
INDUSTRY OVERVIEW

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OVERVIEW OF CHINA’S DAIRY PRODUCTS MARKET

Dairy products are foods made from raw milk through pasteurization, fermentation, spray drying, and other processes. They are consumed at home, in food service, and as ingredients. With rich nutritional value and broadly accepted taste profiles, dairy products represent one of the core dietary staples across the human life cycle.

Compared with developed markets, China’s dairy industry commenced at a relatively later stage. However, supported by rapid modernization across the entire value chain and increasingly efficient supply-chain integration, the industry has achieved rapid catch-up development. Driven by accelerating urbanization, rising health awareness among consumers and continuous product innovation and upgrading, China’s dairy market is expected to maintain steady growth.

Liquid dairy product is the largest segment of the dairy market. Based on storage conditions, liquid dairy products are primarily categorized into low-temperature liquid dairy products and ambient liquid dairy products. Low-temperature liquid dairy products mainly include fresh milk and low-temperature yogurt, while ambient liquid dairy products mainly comprise UHT milk and ambient yogurt. By retail value, liquid dairy products accounted for 54.3% of China’s total dairy market in 2024, with a market size of RMB355.0 billion. The market is expected to reach RMB395.4 billion by 2029, and is expected to grow at a CAGR of 2.3% from 2025 to 2029.

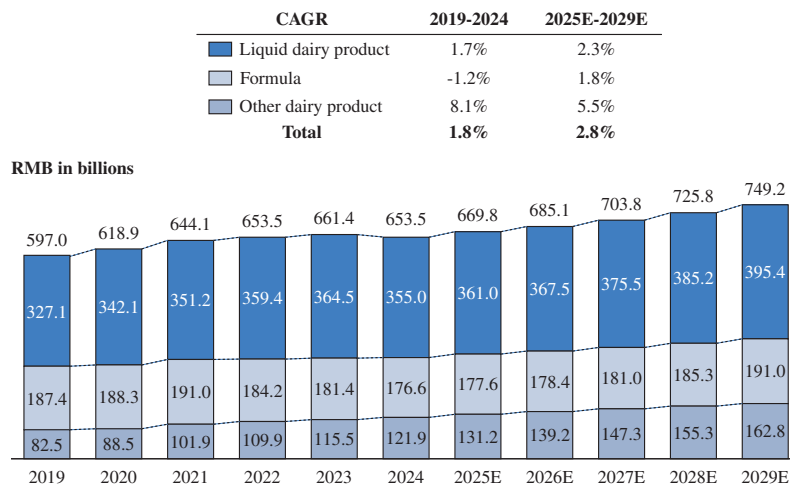
Formula product is the second-largest segment of China’s dairy market, primarily including infant formula, child formula, and adult formula. By retail value, formula products accounted for 26.7% of China’s total dairy market in 2024, with a market size of RMB176.6 billion, and recorded a CAGR decline of 1.2% since 2019. Looking ahead, as China’s national strategy of High-quality Population Development is progressively implemented and policy benefits from comprehensive childbirth-support measures, such as childbirth subsidies and inclusive childcare services, are gradually released, the market is expected to stabilize and recover. The market is projected to reach RMB191.0 billion by 2029, and is expected to grow at a CAGR of 1.8% from 2025 to 2029.

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Other dairy products have diversified formats, including cheese, butter, cream, condensed milk and ice cream. This segment has been among the faster-growing segments in recent years. By retail value, its market size increased from RMB82.5 billion in 2019 to RMB121.9 billion in 2024, representing a CAGR of 8.1%. Looking forward, driven by the accelerated localization of supply chains in the food-service channel and strong innovation momentum in food applications such as freshly made coffee and tea and bakery products, the segment is expected to reach RMB162.8 billion by 2029, with a CAGR of 5.5% from 2025 to 2029.

