other comprehensive profit for the period: Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(424)	–	–	(424)
Total comprehensive loss for the period	–	–	–	(424)	–	2,417	1,993
Capital contribution in relation to the share award scheme	–	78,174	(58,818)	–	–	–	19,356
Dividend declared	–	–	–	–	–	(30,000)	(30,000)
Conversion into a joint stock	289,325	(267,861)	–	–	(21,464)	–	–
Appropriation to statutory surplus reserve	–	–	–	–	242	(242)	–
Equity-settled share-based payment arrangements	–	–	3,435	–	–	–	3,435
At June 30, 2025	289,325	(23,037)	25,564	5,154	8,732	(7,819)	297,937

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

At December 31, 2022

	Percentage of equity interest held by non-controlling interests	Profit for the year allocated to non-controlling interests	Dividends paid to non-controlling interests	Accumulated balances of non-controlling interests
		RMB'000	RMB'000	RMB'000
Changsha Bekari	49%	37,115	46,200	84,414

On June 1, 2022, the Company acquired 15% equity interests of Changsha Bekari, a then non-wholly owned subsidiary of the Group. As at December 31, 2022, the Company held 51% of its equity interests.

On September 20, 2023, the Company acquired 49% equity interests of Changsha Bekari. Since then, Changsha Bekari has become a wholly-owned subsidiary.

On September 22, 2023, Changsha Bekari acquired 20% equity interests of HAM Qibo, a then non-wholly owned subsidiary of the Group. Since then, HAM Qibo has become a wholly-owned subsidiary.

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The following tables illustrate the summarized consolidated financial information of Changsha Bekari for the year ended December 31, 2022. The amounts disclosed are before any inter-company eliminations:

	<i>RMB'000</i>
Revenue	597,974
Total expenses	(539,779)
Profit and total comprehensive income for the year	58,195
Attributable to:	
Owners of the parent	47,105
Non-controlling interests	11,090
Current assets	361,273
Non-current assets	46,370
Current liabilities	(257,998)
Non-current liabilities	(3,220)
Equity attributable to the owners of the parent	121,591
Non-controlling interests	24,834
Net cash flows from operating activities	127,635
Net cash flows used in investing activities	(14,803)
Net cash flows used in financing activities	(70,000)
Net increase in cash and cash equivalents	42,832

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB15,509,000, RMB3,721,000 and RMB4,341,000 and RMB15,059,000, respectively, in respect of lease arrangements for plant and equipment. During the years ended December 31, 2022 and 2023, certain proceeds of other borrowings of RMB5,560,000 and RMB13,912,000 were in the form of bills issued by banks in Mainland China of the same amounts.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payable	Other payables for acquisition of non-controlling interests	Other payables for loans from related parties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	243,637	9,674	7,589	10,170	9,831	280,901
Changes from financing cash flows	243,069	(7,715)	(46,200)	(4,690)	(2,455)	182,009
New leases	—	15,509	—	—	—	15,509
Acquisition of non- controlling interests	—	—	—	16,000	—	16,000
Dividends declared	—	—	46,200	—	—	46,200
Non-cash proceeds	5,560	—	—	—	—	5,560
Interest expense	9,959	919	—	—	—	10,878
Foreign exchange movement	1,183	233	—	—	—	1,416
At December 31, 2022	503,408	18,620	7,589	21,480	7,376	558,473
At January 1, 2023	503,408	18,620	7,589	21,480	7,376	558,473
Changes from financing cash flows	110,406	(9,518)	(237,486)	(19,487)	15,000	(141,085)
New leases	—	3,721	—	—	—	3,721
Acquisition of non- controlling interests	—	—	—	40,885	—	40,885
Dividends declared	—	—	343,831	—	—	343,831
Non-cash proceeds	13,912	—	—	—	—	13,912
Interest expense	20,959	862	—	—	—	21,821
Lease termination	—	(1,238)	—	—	—	(1,238)
Foreign exchange movement	11,275	(82)	—	—	—	11,193
At December 31, 2023	659,960	12,365	113,934	42,878	22,376	851,513

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	Interest-bearing bank and other borrowings	Lease liabilities	Dividends payable	Other payables for acquisition of non-controlling interests	Other payables for loans from related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024 . . .	659,960	12,365	113,934	42,878	22,376	851,513
Changes from financing cash flows	22,255	(4,823)	(97,673)	(37,398)	(8,211)	(125,850)
New leases	—	4,341	—	—	—	4,341
Acquisition of non- controlling interests . .	—	—	—	—	—	—
Non-cash proceeds . . .	—	—	—	—	—	—
Interest expense	24,006	631	—	—	—	24,637
Lease termination	—	(1,144)	—	—	—	(1,144)
Foreign exchange movement	2,571	—	—	—	—	2,571
At December 31, 2024 .	<u>708,792</u>	<u>11,370</u>	<u>16,261</u>	<u>5,480</u>	<u>14,165</u>	<u>756,068</u>
At January 1, 2025 . . .	708,792	11,370	16,261	5,480	14,165	756,068
Changes from financing cash flows	(3,758)	(4,636)	(44,929)	(500)	(5,000)	(58,823)
New leases	—	15,059	—	—	—	15,059
Acquisition of non- controlling interests . .	—	—	—	—	—	—
Dividends declared . . .	—	—	30,000	—	—	30,000
Non-cash proceeds . . .	—	—	—	—	—	—
Interest expense	10,122	480	—	—	—	10,602
Foreign exchange movement	6,548	141	—	—	—	6,689
At June 30, 2025.	<u>721,704</u>	<u>22,414</u>	<u>1,332</u>	<u>4,980</u>	<u>9,165</u>	<u>759,595</u>

(c) **Total cash outflow for leases**

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Within operating activities	1,581	1,225	1,696	681	528
Within investing activities	1,237	—	—	—	—
Within financing activities	7,715	9,518	4,823	2,785	4,636
Total	<u>10,533</u>	<u>10,743</u>	<u>6,519</u>	<u>3,466</u>	<u>5,164</u>

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34. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bills payable, and interest-bearing bank and other borrowings are included in notes 24 and 27, respectively, to the Historical Financial Information.

35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted, but not provided for:				
Property, plant and equipment. . . .	144,080	75,445	22,562	27,806
Equity investment designated at fair value through other comprehensive income (<i>note</i>). . .	600	600	600	600
Total	144,680	76,045	23,162	28,406

Note: On March 29, 2021, the Group entered into an agreement with the shareholders of Guangzhou Meisuli Nutriment Co., Ltd.* (廣州美素力營養品有限公司) (“Meisuli”) to acquire a 3% equity interest in Meisuli through a transfer of registered capital in the amount of RMB600,000. As of June 30, 2025, due to the fact that the required capital contribution time has not yet arrived, the Group has not made the actual capital contribution.

36. RELATED PARTY TRANSACTIONS

(a) Names of and relationships with related parties:

The directors of the Company are of the view that the following parties were significant related parties of the Group that had material transactions or balances with the Group during the Relevant Periods and the six months ended June 30, 2024:

Name of the related parties	Relationship with the Group
Mr. MU Shanbo.	Director and controlling shareholder of the Company
Mr. MU Shanyong	A close family member of Mr. MU Shanbo and the then supervisor of the Company
Mr. YANG Yongjun.	The key management personnel of the Group
Mr. OUYANG Yun	A close family member of Mr. YANG Yongjun
Qingdao Kangwang Investment Management Co., Ltd.* (青島康旺投資管理有限公司) (“Kangwang Investment”).	Entity controlled by Mr. MU Shanbo
Hunan Ounengduo Dairy Co., Ltd.* (湖南歐能多乳品有限公司) (“Ounengduo”)	Entity controlled by Mr. YANG Yongjun and his close family member
Heilongjiang Anbei Animal Husbandry Co., Ltd.* (黑龍江安北牧業有限公司) (“Heilongjiang Anbei”)	Entity controlled by Mr. MU Shanbo and his close family member
Qingdao Qiwang Investment Center (Limited Partnership)* (青島啟旺投資中心(有限合夥)) (“Qiwang Investment”)	Entity controlled by controlling shareholder of the Company

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

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(b) Transactions with related parties:

In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods and the six months ended June 30, 2024:

The Group

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sales of goods					
Ounengduo	2,917	3,341	2,288	1,382	417
Heilongjiang Anbei	161	17	–	–	–
	<u>3,078</u>	<u>3,358</u>	<u>2,288</u>	<u>1,382</u>	<u>417</u>
Purchase of biological assets					
Heilongjiang Anbei	–	28,679	2,730	–	–
	<u>–</u>	<u>28,679</u>	<u>2,730</u>	<u>–</u>	<u>–</u>
Purchase of goods					
Heilongjiang Anbei	35,703	18,773	–	–	–
	<u>35,703</u>	<u>18,773</u>	<u>–</u>	<u>–</u>	<u>–</u>
Rental payments					
Heilongjiang Anbei	–	526	526	263	263
	<u>–</u>	<u>526</u>	<u>526</u>	<u>263</u>	<u>263</u>
Interest expense					
Kangwang Investment	–	4	688	289	438
	<u>–</u>	<u>4</u>	<u>688</u>	<u>289</u>	<u>438</u>

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Outstanding balances with related parties:

The Group

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade related:				
Trade receivables				
Heilongjiang Anbei	1,632	–	–	–
Less: Impairment allowance . .	(82)	–	–	–
	<u>1,550</u>	<u>–</u>	<u>–</u>	<u>–</u>
Trade payables:				
Heilongjiang Anbei	104,210	93,908	83,890	79,636
	<u>104,210</u>	<u>93,908</u>	<u>83,890</u>	<u>79,636</u>
Non-trade related:				
Other receivables				
Mr. MU Shanbo	2,033	–	–	–
Qiwang Investment	2	2	2	–
Less: Impairment allowance . .	(13)	–	–	–
	<u>2,022</u>	<u>2</u>	<u>2</u>	<u>–</u>
Other payables and accruals . . .				
Mr. MU Shanbo	9,965	24,817	18,637	2,376
Mr. MU Shanyong	3,780	3,780	3,780	3,780
Mr. OUYANG Yun	104	104	–	–
Ounengduo	5,000	5,000	5,000	–
Heilongjiang Anbei	–*	29,244	9,519	9,519
	<u>18,849</u>	<u>62,945</u>	<u>36,936</u>	<u>15,675</u>
Interest-bearing bank and other borrowings				
Kangwang Investment	–	21,300	36,606	20,744
	<u>–</u>	<u>21,300</u>	<u>36,606</u>	<u>20,744</u>

* The amount is less than RMB1,000.

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Non-trade receivables mainly include loans to a director of the Company. Non-trade payables mainly include payables for acquisition of non-controlling interests, dividend payables, and interest-free loans from Ounengduo and Heilongjiang Anbei.

At the end of each of the Relevant Periods, all the remaining balances from/due to related parties were non-interest-bearing, unsecured and repayable on demand except for loan from Kangwang Investment, further details of which are included in note [27] to the Historical Financial Information.

According to the loan agreements signed between the Group and Kangwang Investment on December 28, 2023 and September 20, 2024, Kangwang Investment agreed to provide loans with maximum amounts of RMB21,300,000 and RMB36,300,000, respectively, to the Group. The loans were repaid in the year ended 31 December 2024 and six months period ended 30 June 2025 which amounted to RMB21,300,000 and RMB16,300,000, respectively. Each loan is unsecured and repayable according to the respective loan agreement and is interest-bearing at 3.45% and 3.35% per annum.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, bonuses, allowances and benefits in kind	4,000	7,385	8,832	4,634	5,107
Performance related bonuses	1,163	1,353	2,375	1,189	1,178
Share-based payments	1,317	15,752	8,226	7	248
Pension scheme contributions	295	303	318	156	175
Total	<u>6,775</u>	<u>24,793</u>	<u>19,751</u>	<u>5,986</u>	<u>6,708</u>

Further details of directors’ and the chief executive’s emoluments are included in note [9] to the Historical Financial Information.