The table below sets out the market size of China’s dairy products market by retail value:

**Market Size of Dairy Products in China, by Categories
and by Retail Value, 2019-2029E**

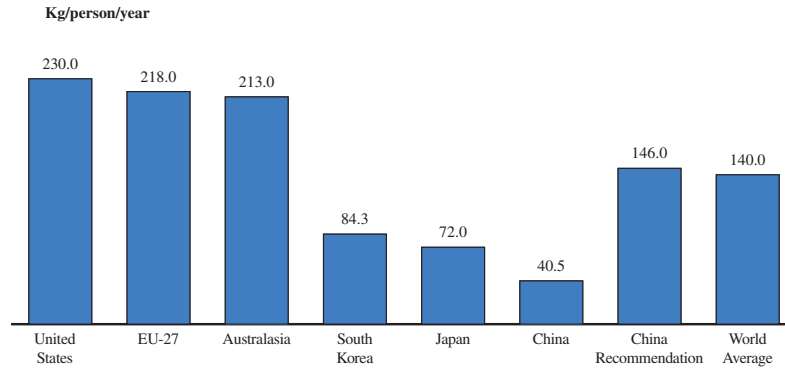


Source: National Bureau of Statistics of China (“NBS”), listed companies’ public filings, Frost & Sullivan analysis

Influenced by dietary habits, taste preferences and other factors, China’s per-capita dairy consumption currently remains at a relatively low level compared with developed Asian economies such as South Korea and Japan. In addition, according to the *Dietary Guidelines for Chinese Residents (2022)*, the recommended daily intake of dairy products for adults is 300-500 grams, which corresponds to approximately 146 kilograms per year. Compared with this dietary recommendation, current per-capita consumption in China still indicates substantial room for improvement. With increasing health awareness among residents, rising disposable income and purchasing power, continuous product innovation, and the continuous emergence of new consumption scenarios driven by evolving consumer preferences, China’s dairy market is well positioned for long-term growth.

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Per-capita dairy consumption, China Vs. Major economies, 2024



Source: Food and Agriculture Organization of the United Nations, World Health Organization, National Health Commission of the People's Republic of China, Frost & Sullivan analysis

Competitive Landscape

Influenced by dairy supply models, diversified consumer demand and historical development factors, China's dairy market features the coexistence of nationwide, integrated dairy enterprises and regional, specialized dairy enterprises. Nationwide, integrated dairy enterprises typically refer to industry leaders that operate diversified, cross-category product portfolios covering liquid dairy products, formula and other dairy products, and have established nationwide supply chain networks and extensive sales coverage. Faced with a wide range of choices, consumers tend to favor leading brands that they trust and perceive as reliable in terms of quality.

Leading nationwide players occupy a dominant position in the market by leveraging their strong brand recognition, distribution capabilities and supply-chain advantages. According to Frost & Sullivan, based on retail value in 2024, the Group ranked as the fourth largest dairy company in China and the third largest integrated dairy company in China, with a market share of 4.3%.

The table below sets out the top five dairy companies by retail value in China market in 2024 and their respective market share.

Ranking	Players	Market Share	Company Type
1	Company A	24.6%	Integrated dairy company
2	Company B	18.7%	Integrated dairy company
3	Company C	4.8%	Specialized dairy company
4	The Group	4.3%	Integrated dairy company
5	Company D	3.4%	Integrated dairy company
Top 5 combined		55.8%	

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Source: Listed companies’ public filings, Frost & Sullivan analysis

Notes:

Company A: a China-based dairy products company headquartered in Hohhot, Inner Mongolia, and listed on the Shanghai Stock Exchange, primarily engaged in the production and sale of liquid dairy products, formula, ice cream and other dairy products.

Company B: a China-based dairy products company headquartered in Hohhot, Inner Mongolia, and listed on the Hong Kong Stock Exchange, primarily engaged in the production and sale of dairy products including liquid dairy products, formula, ice cream and other dairy products.

Company C: an infant-formula-focused China-based dairy company headquartered in Beijing, and listed on the Hong Kong Stock Exchange, primarily engaged in the production and sale of infant formula and other dairy products.

Company D: a China-based dairy products company headquartered in Shanghai, and listed on the Shanghai Stock Exchange, primarily engaged in the production and sale of liquid dairy products such as fresh milk, ambient milk and yogurt, as well as other dairy products.

OVERVIEW OF CHINA’S LIQUID DAIRY PRODUCTS MARKET

Liquid dairy products represent the most fundamental form of milk consumption, characterized by broad consumer penetration and daily drinking attributes. By retail value, China’s liquid dairy products market increased from RMB327.1 billion in 2019 to RMB355.0 billion in 2024, and is expected to further grow to RMB395.4 billion by 2029, representing a CAGR of 1.7% from 2019 to 2024 and 2.3% from 2025 to 2029. Based on retail value in 2024, the liquid dairy products category accounted for 54.3% of the total market size of China’s dairy products market.

Based on key differences in sterilization methods, fermentation processes and storage conditions, liquid dairy products can be broadly categorized into four major product types: fresh milk, low-temperature yogurt, ambient milk and ambient yogurt. Products across these categories collectively address diversified consumer needs across different consumption scenarios.

The table below summarizes a comparison of the key characteristics of major liquid dairy product categories.

Category	Major Products	Storage & Transportation Requirements	Shelf Life	Key Characteristics
Low-temperature liquid dairy products	Fresh milk	Full cold-chain logistics (typically 2-6°C)	Relatively short, typically 7-19 days	Maximizes the retention of the natural flavor of fresh milk and active nutrients; fresh taste
	Low-temperature yogurt	Full cold-chain logistics (typically 2-6°C)	Relatively short, typically 15-25 days	Contains live beneficial probiotics that support gut health; diversified product formats and flavor innovation

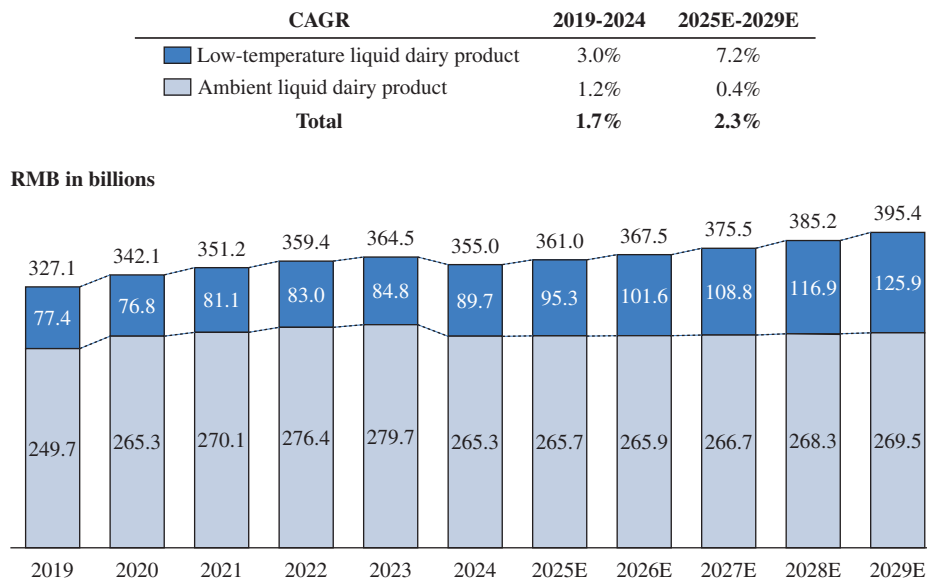
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Category	Major Products	Storage & Transportation Requirements	Shelf Life	Key Characteristics
Ambient liquid dairy products	UHT milk (ambient milk)	Ambient storage and transportation	Relatively long, typically 6-12 months	Convenient storage and portability; no refrigeration required; wide sales radius; suitable for household stock-up and gift consumption
	Ambient yogurt	Ambient storage and transportation	Relatively long, typically 6 months	Shelf-stable yogurt products offering convenience and broader distribution without cold-chain requirements

Source: Frost & Sullivan analysis

The chart below sets out the market size of China’s liquid dairy products by categories.

Market Size of Liquid Dairy Products in China, by Categories and by Retail Value, 2019-2029E



Source: Frost & Sullivan analysis

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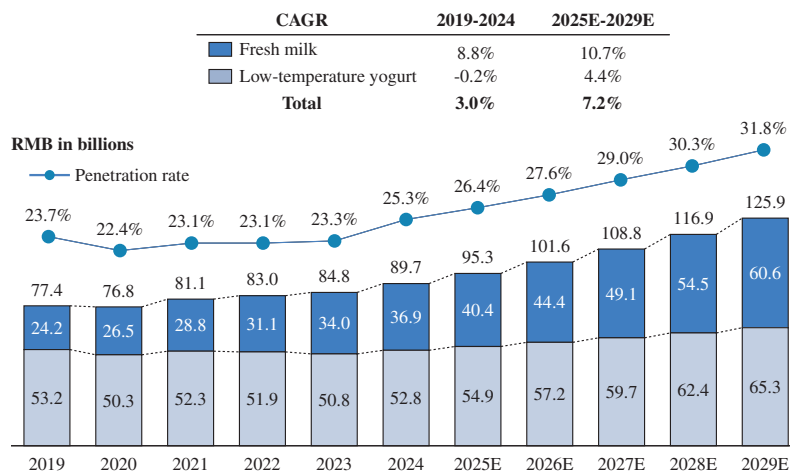
Overview of Low-Temperature Liquid Dairy Product Market in China