(e) Guarantee for bank and other borrowings

Certain of the Group’s bank loans were guaranteed by Mr. MU Shanbo or jointly guaranteed by Mr. MU Shanbo and the Company or certain subsidiaries of the Company. Further details are included in note 27 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at December 31, 2022

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as such	Financial assets at fair value through other comprehensive income - equity investments	Financial assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments	15,040	7,066	5,025	27,131
Trade and bills receivables	—	—	46,468	46,468
Financial assets included in prepayments, other receivables and other assets	—	—	38,223	38,223
Time deposits	—	—	10,590	10,590
Restricted cash	—	—	28,518	28,518
Cash and cash equivalents	—	—	387,613	387,613
	<u>15,040</u>	<u>7,066</u>	<u>516,437</u>	<u>538,543</u>

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Financial liabilities

	Financial liabilities at amortized cost
	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	194,969
Lease liabilities	18,620
Trade and bills payables	245,745
Interest-bearing bank and other borrowings	503,408
	<u>962,742</u>

As at December 31, 2023

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as such	Financial assets at fair value through other comprehensive income - equity investments	Financial assets at amortized cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments	15,139	7,066	5,025	27,230
Trade and bills receivables	—	—	59,529	59,529
Financial assets included in prepayments, other receivables and other assets	—	—	39,722	39,722
Time deposits	—	—	8,160	8,160
Restricted cash	—	—	67,204	67,204
Cash and cash equivalents	—	—	346,790	346,790
	<u>15,139</u>	<u>7,066</u>	<u>526,430</u>	<u>548,635</u>

Financial liabilities

	Financial liabilities at amortized cost
	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	328,210
Lease liabilities	12,365
Trade and bills payables	263,836
Interest-bearing bank and other borrowings	659,960
	<u>1,264,371</u>

As at December 31, 2024

Financial assets

	Financial assets at fair value through other comprehensive income - equity investments	Financial assets at amortized cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments	9,437	995	10,432
Trade and bills receivables	—	56,269	56,269
Financial assets included in prepayments, other receivables and other assets	—	43,160	43,160
Time deposits	—	25,595	25,595
Restricted cash	—	57,772	57,772
Cash and cash equivalents	—	337,100	337,100
	<u>9,437</u>	<u>520,891</u>	<u>530,328</u>

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Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	178,464
Lease liabilities	11,370
Trade and bills payables	263,552
Interest-bearing bank and other borrowings	708,792
	<u>1,162,178</u>

As at June 30, 2025

Financial assets

	Financial assets at fair value through other comprehensive income - equity investments	Financial assets at fair value through other comprehensive income - debt investments	Financial assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments	8,872	6,248	–	15,120
Trade and bills receivables	–	–	62,364	62,364
Financial assets included in prepayments, other receivables and other assets	–	–	58,477	58,477
Restricted cash	–	–	49,155	49,155
Cash and cash equivalents	–	–	321,600	321,600
	<u>8,872</u>	<u>6,248</u>	<u>491,596</u>	<u>506,716</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	154,863
Lease liabilities	22,414
Trade and bills payables	275,795
Interest-bearing bank and other borrowings	721,704
	<u>1,174,776</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts 31 December		Fair values 31 December	
	2022	2023	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Equity investment designated at fair value through other comprehensive income (note 17))	7,066	7,066	7,066	7,066
Financial assets at fair value through profit or loss (note 17) .	15,040	15,139	15,040	15,139
Debt investment, non-current portion (note 17)	5,025	–	5,025	–
Total	<u>27,131</u>	<u>22,205</u>	<u>27,131</u>	<u>22,205</u>
Financial liabilities				
Interest-bearing bank and other borrowings	503,408	659,960	507,347	661,719

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	Carrying amounts		Fair values	
	31 December	30 June	31 December	30 June
	2024	2025	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Equity investment designated at fair value through other comprehensive income (<i>note 17</i>)	9,437	8,872	9,437	8,872
Financial assets at fair value through other comprehensive income (<i>note 17</i>)	–	6,248	–	6,248
Time deposits, non-current portion	20,000	20,000	20,678	20,722
Total	29,437	35,120	30,115	35,832
Financial liabilities				
Interest-bearing bank and other borrowings	708,792	721,704	721,494	732,310

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, debt investments, trade and bills payables, financial liabilities included in other payables and accruals, and short-term interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of structured deposits included in financial assets at fair value through profit or loss have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the non-current portion of time deposits, debt investment and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated with reference to the most recent transaction price of the shares.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through other comprehensive income	–	7,066	–	7,066
Financial assets at fair value through profit or loss	–	15,040	–	15,040

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As at December 31, 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through other comprehensive income	–	7,066	–	7,066
Financial assets at fair value through profit or loss	–	15,139	–	15,139

As at December 31, 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through other comprehensive income	–	9,437	–	9,437

As at June 30, 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through other comprehensive income	–	8,872	–	8,872
Financial assets at fair value through other comprehensive income	–	6,248	–	6,248

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
Debt investment, non-current portion	–	5,025	–	5,025

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As at 31 December 2024

Fair value measurement using				
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		
Level 1	Level 2	Level3	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Time deposits, non-current portion	–	20,678	–	20,678
	=	=	=	=

As at 30 June 2025

Fair value measurement using				
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		
Level 1	Level 2	Level3	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Time deposits, non-current portion	–	20,722	–	20,722
	=	=	=	=

Liabilities for which fair values are disclosed:

As at 31 December 2022

Fair value measurement using				
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		
Level 1	Level 2	Level3	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	–	507,347	–	507,347
	=	=	=	=

As at 31 December 2023

Fair value measurement using				
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		
Level 1	Level 2	Level3	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	–	661,719	–	661,719
	=	=	=	=

As at 31 December 2024

Fair value measurement using				
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		
Level 1	Level 2	Level3	Total	
RMB'000	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	–	721,494	–	721,494
	=	=	=	=

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As at 30 June 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	732,310	–	732,310
	=	=	=	=

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, restricted cash, time deposits, debt Investments, interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the interest-bearing bank borrowings with floating interest rates. The Group’s policy is to manage its interest cost using variable rate debts. The directors of the Group believe that the cash flow risk exposure arising from floating-rate bank borrowings is not significant. The Group continuously monitors interest rate levels and, in the event that market expectations for interest rate hikes are clear or interest rates are expected to rise, the Group will leverage its credit rating and differentiated financing advantages to replace floating-rate debt facing interest rate hike risks with other financing instruments.

	Increase/(decrease) in basis point	Increase/(decrease) in profit before tax
		RMB'000
As at December 31, 2022		
RMB	50	(217)
RMB	(50)	217
	=	=
As at December 31, 2023		
RMB	50	(145)
RMB	(50)	145
	=	=
As at December 31, 2024		
RMB	50	(637)
RMB	(50)	637
	=	=
As at June 30, 2025		
RMB	50	(504)
RMB	(50)	504
	=	=

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the KRW exchange rates, with all other variables held constant, of the Group’s profit before tax (arising from KRW denominated financial instruments).

	Increase/(decrease) in foreign currency/ RMB rate	Increase/(decrease) in profit before tax
	rate %	RMB'000
As at December 31, 2022		
If RMB weakens against KRW	5	(10,866)

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	Increase/(decrease) in foreign currency/ RMB rate	Increase/(decrease) in profit before tax
	rate %	RMB'000
If RMB strengthens against KRW	(5)	10,866
As at December 31, 2023		
If RMB weakens against KRW	5	(7,670)
If RMB strengthens against KRW	(5)	7,670
As at December 31, 2024		
If RMB weakens against KRW	5	(2,092)
If RMB strengthens against KRW	(5)	2,092
As at June 30, 2025		
If RMB weakens against KRW	5	(2,837)
If RMB strengthens against KRW	(5)	2,837

Credit risk

The Group trades only with recognized and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. The credit risk of the Group’s other financial assets, which comprise cash and cash equivalents, debt investments, restricted cash, time deposits and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	50,034	50,034
Financial assets included in prepayments, other receivables and other assets					
– Normal**	38,337	–	–	–	38,337
– Doubtful**	–	–	3,008	–	3,008
Time deposits					
– Not yet past due	10,590	–	–	–	10,590
Restricted cash					
– Not yet past due	28,518	–	–	–	28,518
Debt Investments					
– Not yet past due	5,025	–	–	–	5,025
Cash and cash equivalents					
– Not yet past due	387,613	–	–	–	387,613
	470,083	–	3,008	50,034	523,125

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As at December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	62,530	62,530
Financial assets included in prepayments, other receivables and other assets					
– Normal**	39,970	—	—	—	39,970
– Doubtful**	—	—	3,008	—	3,008
Time deposits					
– Not yet past due	8,160	—	—	—	8,160
Restricted cash					
– Not yet past due	67,204	—	—	—	67,204
Debt Investments					
– Not yet past due	5,025	—	—	—	5,025
Cash and cash equivalents					
– Not yet past due	346,790	—	—	—	346,790
	<u>467,149</u>	<u>—</u>	<u>3,008</u>	<u>62,530</u>	<u>532,687</u>

As at December 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	59,318	59,318
Financial assets included in prepayments, other receivables and other assets					
– Normal**	43,367	—	—	—	43,367
– Doubtful**	—	—	3,008	—	3,008
Time deposits					
– Not yet past due	5,595	—	—	—	5,595
Restricted cash					
– Not yet past due	57,772	—	—	—	57,772
Debt Investments					
– Not yet past due	995	—	—	—	995
Cash and cash equivalents					
– Not yet past due	337,100	—	—	—	337,100
	<u>444,829</u>	<u>—</u>	<u>3,008</u>	<u>59,318</u>	<u>507,155</u>

As at June 30, 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	68,627	68,627
Financial assets included in prepayments, other receivables and other assets					
– Normal**	57,193	—	—	—	57,193
– Doubtful**	—	—	3,008	—	3,008
Time deposits					
– Not yet past due	5,900	—	—	—	5,900
Restricted cash					
– Not yet past due	49,155	—	—	—	49,155
Cash and cash equivalents					
– Not yet past due	321,600	—	—	—	321,600
	<u>433,848</u>	<u>—</u>	<u>3,008</u>	<u>68,627</u>	<u>505,483</u>

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* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade and bills receivables, and financial assets included in prepayments, other receivables and other assets are disclosed in notes 21 and 22 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

December 31, 2022

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Financial liabilities included in				
other payables and accruals	194,969	–	–	194,969
Interest-bearing bank and other				
borrowings	280,015	201,089	56,878	537,982
Lease liabilities	8,778	5,818	8,434	23,030
Trade and bills payables	245,745	–	–	245,745
	<u>729,507</u>	<u>206,907</u>	<u>65,312</u>	<u>1,001,726</u>

December 31, 2023

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Financial liabilities included in				
other payables and accruals	328,210	–	–	328,210
Interest-bearing bank and other				
borrowings	424,030	227,570	40,950	692,550
Lease liabilities	4,737	4,773	6,439	15,949
Trade and bills payables	263,836	–	–	263,836
	<u>1,020,813</u>	<u>232,343</u>	<u>47,389</u>	<u>1,300,545</u>

December 31, 2024

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Financial liabilities included in				
other payables and accruals	178,464	–	–	178,464
Interest-bearing bank and other				
borrowings	520,046	169,293	51,936	741,275
Lease liabilities	3,263	4,944	6,586	14,793
Trade and bills payables	263,552	–	–	263,552
	<u>965,325</u>	<u>174,237</u>	<u>58,522</u>	<u>1,198,084</u>

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As at June 30, 2025

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	154,863	—	—	154,863
Interest-bearing bank and other borrowings	512,560	186,967	50,259	749,786
Lease liabilities	7,313	14,300	5,066	26,679
Trade and bills payables	275,795	—	—	275,795
	<u>950,531</u>	<u>201,267</u>	<u>55,325</u>	<u>1,207,123</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group aims to maintain the gearing ratio at a reasonable level. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios at the end of each of the Relevant Periods are as follows:

	December 31,			June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	245,745	263,836	263,552	275,795
Financial liabilities included in other payables and accruals	194,969	328,210	178,464	154,863
Interest-bearing bank and other borrowings	503,408	659,960	708,792	721,704
Lease liabilities	18,620	12,365	11,370	22,414
Less: Cash and cash equivalents . .	387,613	346,790	337,100	321,600
Net debt	<u>575,129</u>	<u>917,581</u>	<u>825,078</u>	<u>853,176</u>
Equity attributable to owners of the parent	<u>778,244</u>	<u>790,084</u>	<u>975,991</u>	<u>1,087,028</u>
Capital and net debt	<u>1,353,373</u>	<u>1,707,665</u>	<u>1,801,069</u>	<u>1,940,204</u>
Gearing ratio	<u>42%</u>	<u>54%</u>	<u>46%</u>	<u>44%</u>

40. EVENTS AFTER THE RELEVANT PERIODS

No significant subsequent events the Company have occurred after 30 June 2025 and up to the date of this report.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital tax, VAT, stamp duty and estate duty were referred in the discussion. Prospective [REDACTED] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 and effective on January 1, 2019, and the *Implementation Rules of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 and effective on January 1, 2019 (the “**IIT Law**”), dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, according to the *Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on September 7, 2015 and effective on September 8, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the income from dividends and bonuses shall be exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is 1 month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than 1 month and up to one year, 50% of the income from dividends and bonuses shall be temporarily included into the taxable incomes. The individual income tax rate on the aforesaid income is levied at a flat rate of 20%.

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Enterprise Investors

In accordance with the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC on March 16, 2007, and was most recently amended with immediate effect on December 29, 2018, and the Implementing Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》) most recently amended on December 6, 2024, the rate of EIT shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income is not connected with such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due.

The *Circular of the STA on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares* (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the *Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B shares* (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable.

Pursuant to the *Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The *Fifth Protocol of the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted for relevant gains in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend

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clause of tax agreements shall be subject to the requirements of PRC tax laws and regulations, such as *the Circular of the SAT on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (the “**Circular 36**”), which was implemented on May 1, 2016 and amended on July 11, 2017 and March 20, 2019, respectively, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and “sales of services within the PRC” refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

According to the provisions above, upon the sale or disposal of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they may not be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located in the PRC.

Income Taxes

Individual investors

According to the IIT Law, gains from the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the *Circular of the MOF and STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares* (《財政部國家稅務總局關於個人轉讓股票所得繼續暫免徵收

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個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and STA on March 30, 1998, since January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be temporarily exempted from individual income tax.

However, on December 31, 2009, the MOF, the STA and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which became effective on January 1, 2010, states that individuals' income from the transfer of listed shares obtained from the public offering and transfer of the stock market of the listed company on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments and came into effect on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premises in the PRC but its PRC-sourced income is not connected in reality with such establishment or premise. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least

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12 consecutive months shall be exempted from EIT according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by enterprises.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the “CSDC”), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

On August 21, 2023, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continuation of Implementation of Individual Income Tax Policies Relating to Shanghai Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》), which stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis until December 31, 2027.

Stamp Duty

Pursuant to the *Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022 (the “**Stamp Duty Law**”), all entities and individuals engaged in securities transactions within the PRC are subject to stamp duty as stamp duty payers in accordance with the provisions of the Stamp Duty Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

Estate Duty

According to PRC law, no estate duty is currently levied in the PRC.

Major Taxes on the Company in the PRC

Please refer to the section headed “Regulatory Overview” in this document.

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SUMMARY OF PRINCIPAL LAWS AND REGULATIONS

PROVISIONS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital tax, VAT, stamp duty and estate duty were referred in the discussion. Prospective [REDACTED] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the *Constitution and the Legislation Law of the PRC* (《中華人民共和國立法法》) (the “**Legislation Law**”), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces

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or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people’s governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people’s congresses of provinces or autonomous regions to resolve the issue. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people’s governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the *Resolution of the SCNPC Providing an Improved Interpretation of the Law* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws in a court trial should be interpreted by the Supreme People’s Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People’s Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

The PRC Judicial System

Under the Constitution, the *Law of Organization of the People’s Courts of the PRC (2018 revision)* (《中華人民共和國人民法院組織法(2018修訂)》) and the *Law of Organization of the People’s Procuratorate of the PRC (2018 revision)* (《中華人民共和國人民檢察院組織法(2018修訂)》), the people’s courts of the PRC are classified into the Supreme People’s Court, the local people’s courts at various levels, and other special people’s courts. The local people’s courts at

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various levels are divided into three levels, namely, the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The primary people’s courts may set up a number of people’s tribunals based on the facts of the region, population and cases. The Supreme People’s Court is the highest judicial authority. The Supreme People’s Court shall supervise the judicial work of the local people’s courts at all levels and special people’s courts, and people’s courts at higher levels shall supervise the judicial work of people’s courts at lower levels. The Chinese People’s Procuratorates are divided into the Supreme People’s Procuratorate, local people’s procuratorates at various levels, and specialized people’s procuratorates such as the Military Procuratorate. The Supreme People’s Procuratorate is the highest procuratorial organ. The Supreme People’s Procuratorate directs the work of the local people’s procuratorates and specialized people’s procuratorates at all levels, and the people’s procuratorates at higher levels direct the work of the people’s procuratorates at lower levels.

The people’s court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people’s court are final. The parties may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court are final. The first judgments or rulings of the Supreme People’s Court are also final. However, if the Supreme People’s Court or a people’s court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people’s court at a lower level, or the presiding judge of a people’s court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The *Civil Procedure Law of the PRC* (《中華人民共和國民事訴訟法》) (the “**PRC Civil Procedure Law**”) adopted on April 9, 1991 and amended four times on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023 prescribes the conditions for instituting a civil action, the jurisdiction of the people’s courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff’s or the defendant’s place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people’s court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without

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nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people’s court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a legally effective judgment or ruling made by a people’s court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people’s court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people’s court of the PRC, unless the people’s court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people’s court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people’s court to recognize and enforce it.

The Company Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994, and was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revised PRC Company Law was implemented on July 1, 2024.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “**Overseas Listing Trial Measures**”), which came into effect on March 31, 2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies.

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On March 28, 2025, the CSRC promulgated the latest amended Guidelines for the Articles of Association of Listed Companies (the “**Guidelines for the Articles of Association**”), pursuant to the Overseas Listing Trial Measures and its supporting guidelines, Guidelines for Application of Regulatory Rules – Overseas Listing Category No. 1, domestic enterprises that are directly listed overseas shall formulate its articles of association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on corporate governance to regulate corporate governance. Set out below is a summary of the main provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association.

General Provisions

A “joint stock limited company” (hereinafter referred to as the “**company**”) refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Companies engaged in business activities shall obey the relevant laws and administrative regulations, observe social and business ethics, and act in good faith, accept the supervision of the government and the public, and shoulder social responsibility. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or raising. A company shall be incorporated by one to 200 promoters, provided that at least more than half of the promoters must reside in the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company’s registration authorities. No shares shall be raised from others before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company’s registration authorities. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notify all subscribers of the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only in the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be cast by subscribers presented at the meeting.

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Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Share Capital

Under the PRC Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with intellectual property rights, land use rights, shareholding or claims.

The Trial Measures provide that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

According to the provisions of the PRC Company Law, a company that issues registered shares shall establish a register of shareholders to record the following items: (i) the names or titles and domiciles of the shareholders; (ii) the number of shares held by each shareholder; (iii) the serial number of the shares held by each shareholder; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value. Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

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Increase in Share Capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a general meeting. In addition, the *Securities Law of the PRC* (the “**PRC Securities Law**”) also stipulates the following conditions for the company’s public offering of new shares: (i) have a sound organizational structure with satisfactory operating; (ii) have the capability of sustainable operation; (iii) have been issued with an unqualified opinion audit report by the auditor for the company’s financial accounting documents in the latest three years; (iv) the issuer and its controlling shareholder(s) and actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and (v) other conditions required by the securities administration department of the State Council as approved by the State Council. After the new shares issued by the company have been fully paid up, the change must be registered with the company registration authority and a public announcement shall be made.

Reduction of Share Capital

The Company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law: (i) the company shall prepare a balance sheet and an inventory of properties; (ii) make a resolution at a shareholders’ general meeting to reduce the registered capital; (iii) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers within 30 days; (iv) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and (v) the company must apply to the companies registration authority for a change in registration.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Repurchase of Shares

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances: (i) reduction of the registered capital of the company; (ii) merger with another company that holds its shares; (iii) use of its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) request from shareholders who object to a resolution of a shareholders’ general meeting on merger or division of the company to acquire their shares by the company; (v) use of shares for conversion of convertible corporate bonds issued by the listed company; and (vi) it is necessary for a listed company to maintain its company value and protect its shareholders’ equity. A resolution of a shareholders’ general meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (i) or item (ii) above; for a company’s repurchase of shares under any of the circumstances stipulated in item (iii), item (v) or item (vi) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company’s Articles of Association or as authorized by the shareholders’ general meeting.

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The shares acquired by the company according to the above provisions under the circumstance stipulated in item (i) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (ii) or item (iv); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the Company’s total issued shares, and shall be transferred or deregistered within three years.

A listed company acquires its own shares shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. A listed company acquires its own shares under any of the circumstances stipulated in item (iii), item (v) and item (vi) hereof, shall be carried out trading in public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the Stock Exchange established in accordance with laws or by any other means as required by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of registered shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders’ general meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by law on the alternation of registration in the register of members of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company’s listing on the Stock Exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company’s listing on the Stock Exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, the shareholders of its domestic unlisted shares applying to convert its domestic unlisted shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

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Shareholders

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights:

- (i) to receive dividends and other forms of distributions in proportion to their shareholdings;
- (ii) to attend or appoint a proxy to attend shareholders’ meetings and to exercise voting rights;
- (iii) to supervise and manage a company’s business operations, and to present proposals or to raise inquiries;
- (iv) to transfer shares in accordance with laws, administrative regulations and the provisions of the articles of association;
- (v) to inspect and copy the company’s articles of association, share register, minutes of shareholders’ meetings, resolutions of meetings of the board of directors, and financial and accounting reports; eligible shareholders may inspect the company’s accounting books and accounting vouchers;
- (vi) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;
- (vii) other rights conferred by laws, administrative regulations and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company’s responsibilities in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association of the company.

Pursuant to the Overseas Listing Trial Measures, a domestic company offering and listing overseas shall file with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, etc.

Shareholders’ General Meetings

The shareholders’ general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders’ general meeting may exercise its powers:

- (i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- (ii) to examine and approve reports of the board of directors;

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- (iii) to examine and approve reports of the supervisory committee;
- (iv) to examine and approve a company’s profit distribution plans and loss recovery plans;
- (v) to resolve on the increase or reduction of a company’s registered capital;
- (vi) to resolve on the issuance of corporate bonds;
- (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;
- (viii) to amend the company’s articles of association;
- (ix) other functions and powers specified in provision of the articles of association.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders’ general meeting is required to be held once a year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following: (i) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the articles of association of the company; (ii) the total outstanding losses of the company amounted to one-third of the company’s total paid-in share capital; (iii) shareholders individually or in aggregate holding 10% or more of the company’s shares request to convene an extraordinary general meeting; (iv) the board of directors deems necessary; (v) the supervisory committee so proposes; or (vi) any other circumstances as provided for in the articles of associations of the company.