To maximize the preservation of the natural flavor and heat-sensitive active nutrients in fresh milk and fermented dairy products, low-temperature liquid dairy products are generally sterilized using pasteurization (typically HTST) or emerging ultra-short-time thermal processing technologies. Compared with ambient milk products processed through UHT sterilization, fresh milk demonstrates a clear advantage in the retention of nutrients such as lactoferrin, immunoglobulins and B-complex vitamins, with retention rates typically estimated to be 30-50 percentage points higher.

Consumer demand for “fresh” and “natural” nutritional value, together with rising expectations for a higher-quality overall consumption experience, has continued to strengthen. In parallel, with the progressive improvement and upgrading of cold-chain infrastructure, low-temperature liquid dairy products have emerged as a significant structural growth opportunity within China’s liquid dairy market. Fresh milk and low-temperature yogurt are increasingly substituting traditional ambient milk and ambient yogurt, becoming the core growth engines of the industry.

By retail value, China’s low-temperature liquid dairy products market has demonstrated growth resilience outperforming the overall industry, with market size increasing steadily from RMB77.4 billion in 2019 to RMB89.7 billion in 2024, representing a CAGR of 3.0%. Accordingly, the penetration rate of low-temperature liquid dairy products within China’s liquid dairy market, by retail value, increased from 23.7% in 2019 to 25.3% in 2024, underscoring their role as a key source of structural market expansion. Looking ahead, this structural upgrading trend is expected to continue. The market size is projected to reach RMB125.9 billion by 2029, with a CAGR of 7.2% from 2025 to 2029, and its penetration rate within the liquid dairy market is expected to further increase to 31.8% in 2029. China’s low-temperature liquid dairy product penetration remains significantly below that of mature markets such as the United States and Japan, where penetration exceeds 90% and 75% respectively, indicating substantial room for future growth.

Market Size of Low-Temperature Liquid Dairy Products in China, by Categories and by Retail Value, 2019-2029E



Source: Frost & Sullivan analysis

Note: Penetration rate represents the retail value of low-temperature liquid dairy products as a percentage of the total retail value of liquid dairy products.

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By retail value, China’s fresh milk market increased from RMB24.2 billion in 2019 to RMB36.9 billion in 2024, representing a CAGR of 8.8%, and is expected to further grow to RMB60.6 billion by 2029. From 2025 to 2029, the market is expected to grow at a CAGR of 10.7%. As a result, fresh milk has emerged as a key growth segment within China’s low-temperature liquid dairy products market.

In parallel, China’s fresh milk market has exhibited a clear premiumization trend, with the premium segment increasingly serving as an important growth driver supported by product upgrading and extended shelf-life offerings. By retail value, the premium fresh milk market increased from RMB5.9 billion in 2019 to RMB13.3 billion in 2024, and is expected to reach RMB28.4 billion by 2029.

Low-temperature yogurt is primarily distinguished by the gut health benefits derived from live probiotics and its strong flavor versatility. As a natural carrier for product innovation, low-temperature yogurt meets consumers’ evolving demand for enhanced flavor, texture and functionality through diversified combinations with fruit pieces, grains and nutritional fortification. Accordingly, the success of a low-temperature yogurt product depends not only on a stable supply of high-quality raw milk and end-to-end cold-chain assurance, but also heavily on enterprises’ core capabilities in strain research and development, flavor formulation and precise fermentation processes.