A shareholders’ general meeting is convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the board of directors is unable to or fails to perform its duty of convening the shareholders’ general meeting, the Supervisory Committee shall convene and preside over such meeting in a timely manner; if the Supervisory Committee fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company’s shares for more than 90 consecutive days may independently convene and preside over such meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders’ meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders’ meeting and reply to the shareholders in writing.

Notice of shareholders’ meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary shareholders’ meeting shall be given to all shareholders 15 days prior to the meeting.

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Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the shareholders' meeting. The convener shall issue a supplementary notice of the shareholders' meeting within two days after receiving the proposal and announce the contents of the interim proposal.

Under the PRC Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the PRC Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the PRC Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting.

Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Board of Directors

Under the PRC Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

- (i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- (iii) to decide on the Company's operational plans and investment proposals;

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- (iv) to formulate the Company's proposals for profit distribution and for recovery of losses;
- (v) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;
- (vi) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;
- (vii) to decide on the setup of the Company's internal management organs;
- (viii) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;
- (ix) to formulate the Company's basic management system; and
- (x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Meetings of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Supervisory Committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the board of directors.

Meeting of the Board of Directors shall be held only if more than one half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than one half of all Directors. Resolutions of the Board shall be passed on a one person one vote basis. The Directors shall attend a board meeting in person. If a director is unable to attend for any reason, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. The Board of Directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the Board of Directors violates any laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

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Under the PRC Company Law, the following person may not serve as a Director of the Company: (i) devoid of or with restricted civil conduct ability; (ii) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or being deprived of political rights for crime, or within two years after be sentenced to probation; (iii) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a directors, factory manager or business manager and has been held accountable for the insolvency; (iv) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and (v) liable to large amount of unliquidated mature debts and be listed as a dishonest person subject to enforcement by the court.

Where a company elects or appoints a director to which any of the above circumstances applies, such election, appointment or designation shall be invalid. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Committee

The company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Supervisory Committee shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise. The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Supervisory Committee shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, the vice chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the vice chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over supervisory committee meetings.

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The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

- (i) to review the company’s financial position;
- (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders’ general meetings;
- (iii) when the acts of a director or senior management are detrimental to the company’s interests, to require the director and senior management to correct these relevant acts;
- (iv) to propose the convening of extraordinary shareholders’ general meetings and to convene and preside over shareholders’ general meetings when the board fails to perform the duty of convening and presiding over shareholders’ general meetings under the PRC Company Law;
- (v) to submit proposals to the shareholders’ general meetings;
- (vi) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and
- (vii) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who is responsible to the board of directors, may exercise his/her functions and powers:

- (i) to preside over the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- (ii) to arrange for the implementation of the company’s annual operation plans and investment proposals;

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- (iii) to formulate proposals for the establishment of the company’s internal management organs;
- (iv) to formulate the fundamental management system of the company;
- (v) to formulate the company’s specific rules and regulations;
- (vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- (vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- (viii) to exercise any other authority granted by the board of directors.

Other provisions in the Articles of Association on the manager’s functions and powers shall also be complied with. The manager shall be present at meetings of the board of directors.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the Articles of Association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company’s property.

In the meantime, directors, supervisors and senior management are prohibited from:

- (1) misappropriating company funds;
- (2) depositing company funds into accounts under their own names or the names of other individuals;
- (3) loaning company funds to others or providing guarantees in favor of others supported by company’s property in violation of the articles of association or without approval of the general meeting or the board of directors;
- (4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- (6) accept commissions from transactions between others and the company for their own benefits;

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- (7) unauthorized divulgence of confidential information of the company; and
- (8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish with relevant facts and information to the board of supervisors without obstructing the exercise of functions and powers by the board of supervisors or supervisors.

Where the directors and senior management violate laws, administrative regulations or the articles of association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. Where the supervisors violate the laws, administrative regulations or the articles of association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the board of supervisors or the board of directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

The Overseas Listing Trial Measures stipulates that the filling materials for overseas listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their obligations of information disclosure in accordance with the law, be honest, trustworthy, diligent and responsible and ensure that the filling materials are true, accurate and complete.

Finance and Accounting

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and

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the regulations of the financial departments of the State Council. The company’s financial and accounting reports shall be made available for shareholders’ inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year’s after-tax profits, the company shall set aside 10% of its after-tax profits for the company’s statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company’s registered capital, it may no longer be allocated. When the company’s statutory common reserve fund is not sufficient to make up for the company’s losses for the previous years, the current year’s profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders’ general meeting, make further allocations from its after-tax profits to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholder’s general meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

Proceeds from shares issued by a company at a price above their nominal value and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. The common reserve fund of a company shall be applied to make up the company’s losses, expand its production and operations or convert it into an increase in its capital. The capital reserve fund, however, shall not be used to make up the company’s losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company’s assets shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders’ general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders’ general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

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The Overseas Listing Trial Measures require that securities companies and law firms should conduct adequate verification of the filing materials of overseas listed enterprises.

Profit Distribution

According to PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is provided. At the same time, the Overseas Listing Trial Measures stipulate that domestic enterprises may raise funds and pay dividends in foreign currencies or RMB for overseas listings.

Amendment to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders’ general meeting regarding any amendment to a company’s articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

Dissolution and Liquidation

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

- (i) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;
- (ii) the shareholders’ general meeting has resolved to dissolve the company;
- (iii) the company is dissolved by reason of its merger or division;
- (iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or
- (v) where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people’s court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

In the event of paragraph (i) and did not distribute any property to its shareholders above, the company may carry on its existence by amending its articles of association or upon a resolution of the shareholders’ meeting. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders’ general meeting.

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Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs and commence the liquidation. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If a liquidation committee is not established within the prescribed period, the company’s creditors may file an application with a people’s court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people’s court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

- (i) to verify the Company’s assets and to prepare a balance sheet and an inventory of assets;
- (ii) to inform creditors by notice or announcement;
- (iii) to deal with and settle any outstanding business of relevant company;
- (iv) to pay all outstanding taxes and the taxes arising during the liquidation process;
- (v) to settle claims and debts;
- (vi) to handle the company’s remaining assets after its debts have been paid off; and
- (vii) to represent the company in civil lawsuits.

The liquidation committee shall notify the company’s creditors within 10 days of its establishment, and publish an announcement in newspapers on the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation committee shall register the creditor’s claims. In the claims declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the company’s property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders’ general meeting or a people’s court for endorsement. The remaining part of the company’s assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company’s debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company’s property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

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Overseas Listing

According to the Overseas Listing Trial Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Overseas Listing Trial Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

- (i) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;
- (ii) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;
- (iii) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;
- (iv) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;
- (v) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

In addition, under the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

- (i) change in controlling rights;
- (ii) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;
- (iii) changing the listing status or transferring the listing board;
- (iv) voluntary or compulsory termination of a listing.

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Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people’s court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid.

After the people’s court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company’s assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company’s division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies other than in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

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The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities-related institutions in the PRC, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the *Provisional Regulations Concerning the Issue and Trading of Shares* (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law took effect on July 1, 1999, and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The latest revised PRC Securities Law took effect on March 1, 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The *Arbitration Law of the PRC* (《中華人民共和國仲裁法》) (the “**PRC Arbitration Law**”) was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995, and was amended on August 27, 2009, and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people’s court will refuse to handle a legal proceeding initiated by one of the parties at such people’s court unless the arbitration agreement is invalid.

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Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people’s court for its enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the “**New York Convention**”) adopted on June 10, 1958, pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the Convention, the SCNPC declared that (i) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People’s Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court of the PRC adopted the *Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region* (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The Supreme People’s Court of China issued the *Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on November 26, 2020, (Articles 1 and 4 became effective on November 27, 2020, and Articles 2 and 3 became effective on May 19, 2021). The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

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JUDICIAL JUDGMENT AND ENFORCEMENT

Pursuant to the Arrangement on Reciprocal Recognition and Enforcement of judgments in Civil and Commercial Matters by the Courts of the Mainland and of the HKSAR Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) between the Courts of the Mainland and of the HKSAR signed by the Supreme People’s Court and the Government of the HKSAR on July 14, 2006, promulgated on July 3, 2008 and effective from August 1, 2008 (the “2006 Arrangement”), parties may apply to a Mainland People’s Court or to a court in the HKSAR for recognition and enforcement of final and enforceable judgments for the payment of money rendered in civil and commercial cases where there is a written exclusive jurisdiction agreement. A “written exclusive jurisdiction agreement” means an agreement concluded in writing by the parties designating either a Mainland People’s Court or a Hong Kong court as having sole jurisdiction for disputes arising from a specific legal relationship, whether such disputes have already arisen or may arise in the future. Accordingly, final judgments rendered in the Mainland or in Hong Kong that meet the specified conditions may, upon application by a party, be recognized and enforced by a Mainland People’s Court or by a court in the HKSAR.

On January 18, 2019, the Supreme People’s Court and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the HKSAR (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”). The 2019 Arrangement establishes a more transparent and comprehensive mechanism, expanding the scope of reciprocal recognition and enforcement of civil and commercial judgments between Hong Kong and the Mainland. It removes the previous requirement for a written exclusive jurisdiction agreement. After the Supreme People’s Court issued an implementing judicial interpretation and the HKSAR completed the necessary legislative process, the 2019 Arrangement came into effect on January 29, 2024, superseding the 2006 Arrangement. It should be noted that the 2006 Arrangement remains applicable to judgments based on exclusive jurisdiction agreements made before the effective date of the 2019 Arrangement.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as “**HKSFC**”) issued the Joint Announcement of CSRC and HKSFC – *Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented* and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as “**Shanghai-Hong Kong Stock Connect**”) by the Shanghai Stock Exchange (hereinafter referred to as “**SSE**”), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as “**CSDCC**”) and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of

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Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000 in total. On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014. On September 30, 2016, CSRC issued the *Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link* which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

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SUMMARY OF THE ARTICLES OF ASSOCIATION

OVERVIEW

A summary of the Articles of Association is set out below, which will take effect on the date of [REDACTED] of the H Shares on the HKEX. As the primary purpose of this Appendix is to provide potential [REDACTED] with an overview of the Articles of Association, which may not contain all the information that is material to prospective [REDACTED].

SHARES AND REGISTERED CAPITAL

All the shares issued by the Company are ordinary shares. All the shares issued by the Company are denominated in RMB.

The shares of the Company shall be issued in accordance with the principles of openness, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual subscribing to the shares shall pay the same price for each share.

INCREASE, REDUCTION, REPURCHASE AND TRANSFER OF SHARES

Increase of Shares

In light of the Company’s operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to respective resolution of the shareholders’ meeting, by any of the following methods:

- (i) a public offering of shares;
- (ii) a private placement of shares;
- (iii) allotment of bonus shares to existing shareholders;
- (iv) conversion of reserve funds to share capital; or
- (v) other methods permitted by laws and administrative regulations and approved by the CSRC.

Reduction of Capital

The Company may reduce its registered capital. Any reduction of the Company’s registered capital shall be subject to the procedures prescribed in the PRC Company Law, other relevant regulations, as well as the Articles of Association.

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Repurchase of Shares

Under the following circumstances, the Company may acquire its own shares in accordance with laws, administrative regulations, departmental rules and the Company's Articles of Association:

- (i) to reduce the registered capital of the Company;
- (ii) to merge with other companies that hold shares in the Company;
- (iii) to use the shares for employee shareholding schemes or as share incentives;
- (iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any shareholders' meeting on the merger or division of the Company;
- (v) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;
- (vi) to safeguard corporate value and shareholders' equity as the Company deems necessary;
- (vii) Other circumstances permitted by applicable laws, administrative regulations, and the regulatory rules of the place where the company's shares are listed.

Transfer of Shares

The shares of the Company may be transferred in accordance with the law.

The shares issued by the Company before public offering shall not be transferred within one year from the date on which the Company's shares are listed on the stock exchange.

Directors and senior management of the Company shall report their shareholding in the Company and changes thereof to the Company, and during the term of office fixed at the time of appointment, the shares transferred each year shall not exceed 25% of the total Company shares held by them; the Company shares held by them shall not be transferred within one year from the date when the shares of the Company are listed and traded; within half a year from departure from the Company, the aforesaid persons shall not transfer the Company shares held by them.

If the securities regulatory rules of the place where the Company is listed have other provisions on the transfer restrictions of the Company's shares, such provisions shall prevail.

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SHAREHOLDERS AND SHAREHOLDERS’ MEETING

Shareholders

The Company shall establish a register of members. The register of members is sufficient evidence of the shareholders’ shareholding in the Company. A shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall have the same rights and assume the same obligations. The Company shall make available the Hong Kong branch register of shareholders for inspection by shareholders, provided that the Company may suspend the registration of shareholders in accordance with applicable laws and regulations and the rules of the securities regulatory authorities of the place where the Company is listed.

When the Company intends to convene a shareholders’ meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholdings, the Board of Directors or the convenor of a meeting shall determine an equity record date, and the shareholders registered after the close of the equity record date shall be the shareholders entitled to the relevant rights and interests.

Rights and Obligations of the Shareholders

Shareholders of the ordinary shares of the Company shall enjoy the following rights:

- (i) the right to dividends and other distributions in proportion to the number of shares held;
- (ii) the right to apply legally for, request, convene, preside, attend or appoint proxies to attend shareholders’ meetings and to exercise the corresponding voting right;
- (iii) the right to supervise, present proposals or raise enquiries in respect of the Company’s business operations;
- (iv) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;
- (v) the right to inspect the Articles of Association, the register of members, the minutes of shareholders’ meetings, resolutions of the Board of Directors and financial and accounting reports, Shareholders who meet the prescribed requirements may also inspect the Company’s accounting books and accounting vouchers;
- (vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;
- (vii) shareholders who object to resolutions of merger or division made by the shareholders’ meeting of may request the Company to purchase their shares; and
- (viii) such other rights provided by laws, administrative regulations, departmental rules, listing rules of the place where the Company is listed or these Articles of Association.

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Shareholders of ordinary shares of the Company shall have the following obligations:

- (i) to abide by laws, administrative regulations and the Articles of Association;
- (ii) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;
- (iii) not to return shares unless prescribed otherwise in laws and administrative regulations;
- (iv) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal person or the limited liability of shareholders to harm the interests of the Company's creditors; and
- (v) other obligations that should be assumed under the laws, administrative regulations, the listing rules of the place where the Company is listed and these Articles of Association.

If a shareholder of the Company abuses shareholder rights and causes losses to the Company or other shareholders, he shall bear compensation liability in accordance with the laws.

General Rules for the Shareholders' Meeting

The shareholders' meeting is the power organ of the Company and exercises the following functions and powers in accordance with the law:

- (i) to elect and replace directors who are not employee representatives; and to decide on matters relating to their remuneration;
- (ii) to review and approve reports of the Board of Directors;
- (iii) to review and approve the profit distribution plans and loss recovery plans of the Company;
- (iv) to adopt resolutions on increasing or reducing the registered capital of the Company;
- (v) to adopt resolutions on the issuance of bonds of the Company;
- (vi) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;
- (vii) to amend the Articles of Association;
- (viii) to make resolutions on the hiring and dismissal of accounting firms by the Company;
- (ix) to review and approve the guarantee matters under Article 43 of the Articles of Association;

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- (x) to review and approve the purchase or the sale of major assets by the Company (including subsidiaries under control) within one year, and the amount of which exceeds 30% of the latest audited total assets of the Company;
- (xi) to review and approve matters relating to the modification of use of proceeds;
- (xii) to review the Company's share incentives schemes and employee shareholding schemes;
- (xiii) to view other matters that are required to be resolved by the shareholders' meeting as prescribed by the law, administrative regulations, departmental rules and other securities regulatory rules of the place where the Company is listed or these articles of association.

The shareholders' meeting may authorize the Board of Directors to resolve on the issuance of corporate bonds.

Shareholders' meetings include annual shareholders' meetings and extraordinary shareholders' meetings. Annual shareholders' meetings shall be convened once a year and within six months after the end of the preceding fiscal year.

The Company shall convene an extraordinary shareholders' meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) the number of directors is less than two-thirds of the number prescribed in the Articles of Association or Company Law;
- (ii) the losses of the Company that have not been made up reach one-third of its total share capital;
- (iii) such is requested in writing by a shareholder alone or shareholders jointly holding no less than 10% of the Company's outstanding voting shares;
- (iv) the Board of Directors considers it necessary;
- (v) the Audit Committee proposes to convene a meeting; or
- (vi) other circumstances as specified by laws, administrative regulations, department rules, and other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

If the extraordinary shareholders' meeting is convened in accordance with the provisions of the securities regulatory rules of the place where the Company is listed, the actual convening date of the extraordinary shareholders' meeting can be adjusted according to the approval progress of the stock exchange where the Company is listed.

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Proposals and Notices of Shareholders' Meetings

The contents of proposals shall fall within the authority of shareholders' meetings, have a clear topic and specific resolution, and be in compliance with the laws, administrative regulations and the relevant provisions of the Articles of Association.

The Board of Directors, Audit Committee and shareholders individually or jointly holding no less than 1% of the shares of the Company shall be entitled to put forward proposals to the Company.

Shareholders individually or jointly holding no less than 1% of the shares of the Company may submit interim proposals in writing to the convenor ten days prior to the date of shareholders' meeting. The convenor shall issue a notice to other shareholders within two days after receipt of the proposal, meanwhile, submit interim proposal for deliberation by the shareholders' meeting. However, this shall not apply if the interim proposal violates laws, administrative regulations, or the provisions of these Articles of Association, or falls outside the scope of authority of the shareholders' meeting.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the shareholders' meeting, shall neither modify the proposals stated in the notice of shareholders' meetings nor add new proposals.

The convenor shall issue notice 21 days prior to the convening of the annual shareholders' meeting to notify every shareholder or 15 days prior to the convening of the extraordinary shareholders' meeting to notify every shareholder.

Notice of the shareholders' meeting shall include the following:

- (i) the time, venue and duration of the meeting;
- (ii) subject matters and proposals submitted for consideration and approval on the meeting;
- (iii) particulars shall be in clear text that all shareholders are entitled to attend shareholders' meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be shareholders of the Company;
- (iv) shareholders are entitled to present on the equity determination date of shareholders' meetings;
- (v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings; and
- (vi) online or other means of voting time and voting procedures;
- (vii) other circumstances as specified by laws, administrative regulations, department rules, and other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

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Holding of Shareholders' Meetings

All shareholders or their proxies of the Company registered on the register of members on the equity record date shall have the right to attend shareholders' meetings and exercise their voting rights in accordance with the relevant laws, regulations and the Articles of Association.

Shareholders may attend a shareholders' meeting in person and may appoint a proxy to attend and vote on their behalf.

Shareholders' meetings shall be presided over by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, a director shall be jointly elected by more than half of the directors to preside over the meeting.

Voting and Resolutions of Shareholders' Meeting

Resolutions of the shareholders' meeting include ordinary resolutions and special resolutions. Ordinary resolution at a shareholders' meeting shall be adopted by shareholders in attendance (including proxies) holding more than half of the voting rights. Special resolution at a shareholders' meeting shall be adopted by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

Shares in the Company which are held by the Company do not carry any voting rights, and such shares shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' meeting.

Decisions of the shareholders' meeting on any of the following matters shall be adopted by special resolution:

- (i) the increase or reduction of the registered capital by the Company;
- (ii) the division, merger, dissolution and change of form of the Company;
- (iii) the amendment to the Articles of Association;
- (iv) the purchase or the sale of major assets by the Company within one year, of which exceeds 30% of the latest audited total assets of the Company;
- (v) the share incentive schemes and employee share ownership plans;
- (vi) the provision of guarantees for shareholders, actual controllers, and their affiliates; and;
- (vii) other matters that are stipulated by laws, administrative regulations, the Articles of Association of the Company or the securities regulatory rules of the place where the Company is listed, and are recognized by the shareholders' meeting through an ordinary resolution as having a significant impact on the Company and requiring adoption by a special resolution.

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Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they held, with one vote for each share.

When the shareholders' meeting considers major matters affecting the interests of small and medium-sized investors, the votes of small and medium-sized investors shall be counted separately. The results of the separate vote counting shall be publicly disclosed in a timely manner.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' meeting as well as the Central Clearing and Settlement System.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors are elected or replaced by the shareholders' meeting and may be removed from office by the shareholders' meeting before the expiration of their term. The term of office for a director is 3 years, and upon expiration, re-election is possible.

The term of office of a director shall commence on the date of taking office and end on the expiration of the term of the current session of the Board. If a director is not re-elected in a timely manner upon the expiration of his term of office, the former director shall perform his duties as a director in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association before the re-elected director takes office.

The directors shall abide by the laws, administrative regulations and the Articles of Association and have the following duty of loyalty to the Company:

- (i) shall not embezzle the property of the Company or misappropriate the Company's funds;
- (iii) shall not open an account for depositing the Company's assets or funds in its own name or in the name of another individual;
- (iii) shall not take advantage of his power to accept bribes or other illegal income;
- (iv) shall not, directly or indirectly, enter into any contract or conduct any transaction with the Company unless the matter has first been reported to, and approved by resolution of, the Board of Directors or the shareholders' meeting in accordance with these Articles of Association;
- (v) shall not take advantage of his or her position to secure, for himself or herself or for any other person, any business opportunity belonging to the Company, unless the matter has first been reported to, and approved by resolution of, the Board of Directors or the shareholders' meeting in accordance with these Articles of Association, or the Company is unable to utilize such opportunity under applicable laws, administrative regulations, or these Articles of Association;

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- (vi) shall not operate on his or her own account or on behalf of any other person any business of the same nature as that of the Company unless the matter has first been reported to, and approved by resolution of, the Board of Directors or the shareholders' meeting in accordance with these Articles of Association;
- (vii) shall not accept commissions as theirs' from transactions conducted by the others and the Company;
- (viii) shall not disclose the Company's secrets without authorization;
- (ix) shall not make use of the affiliated relationship to prejudice the interests of the Company; or
- (x) other duties of loyalty stipulated by the provisions of laws, administrative regulations, departmental rules and the Articles of Association.

Any income derived by a director from violation of the provisions of the preceding paragraph shall belong to the Company; for any resulting loss to the Company, such director shall be liable for compensation.

Directors shall abide by the laws, administrative regulations and the Articles of Association and shall be subject to the following diligence obligations to the Company:

- (i) shall exercise the rights granted by the Company in a prudent, conscientious and diligent manner to ensure that the Company's commercial activities comply with the requirements of national laws, administrative regulations and various national economic policies, and that the extent of the commercial activities do not exceed the business scope stipulated in the business license;
- (ii) shall treat all Shareholders fairly;
- (iii) shall keep abreast of the Company's business operation and management;
- (iv) shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;
- (v) shall truthfully provide relevant information and materials to the Audit Committee, and shall not hinder the Audit Committee from performing their duties; and
- (vi) other diligence obligations stipulated by laws, administrative regulations, departmental rules, the Articles of Association, and the securities regulatory rules where the Company's stock is listed.