Driven by sustained consumer demand for gut health benefits, functional attributes and diversified taste experiences, China’s low-temperature yogurt market has remained an important category within liquid dairy products. However, public health events disrupted offline consumption channels, which have historically been the primary sales channels for low-temperature yogurt, and simultaneously reinforced consumers’ preference for healthier choices. Against this backdrop, consumers increasingly shifted from traditional sugar-added products toward lower-sugar and lower-calorie options as they pursued healthier and higher-quality choices. However, the market’s product supply and assortment did not adjust in a timely manner to match these evolving preferences, resulting in a decline in category consumption to a certain extent. As a result, the market experienced certain fluctuations in recent years, with market size adjusting from RMB53.2 billion in 2019 to RMB52.8 billion in 2024, while overall resilience remained evident. Looking forward, under the continued trends of functionalization and scenario based segmentation, the market is expected to reach RMB65.3 billion by 2029. From 2025 to 2029, the market is expected to grow at a CAGR of 4.4%.

Given China’s vast geography, significant disparities exist across city tiers in terms of economic development, household income levels and consumption habits, resulting in differentiated development stages and market characteristics for low-temperature liquid dairy products across cities of different tiers.

Dense networks of modern supermarkets and convenience stores concentrated in Tier 1 and Tier 2 cities, together with an increasingly mature cold-chain logistics system, constitute the core foundation of China’s low-temperature liquid dairy market. Building on this solid base, the digital transformation of retail channels has further injected new momentum into market development. Traditional e-commerce models represented by platform operated stores

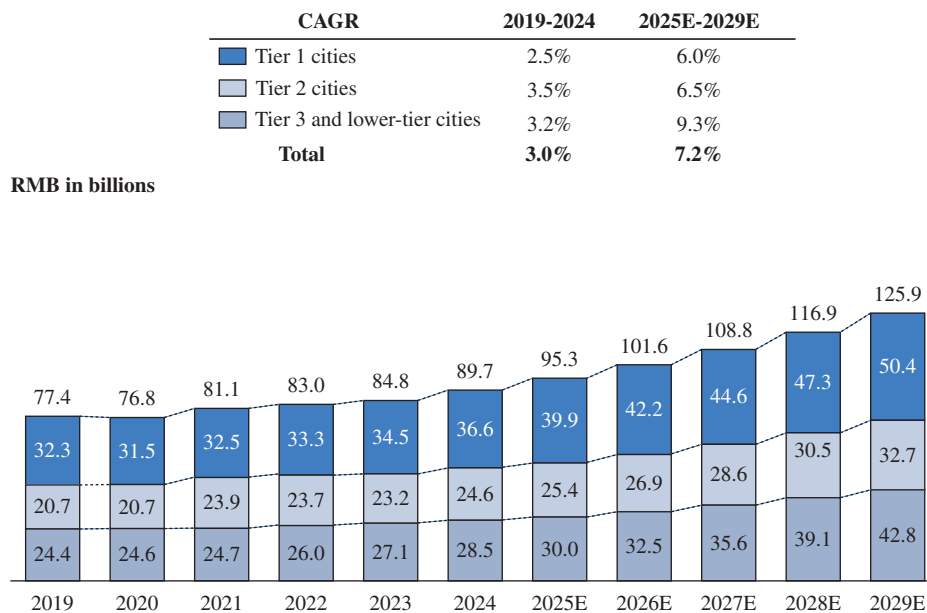
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and brand flagship stores have removed geographical constraints on sales. Meanwhile, proximity based retail channels centered on O2O platforms and instant retail leverage urban front warehouses and offline stores to deliver a “delivery within 30 minutes” experience, precisely addressing consumers’ demand for immediacy and ultra freshness in low-temperature liquid dairy products.

At present, higher tier cities remain the core consumption markets for low-temperature liquid dairy products. By retail value in 2024, the penetration rate in Tier 1 cities, measured as a proportion of the local liquid dairy market, reached 33.1%, significantly higher than 23.1% in Tier 2 cities and 15.5% in Tier 3 and lower-tier cities. This uneven development primarily reflects the more advanced cold-chain infrastructure, higher disposable income levels and earlier adoption of health and nutrition awareness in higher tier cities.

However, with the effective extension and coverage of mature cold-chain logistics networks from core cities into lower tier markets, the wider adoption of online retail channels, and the steady improvement in local consumers’ health awareness and purchasing power, lower tier markets are demonstrating strong growth momentum. According to Frost & Sullivan, from 2025 to 2029, the low-temperature liquid dairy market in Tier 3 and lower-tier cities is expected to record a CAGR of 9.3%, outpacing the growth rates of 6.0% in Tier 1 cities and 6.5% in Tier 2 cities. Looking ahead, lower tier city markets are expected to continue to serve as an important growth engine for China’s low-temperature liquid dairy product market, with substantial consumption potential yet to be fully unlocked, offering broad development opportunities for industry participants.