The Company has at least three independent non-executive Directors. The independent non-executive Directors represent at least one-third of the Board of Directors. At least one of the independent non-executive Directors of the Company has appropriate accounting or related financial management expertise. The independent non-executive Directors must be independent and must not have relationships with the Company and its substantial Shareholders that would interfere with their independent and objective judgment. The independent non-executive Directors shall have sufficient business or professional experience to perform their duties faithfully and safeguard the

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interests of the Company; in particular, they shall see to it that the legitimate rights and interests of public Shareholders are not harmed, so as to ensure that the interests of all Shareholders are fully represented. At least one of the independent non-executive Directors is ordinarily resident in Hong Kong. The issues including conditions of appointment, nomination and election procedures, term of office, resignation, functions and powers of the independent non-executive Directors are implemented in accordance with the relevant provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed. Unless otherwise stipulated herein, the provisions of the Articles of Association relating to the qualifications and duties of the Directors shall apply to the independent non-executive Directors. The matters related to the independent non-executive Directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations, relevant regulatory bodies and securities exchanges, and shall be specified by the working system of the independent non-executive Directors of the Company.

Board of Directors

The Company shall set up a Board of Directors, which shall be responsible for the shareholders' meeting.

The Board of Directors shall consist of eight (8) Directors, comprising five (5) Executive Directors and three (3) Independent Non-executive Directors, and shall have one (1) Chairman.

The Board of Directors exercises the following functions and powers:

- (i) to convene shareholders' meetings and report to the shareholders' meetings;
- (ii) to implement resolutions of the shareholders' meetings;
- (iii) to decide on the Company's business plans and investment plans;
- (iv) to formulate the Company's profit distribution plans and plans on making up losses;
- (v) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and the listing of shares of the Company;
- (vi) formulate plans for major acquisitions of the Company, the repurchase of the Company's shares or plans for mergers, divisions, dissolutions, and change of form of the Company;
- (vii) within the scope of the authorization granted by the shareholders' meeting, decide on matters such as the Company's external investments, acquisition and sale of assets, asset mortgages, external guarantees, entrusted financial management, related party transactions, and external donations;
- (viii) to decide on the establishment of internal management organs of the Company;

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- (ix) to appoint or dismiss the president of the Company and the secretary of the Board of Directors, and to decide on matters regarding their remunerations, rewards and punishments; based on the nomination of the president, to appoint or dismiss senior management personnel such as the vice president and the chief financial officer of the Company, and to decide on matters regarding their remunerations, rewards and punishments;
- (x) to formulate the basic management system of the Company;
- (xi) to formulate proposals to amend the Articles of Association;
- (xii) to manage information disclosure of the Company;
- (xiii) to propose to the shareholders' meeting the appointment or replacement of the accounting firm that provides audit services to the Company;
- (xiv) to listen to the work report of the general manager of the Company and to inspect the work of the general manager of the Company; and
- (xv) to consider and approve any transaction (including, without limitation, notifiable transactions and connected/related-party transactions) that, under the regulatory rules of the stock exchange on which the Company's shares are listed, is required to be decided by the Board of Directors; and
- (xvi) other duties stipulated by laws, administrative regulations, the Articles of Association, and the securities regulatory rules where the Company's stock is listed, as well as other powers granted by the Articles of Association.

A Board meeting shall be convened only when more than one-half of the Directors are present. Except for the matters specified in items (v), (vi) and (xi) and any other matters that, under applicable laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the Company's shares are listed, or these Articles of Association, require approval by at least two-thirds of the Directors, all other resolutions of the Board may be passed by a simple majority of all Directors.

Special Committee of the Board of Directors

The Board of Directors of the Company shall establish the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and relevant special committees such as the Strategy Committee according to needs. The special committees shall be accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors, and their proposals shall be submitted to the Board of Directors for consideration and approval.

In particular, the Audit Committee shall be comprised of at least three members, all of whom shall be the non-executive Directors, and more than half of the members shall not hold any other positions in the Company other than the Directors, and shall not have any relationship with the Company that may affect their independent objective judgment, and at least one of the members shall be an independent non-executive Director with appropriate professional qualifications

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required by the Hong Kong Listing Rules, or have appropriate accounting or related expertise in financial management, and such independent non-executive Director shall serve as the chairman. The chairmen of each special committee shall be appointed and dismissed by the Board of Directors.

The independent non-executive Directors shall account for more than one-half of the Nomination Committee and the Remuneration Committee, and the convener shall be the chairman of the committee, who shall be an independent non-executive Director.

Special committees of the Board of Directors are designated organizations under the Board of Directors, which provide suggestions or consulting opinion to the Board of Directors on material decision-making. Special committees shall not make any decision in the name of the Board of Directors, but can exercise the right of decision-making on authorized matters in accordance with the special authorization from the Board of Directors.

Each special committee shall be accountable to the Board of Directors and report its works to the same.

GENERAL MANAGER AND OTHER MEMBERS OF THE SENIOR MANAGEMENT

The Company has one general manager, who is appointed or dismissed by the Board of Directors. The Company also has several vice presidents, nominated by the general manager and appointed by the Board of Directors. The president, vice presidents, chief financial officer and secretary of the Board of Directors of the Company are the senior management personnel of the Company.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

- (i) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;
- (ii) to organize the implementation of the Company’s annual business plans and investment plans;
- (iii) to draft plans for the establishment of the Company’s internal management organization;
- (iv) to draft the Company’s basic management system;
- (v) to formulate the specific rules and regulations of the Company;
- (vi) To submit to the Board of Directors proposals for the appointment or dismissal of the Company’s Vice President(s) and Chief Financial Officer;
- (vii) transactions that do not meet the thresholds for review and approval by the shareholders’ meeting or the Board of Directors as set out in these Articles of Association; and

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- (viii) such other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager shall be present at the meetings of the Board of Directors.

The Company shall have a secretary to the Board of Directors, whose primary responsibilities include but not limited to prepare shareholders' meetings and Board meetings of the Company, maintaining documents and managing shareholder information of the Company.

The Audit Committee of the Board of Directors

The Company shall have no Supervisory Committee. The Audit Committee of the Board of Directors shall exercise the following functions and powers:

- (i) to review financial information in financial accounting reports and periodic reports, internal control reports;
- (ii) to propose to the Board of Directors appointment or dismissal of accounting firm undertaking the Company's audit;
- (iii) to propose to the Board of Directors appointment or dismissal of chief financial officer;
- (iv) to propose to the Board of Directors changing accounting policy, accounting estimate or correcting material accounting errors occurring for reasons other than a change in accounting standard;
- (v) to examine the Company's financial matters;
- (vi) to supervise the performance by the Directors and senior management of their duties to the Company and propose the dismissal of the Directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the General Meeting;
- (vii) to demand rectification from the Directors and senior management when the acts of such persons are harmful to the Company's interests;
- (viii) in case of any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;
- (ix) other matters stipulated by laws, administrative regulations, the CSRC and the Articles of Association.

Resolutions of the Audit Committee shall be passed by half or more of the members of the Audit Committee.

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The Audit Committee under the Board of Directors shall hold a meeting at least once a quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the convenor deems it necessary. The quorum of the meetings of the Audit Committee of the Board of Directors shall be not less than two thirds of the members.

The Board of Directors shall obtain the approval of a majority of all members of the Audit Committee before making a resolution on the following matters:

- (i) appointing and dismissing the accounting firm undertaking the Company’s audit;
- (II) appointing or dismissing of the Company’s chief financial officer;
- (iii) disclosing the financial and accounting reports;
- (iv) other matters prescribed by the securities regulatory authorities of the State Council.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTIONS AND AUDITING

Financial and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations, and the provisions of the Ministry of Finance of the State Council. Where the Hong Kong Listing Rules or the securities regulatory authority of the Company’s stock listing venue prescribe otherwise, those provisions shall prevail.

The Company shall prepare an annual financial report at the end of each financial year and have it audited by a certified public accounting firm in accordance with the law.

Unless otherwise provided in these Articles of Association, the Company shall, at least twenty-one (21) days before the annual general meeting, deliver or send by prepaid post to every holder of overseas-listed shares the aforesaid report, together with the directors’ report, the balance sheet (including every document required by law to be annexed thereto) and the profit-and-loss account or income-and-expenditure statement, addressed to the registered address shown in the register of members. Notwithstanding the foregoing, for holders of overseas-listed shares, the Company may give notice by publishing the documents on the Company’s website, the website of The Stock Exchange of Hong Kong Limited, and/or any other website(s) prescribed from time to time under the securities regulatory rules of the Company’s stock listing venue, provided that the requirements of the applicable laws, administrative regulations and the securities regulatory authority of the Company’s stock listing venue are satisfied.

The aforementioned regular reports shall be prepared in accordance with relevant laws, administrative regulations, regulations of the CSRC, and the rules of the stock exchange where the Company is listed.

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Profit Distributions

The profit distribution policy of the Company is as follows:

(i) Basic principles of the Company’s profit distribution policy

The Company implements an active profit distribution policy, attaches great importance to reasonable investment returns for shareholders, and the profit distribution policy should maintain continuity and stability.

(ii) Details of the Profit Distribution Policy

(1) Forms of profit distribution

The Company may distribute dividends in cash, in shares, or by a combination of both; however, cash dividends shall take precedence whenever the Company is eligible to make them.

(2) Specific conditions for cash dividends

If the Company recorded a profit in the preceding financial year and its cumulative distributable profits are positive, and provided that the normal production and operating funding needs of the Company have been met, the Company shall distribute dividends in cash.

The Company’s profit distribution policy will maintain consistency and stability. If adjustments to the profit distribution policy become necessary due to significant changes in external operating conditions or the company’s own operational circumstances, such adjustments must prioritize the protection of shareholder rights. The Board of Directors shall conduct research and analysis, and in the shareholder meeting proposal, provide detailed justification and explanations by comprehensively considering factors such as industry competition, the company’s financial position, and capital needs planning. Proposals concerning adjustments to the profit distribution policy require review by the Board of Directors before submission to the Company’s shareholder meeting for approval. Furthermore, the adjusted profit distribution policy must not violate the relevant regulations of the China Securities Regulatory Commission and the stock exchange where the company is listed.

In cases where shareholders have improperly occupied company funds, the company shall deduct the cash dividends allocated to such shareholders to repay the occupied funds.

The Company implements an internal audit system and is equipped with full-time auditors to conduct internal audit supervision on the Company’s financial revenue expenditures and economic activities.

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The Company's internal audit system and the responsibilities of the auditors should be implemented after approval by the Board of Directors. The head of the audit department is accountable to and reports to the audit committee of the Board of Directors.

MERGER, DIVISION, INCREASE OF CAPITAL, REDUCTION OF CAPITAL, DISSOLUTION AND LIQUIDATION OF THE COMPANY

Merger, Division, Increase of Capital and Reduction of Capital of the Company

In a merger of companies, the Company shall execute a merger agreement and prepare the balance sheet and property list. The Company shall notify their creditors within ten days of adopting merger resolutions, and shall publish the announcement within 30 days through newspapers or the National Enterprise Credit Information Publicity System. Creditors shall be entitled to claim full repayment of all debts owed by the Company or require that appropriate assurances be provided within 30 days of receiving the notice, or within 45 days of publication of the announcement if any such creditor does not receive the notice.

In the event of a merger of companies, the debts and liabilities of the merging parties shall be assumed by the surviving Company or the newly established Company after the merger.

If the Company is to be divided, its assets shall be divided accordingly.

In a division of the Company, a balance sheet and a property list shall be prepared. The Company shall notify its creditors within ten days of the date on which the division resolution is adopted, and shall publish the announcement within 30 days through newspapers or the National Enterprise Credit Information Publicity System.

The debts of a Company prior to its separation shall be jointly and severally liable to the Company after separation. However, unless otherwise agreed in the written agreement reached between the Company and the creditors on the settlement of debts before the separation.

When the Company needs to reduce its registered capital, it must prepare the balance sheet and property list.

The Company shall notify its creditors within 10 days as of the date of making the resolution on reducing the registered capital, and shall announce it through newspapers or the National Enterprise Credit Information Publicity System within 30 days. Creditors shall be entitled to claim full repayment of all debts owed by the Company or require that appropriate assurances be provided within 30 days of receiving the notice, or within 45 days of publication of the announcement if any such creditor does not receive the notice.

The registered capital of the Company after the capital reduction shall not be lower than the statutory minimum limit.

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Dissolution and Liquidation of the Company

The Company shall be dissolved in accordance with the law under any of the following circumstances:

- (i) the term of business operation expires as specified by the Articles of Association or other matters leading to dissolution occur as specified by the Articles of Association;
- (ii) the shareholders' meeting resolves to dissolve the Company;
- (iii) dissolution is necessary as a result of the merger or division of the Company;
- (iv) the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws; or
- (v) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

In the event of the circumstances specified in Article 181(1) and (2) of the Articles of Association, and if the property has not been distributed to the shareholders, the Company may continue its existence by amending the Articles of Association or pursuant to the resolution of shareholders' meeting.

Amendments to the Articles of Association in accordance with the preceding paragraph must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. If the Company is dissolved due to the reasons specified in Article 181 (1), (2), (4) and (5) of these Articles of Association, a liquidation committee shall be established within 15 days to commence liquidation. The liquidation committee shall be composed of directors or persons determined by the shareholders' meeting. If a liquidation committee is not formed to carry out liquidation within the time limit, creditors may apply to the People's Court to appoint relevant persons to form a liquidation committee to carry out the liquidation.

The liquidation committee shall notify creditors within ten days of its establishment, and shall announce it through newspapers or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement. When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims. During the period of declaration of claims, the liquidation committee shall not repay the debts to creditors.

After the liquidation committee has liquidated the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the shareholders' meeting or the People's Court where the Company is registered for confirmation.

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The Company’s property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the taxes owed and all the Company’s debts shall be distributed by the Company to the shareholders in proportion to the shares they hold. During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company’s property will not be distributed to the shareholders until repayment of its debts in accordance with the preceding paragraph.

If the liquidation committee, having liquidated the Company’s property and prepared a balance sheet and property list, discovers that the Company’s property is insufficient to pay its debts in full, it shall apply to the People’s Court for a declaration of bankruptcy in accordance with the law. After the People’s Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the bankruptcy administrator appointed by the People’s Court.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

In any of the following circumstances, the Company shall amend the Articles of Association:

- (i) after the PRC Company Law or relevant laws, administrative regulations, or securities regulatory rules of the place where the Company is listed are amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations, or securities regulatory rules;
- (ii) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association; or
- (iii) the shareholders’ meeting decides to amend the Articles of Association.

If the matters regarding the amendment of the Articles of Association approved by the resolutions of the shareholders’ meeting involve the items subject to Company registration, the alteration registration shall be handled in accordance with the laws.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of Our Company

Our Company was established as a limited liability company under the laws of the PRC on July 24, 2012 and was converted into a joint stock company with limited liability on June 18, 2025.

The Company has established a place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on August 21, 2025, with Ms. Tang Ka Yan (鄧嘉欣) appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V, respectively.

2. Changes in the Share Capital of the Company

Please refer to the section headed “History, Development and Corporate Structure” for changes in the share capital of the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in “6. Our Subsidiaries” below, there has been no changes in the share capital of the Company’s subsidiaries during the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on August 19, 2025, the following resolutions, among other things, were duly passed:

- (i) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Stock Exchange;
- (ii) the number of H shares to be issued shall be no more than [REDACTED] of the total issued share capital upon the [REDACTED] (before the exercise of the [REDACTED]), and the grant of the [REDACTED] in respect of no more than [REDACTED] of the number of H Shares issued pursuant to the [REDACTED];
- (iii) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of H Shares on the Stock Exchange; and
- (iv) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED].

APPENDIX VI STATUTORY AND GENERAL INFORMATION

5. Restrictions on Repurchase

Please refer to Appendices IV and V to this document for details.

6. Our Subsidiaries

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no person is directly or indirectly interested in 10% or more of the issued voting shares of the subsidiary of the Company.

There has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contract

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

(a) the [REDACTED].

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group’s business:

(a) Trademarks

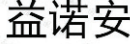
As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date (Year/Month/ Date)
1 . . .	宜品	5	Bei’an Yeeper Nuka	PRC	54823660	2032/10/20
2 . . .	宜品益臻	5	Bei’an Yeeper Nuka	PRC	22877752	2028/02/27
3 . . .	欧能多	5	Bei’an Yeeper Nuka	PRC	9527429	2032/06/20
4 . . .	欧士达	5	Bei’an Yeeper Nuka	PRC	10916943	2033/11/06
5 . . .	葆安素	5	Bei’an Yeeper Nuka	PRC	10925908	2034/01/06
6 . . .	蓓康僖	5	Bei’an Yeeper Nuka	PRC	20148083	2027/07/20
7 . . .	宜品怡贝	5	Bei’an Yeeper Nuka	PRC	22877462	2028/02/27

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date (Year/Month/ Date)
8 . . .	宜品益美	5	Bei'an Yeeper Nuka	PRC	22877843	2028/02/27
9 . . .	爱尼可	5	Bei'an Yeeper Nuka	PRC	28144069	2029/05/20
10 . .	启铂	5	Bei'an Yeeper Nuka	PRC	37241539	2030/08/20
11 . .	小羊妞妞	5	Bei'an Yeeper Nuka	PRC	43106626	2030/09/13
12 . .	宜品小羊	5	Bei'an Yeeper Nuka	PRC	47658258	2031/03/13
13 . .	爱星	5	Bei'an Yeeper Nuka	PRC	57714767	2032/01/20
14 . .	宜品	29	Bei'an Yeeper Nuka	PRC	54835214	2032/11/06
15 . .	欧士达	29	Bei'an Yeeper Nuka	PRC	10917434	2033/09/13
16 . .	宜品臻高	29	Bei'an Yeeper Nuka	PRC	43132861	2030/09/13
17 . .	宜品长高高	29	Bei'an Yeeper Nuka	PRC	43854970	2031/02/06
18 . .	宜品蓓康僖	29	Bei'an Yeeper Nuka	PRC	69436284	2033/08/06
19 . .	益荃康	5	Our Company	PRC	42994506	2030/09/20
20 . .	甄而蔼	5	Our Company	PRC	55351893	2031/11/20
21 . .	启耀	5	Our Company	PRC	53854751	2032/04/13
22 . .	棒棒羊	5	Our Company	PRC	56373580	2031/12/27
23 . .	怡贝深度	5	Our Company	PRC	76164139	2034/06/20
24 . .	怡贝深敏	5	Our Company	PRC	76170705	2034/06/27
25 . .		5	Our Company	PRC	59586175	2032/03/13
26 . .		5	Our Company	PRC	60154852	2032/04/13
27 . .		5	Our Company	PRC	60181234	2032/04/13

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date (Year/Month/ Date)
28 . .		5	Our Company	PRC	61548438	2032/06/13
29 . .		5	Our Company	PRC	63960456	2032/10/06
30 . .		5	Our Company	PRC	81493847	2035/05/20
31 . .		29	Our Company	PRC	53902531	2031/12/06
32 . .		29	Our Company	PRC	25848483	2028/08/20
33 . .		5	HAM	Korea	23309994	2028/03/20
34 . .		5	Our Company	Hong Kong	306852853	2035/03/27

(b) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

No.	Domain name	Registered owner	Expiration date (Year/Month/Date)
1	yeeper-dairy.com	Bei'an Yeeper Nuka	2034-05-25
2	bekari.cn	Changsha Bekari	2030-05-25

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(c) *Patents*

As at the Latest Practicable Date, our Group had registered the following patents which are material to our business:

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent number	Application date (Year/Month/Date)	Patent status
1 . .	Stirring device for whey powder production (一種用於乳清粉生產的攪拌裝置)	utility model	Yeeper Goat Milk	PRC	ZL202420274500.3	2024-02-05	valid
2 . .	Raw milk storage tank (一種原料乳儲存罐)	utility model	Yeeper Goat Milk	PRC	ZL202420267613.0	2024-02-04	valid
3 . .	Milk powder can (shaped) (奶粉罐(異形))	design patent	Yeeper Goat Milk	PRC	ZL202430076191.4	2024-02-04	valid
4 . .	Cap for milk powder can (奶粉罐用蓋)	design patent	Yeeper Goat Milk	PRC	ZL202430076207.1	2024-02-04	valid
5 . .	Crystallization tank for whey powder production (一種乳清粉生產用結晶罐)	utility model	Yeeper Goat Milk	PRC	ZL202420111807.1	2024-01-17	valid
6 . .	A packaging machine opening device (一種包裝機開口裝置)	utility model	Yeeper Goat Milk	PRC	ZL202420075371.5	2024-01-12	valid
7 . .	A homogenizer for whey powder preparation (一種乳清粉制備用均質機)	utility model	Yeeper Goat Milk	PRC	ZL202420048850.8	2024-01-08	valid
8 . .	Sealing device for packaging machine (一種包裝機用封口裝置)	utility model	Yeeper Goat Milk	PRC	ZL202323572634.8	2023-12-27	valid
9 . .	Anti-blocking discharging device for packaging machine (一種包裝機用防堵式出料裝置)	utility model	Yeeper Goat Milk	PRC	ZL202323525757.6	2023-12-25	valid
10 . .	A discharge Hopper for packaging machine (一種包裝機用下料斗)	utility model	Yeeper Goat Milk	PRC	ZL202323508240.6	2023-12-21	valid
11 . .	Dust removing device for packaging machine (一種用於包裝機的除塵裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202323462834.8	2023-12-18	valid
12 . .	Packaging box (milk powder) (包裝盒(奶粉))	design patent	Bei'an Yeeper Nuka	PRC	ZL202330813668.8	2023-12-11	valid
13 . .	Milk powder barrel (series) (奶粉桶(系列))	design patent	Bei'an Yeeper Nuka	PRC	ZL202330813675.8	2023-12-11	valid
14 . .	Condensed water recovery tank of evaporator (一種蒸發器冷凝水回收罐)	utility model	Bei'an Yeeper Nuka	PRC	ZL202323132507.6	2023-11-20	valid
15 . .	A exhaust device of packaging machine (一種包裝機排氣裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202323072702.4	2023-11-14	valid

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent number	Application date (Year/Month/Date)	Patent status
16	A conveying device for packaging machine (一種包裝機用輸送裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202323049220.7	2023-11-13	valid
17	A stirring equipment for producing cream (一種稀奶油生產的攪拌設備)	utility model	Bei'an Yeeper Nuka	PRC	ZL202322997375.7	2023-11-07	valid
18	A milk powder storage device for goat milk powder processing (一種羊奶粉加工用奶粉儲存裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202322939543.7	2023-10-31	valid
19	A mixing device for goat milk powder production (一種羊奶粉生產用混合裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202322926446.4	2023-10-31	valid
20	Milking cup convenient for cleaning teats of dairy animals and using method (一種便於清洗奶畜乳頭的擠奶杯及其使用方法)	Invention Patent	Bei'an Yeeper Nuka	PRC	ZL201910288233.9	2019-04-11	valid
21	A children full-nutrition formula powder and its preparation method and application (一種兒童全營養配方粉及其制備方法和應用)	Invention Patent	Bei'an Yeeper Nuka	PRC	ZL202310507272.X	2023-05-06	valid
22	Milk powder cover (奶粉蓋)	design patent	Bei'an Yeeper Nuka	PRC	ZL202230357823.5	2022-06-13	valid
23	A split milk powder cover (一種分體式奶粉蓋)	utility model	Bei'an Yeeper Nuka	PRC	ZL202221057352.7	2022-05-05	valid
24	A functional food for maintaining healthy blood glucose and lipid levels, and Its preparation method (一種有助於維持血糖健康水平、血脂健康水平的保健食品及其制備方法)	Invention Patent	Bei'an Yeeper Nuka	PRC	ZL202111454530.X	2021-11-30	valid
25	Milk powder cans (children) (奶粉罐(兒童))	design patent	Bei'an Yeeper Nuka	PRC	ZL202030606143.3	2020-10-13	valid
26	Milk powder can (student) (奶粉罐(學生))	design patent	Bei'an Yeeper Nuka	PRC	ZL202030606144.8	2020-10-13	valid
27	A raw material mixing device for dairy food processing (一種用於乳制食品加工的原料混合裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202021636899.3	2020-08-10	valid
28	Cold and hot tank for dairy production (乳製品生產用冷熱缸)	utility model	Bei'an Yeeper Nuka	PRC	ZL202021368935.2	2020-07-14	valid

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No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent number	Application date (Year/Month/Date)	Patent status
29	Filter device for dairy production (用於乳製品生產的過濾裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202021368933.3	2020-07-14	valid
30	Mistake prevention device for milk powder production (一種奶粉生產用防投錯裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202020894295.2	2020-05-25	valid
31	A fresh milk collecting device for milk powder production (一種奶粉生產用鮮奶收集裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202020895820.2	2020-05-25	valid
32	A feeding device for milk powder production (一種奶粉生產用上料裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202020895818.5	2020-05-25	valid
33	A raw material transportation device for milk powder production (一種奶粉生產用原料運輸裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL202020895817.0	2020-05-25	valid
34	A wastewater discharge treatment tank for milk powder production and processing (一種奶粉生產加工廢水排放處理池)	utility model	Bei'an Yeeper Nuka	PRC	ZL202020895819.X	2020-05-25	valid
35	A novel Milk Powder Whey Sampling Device (一種新型奶粉乳清取樣裝置)	utility model	Bei'an Yeeper Nuka	PRC	ZL201920164834.4	2019-01-30	valid
36	A kind of Cheese powder and its production method (一種干酪粉及其製作方法)	Invention Patent	Bei'an Yeeper Nuka	PRC	ZL201711405685.8	2017-12-22	valid
37	A preparation method of hypoallergenic infant formula milk powder (一種低致敏性嬰幼兒配方奶粉製備方法)	Invention Patent	Bei'an Yeeper Nuka	PRC	ZL201410626548.7	2014-11-10	valid
38	An infant formula specifically designed for male babies (一種專為男寶寶設計的嬰幼兒配方奶粉)	Invention Patent	Bei'an Yeeper Nuka	PRC	ZL201310321320.2	2013-07-29	valid
39	Cap (Yipin Crown Cap) (蓋子 (宜品皇冠蓋))	appearance design	Yeeper Goat Milk	PRC	ZL202430492807.6	2024-08-05	valid

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(d) Copyrights

As at the Latest Practicable Date, our Group had registered the following copyrights which are material to our business:

No	Title of work	Copyright owner	Registration number	Registration date (Year/Month/ Date)
1 . .	Yang xiaochun (羊小純)	Our Company	2025-F-00192784	2025-06-19
2 . .	Yeeper special medical dolphin image (宜品特醫海豚形象)	Our Company	2025-F-00143108	2025-05-17
3 . .	Yeeper cow prince (宜品牛王子)	Our Company	2024-F-00224983	2024-07-31
4 . .	Yeeper dairy super symbol 3-2 (宜品乳業超級符號3-2)	Our Company	2022-F-10159403	2022-08-04
5 . .	Yeeper yizhen logo (宜品益臻logo)	Our Company	2022-F-10126742	2022-06-24
6 . .	Yeeper dairy super symbol 3 (宜品乳業超級符號3)	Our Company	2022-F-10046552	2022-03-02
7 . .	Yeeper dairy super symbol (宜品乳業超級符號)	Our Company	2021-F-00299161	2021-12-29
8 . .	Yeeper dairy super symbol 2 (宜品乳業超級符號2)	Our Company	2021-F-00299162	2021-12-29
9 . .	Xiaoke cartoon image (小可卡通形象)	Our Company	2021-F-00285174	2021-12-10
10 .	Yeeper lamb IP (宜品小羊IP)	Our Company	2021-F-00214317	2021-09-15
11 .	Yeeper lamb IP (宜品小羊IP)	Our Company	2021-F-00214316	2021-09-15
12 .	Yeeper lamb IP (宜品小羊IP)	Our Company	2021-F-00203477	2021-09-02
13 .	Bekari sheep (蓓康僖的羊)	Our Company	2021-F-00167787	2021-07-23
14 .	Xiao Ai student image (曉愛同學形象)	Our Company	2021-F-00106976	2021-05-17
15 .	Pure sheep festival (純羊節)	Changsha Bekari	2019-F-00918252	2019-12-11
16 .	Xiaochun (小純)	Changsha Bekari	2019-F-00752224	2019-04-17

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) *Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations*

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [REDACTED] (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our H Shares are [REDACTED]:

Director	Capacity/Nature of Interest	Class of Shares held after the [REDACTED]	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾	Approximate percentage of shareholding in the issued share capital of our Company after the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾
Mr. Mu ⁽²⁾	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Yu Haixia (于海霞) ⁽³⁾ . .	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Liu Guomin (劉國民) ⁽⁴⁾ . .	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Liang Xing (梁星) ⁽⁵⁾	Interest in controlled corporation	H Shares	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately after completion of the [REDACTED] (without taking into account the H Shares which may be issued upon the exercise of the [REDACTED]).
- (2) Under the SFO, Mr. Mu is deemed to be interested in the Shares held by (i) Kangwang Investment, which was his wholly-owned company; (ii) Qiwang Investment, which was an Employee Shareholding Platform owned as to approximately 0.67% by Kangwang Investment as the executive general partner and 51.99% by Mr. Mu as a limited partner; and (iii) Zhongwang Investment, which was an Employee Shareholding Platform, in which Ms. Yu Haixia, our executive Director was its executive general partner and Mr. Mu was a limited partner and owned as to 84.70%. As Mr. Mu contributed more than one third of the capital to the limited partnership, he is also deemed to be interested in the Shares held by Zhongwang Investment.

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- (3) Ms. Yu Haixia is the executive general partner of Zhongwang Investment, an Employee Shareholding Platform, therefore she is deemed to be interested in the Shares held by Zhongwang Investment.
- (4) Mr. Liu Guoming is the executive general partner of Zhenai Investment, an Employee Shareholding Platform, therefore he is deemed to be interested in the Shares held by Zhenai Investment.
- (5) Mr. Liang Xing is the limited partner of Changhong Investment, an Employee Shareholding Platform, and holds 32.59% of its equity interest. As Mr. Liang contributed more than one third of the capital to the limited partnership, he is also deemed to be interested in the Shares held by Changhong Investment.

(b) *Interests of the substantial shareholders in the Shares*

Save as disclosed in the section headed “Substantial Shareholders” of this document, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

2. Particulars of the Directors Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For details of the remuneration of Directors, see “Directors, Supervisors and Senior Management – Directors’ Remuneration and Remuneration of Five Highest Paid Individuals” and note 10 in “Appendix I Accountants’ Report” to this document.

4. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED] on the Stock Exchange;

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- (b) None of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [REDACTED] on the Stock Exchange;
- (c) None of the Directors nor any of the experts referred to in “D. Other Information – 8. Qualifications and Consents of Experts” below:
 - (i) has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, 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; or
 - (ii) is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;
- (d) Save in connection with the [REDACTED], none of the Directors nor any of the experts referred to in “D. Other Information – 8. Qualifications and Consents of Experts” below:
 - (i) interested legally or beneficially in any shares in any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to [REDACTED] for or to nominate persons to [REDACTED] for any securities in any member of our Group;
- (e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the top five customers or our top five suppliers of the Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on the Group.

2. Litigation

As of the Latest Practicable Date, our Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

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3. The Joint Sponsors’ Independence

The Joint Sponsors has made an application on our behalf to the Listing Committee for [REDACTED] of, and permission to deal in, the H Shares, including any additional [REDACTED] which may be issued pursuant to the exercise of the [REDACTED]. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED]. The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US\$850,000 for acting as the sponsors for the [REDACTED].

4. Compliance Adviser

The Company has appointed Altus Capital Limited as the compliance adviser upon [REDACTED] in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

5. Preliminary Expenses

The Company has not incurred any preliminary expenses.

6. Taxation of holder of H Shares

The sale, purchase and transfer of H Shares registered with our [REDACTED] will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix III to this document.

7. Promoters

Our promoters comprised of two Shareholders immediately at the establishment of our Company on July 24, 2012:

No.	Name of promoters
1.	Mr. Mu
2.	Ms. Zheng Yan (鄭燕)

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

8. Qualifications and Consents of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) which have given opinions or advice in, or referred to in, this document are as follows:

Name of Expert	Qualifications
Haitong International Capital Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
Beijing DHH (Shanghai) Law Firm	Legal advisers as to PRC law to our Company
Frost & Sullivan	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent qualified professional valuer

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

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10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

12. Miscellaneous

- (a) Save as disclosed in this section, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) No share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.
- (d) Our Company has no outstanding convertible debt securities or debentures.
- (e) None of the experts listed under “– 8. Qualifications and Consents of Experts”:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to [REDACTED] for or to nominate persons to [REDACTED] for securities in any member of the Group save in connection with the [REDACTED].
- (f) The English text of this document shall prevail over their respective Chinese text.
- (g) There are no procedures for the exercise of any right of pre-emption or transferability of [REDACTED] rights.
- (h) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.
- (i) There is no arrangement under which future dividends are waived or agreed to be waived.

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- (j) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.
- (k) Our Company is not presently listed on any stock exchange or traded on any trading system.
- (l) None of our equity and debt securities is presently listed on any stock exchange or traded on any trading system and no such listing or permission to list is being or is proposed to be sought.
- (m) Our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.
- (n) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND DOCUMENTS ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the material contracts referred to in “Appendix VI – Statutory and General Information”; and
- (b) the written consents referred to in “Appendix VI – Statutory and General Information.”

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.yeeper-dairy.com during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited [REDACTED] financial information prepared by Ernst & Young, the texts of which are set out in “Appendix I – Accountants’ Report” and “Appendix II – Unaudited [REDACTED] Financial Information,” respectively;
- (c) the audited consolidated financial statements of the Group for the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025;
- (d) the PRC legal opinion from Beijing DHH (Shanghai) Law Firm, the Company’s PRC legal advisors, in respect of among other things, the general matters of the Company and the property interests of our Group in the PRC;
- (e) the industry report prepared by Frost & Sullivan, the summary of which is set out in “Industry Overview”;
- (f) the PRC Company Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;
- (g) the service contracts between each of the Directors and the Company referred to in “Appendix VI – Statutory and General Information”;
- (h) the material contracts referred to in “Appendix VI – Statutory and General Information”;
- (i) the written consents referred to in “Appendix VI – Statutory and General Information”; and
- (j) the valuation reports prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.