Market Size of Low-Temperature Liquid Dairy Products in China, by City Tiers and by Retail Value, 2019-2029E



Source: Frost & Sullivan analysis

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Overview of Ambient Liquid Dairy Product Market in China

Benefiting from convenient transportation, long shelf life and ease of storage, the development of ambient liquid dairy products has historically accelerated the penetration of dairy consumption across cities of different tiers and township markets in China, and continues to constitute the dominant portion of China’s liquid dairy market.

By retail value, the market size of China’s ambient liquid dairy products increased from RMB249.7 billion in 2019 to RMB265.3 billion in 2024, representing a CAGR of 1.2% over the period. Looking ahead, under ongoing consumption upgrading and the adjustment of the product mix toward premiumized and functional offerings, the ambient liquid dairy market is expected to maintain moderate growth, with market size projected to reach RMB269.5 billion by 2029. From 2025 to 2029, the market is expected to grow at a CAGR of 0.4%.

Drivers and Trends of Liquid Dairy Product Market in China

- **Accelerating penetration of low-temperature liquid dairy products driving structural upgrading.** Supported by improved cold-chain infrastructure and rising consumer demand for freshness and active nutrients, low-temperature liquid dairy products, including fresh milk and low-temperature yogurt, have seen increasing consumer preference and have become a key structural growth driver. The fresh milk segment has benefited from the adoption of bottled formats and shelf-life extension technologies, enabling wider geographic coverage and supporting the nationwide scaling of premium fresh milk. Low-temperature yogurt continues to evolve toward functional and dessert-oriented positioning, expanding consumption occasions. Overall, the penetration of low-temperature liquid dairy products within the liquid dairy market is expected to continue increasing.
- **More segmented consumption scenarios.** Diversifying consumption scenarios are driving demand for varied packaging specifications. In addition to traditional household consumption, dairy products are increasingly consumed across diversified out-of-home scenarios such as bakery and freshly made coffee and tea chains, driving higher frequency and more fragmented usage occasions. Small-size packages for on-the-go consumption and large-format family packs for household stock-up are expected to coexist as mainstream formats. This trend requires enterprises to enhance flexible manufacturing capabilities and tiered channel penetration to address different consumption needs.
- **Leading players pursuing international and regional expansion.** Selected domestic leaders are using markets such as Hong Kong and Macau to validate the competitiveness of premium fresh milk and functional yogurt products. Leveraging ESL technologies and cross-border cold-chain capabilities, these enterprises are exploring expansion into Southeast Asia. Alignment with international standards in areas such as quality traceability and carbon management is also driving further upgrades in management and supply-chain capabilities.

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Entry Barriers and Key Success Factors

Amid intensifying competition, particularly in the low-temperature liquid dairy segment where technology and capital requirements are higher, enterprise success depends on building a set of integrated capabilities:

- **Strong brand equity and consumer trust.** As dairy products are daily consumer staples, brand perception and consumer trust directly influence repurchase behavior and pricing power. Successful brands typically establish transparent consumer communication mechanisms through visible quality initiatives, such as factory or farm visits, end to end traceability and third party authoritative certifications. Long term brand reputation, together with strong ESG performance, constitutes a core asset in building durable brand advantages across cycles.
- **Control over high quality milk sources and integrated value chain capabilities.** Stable, traceable, high quality raw milk is fundamental to producing premium low-temperature liquid dairy products. Leading enterprises typically secure supply through self owned farms or deep upstream partnerships, and build closed loop management across the full chain from forage to farm to processing to cold chain to distribution channels. This not only safeguards product quality and safety at the source, but also creates cost advantages during cyclical raw milk price fluctuations. Such capabilities require long term capital investment, standardized quality control systems, and accumulated strengths in areas such as land resources and environmental compliance.
- **Intelligent manufacturing and end to end quality control. Advanced manufacturing capabilities underpin product consistency and operational efficiency.** Through sustained investment in highly automated production lines, manufacturing execution systems and in-line monitoring equipment, enterprises can improve yields and shorten supply chain response times. Strong digital capabilities and end to end quality control systems are prerequisites for scaled and lean production.
- **Wide coverage cold chain logistics and nationwide supply capabilities.** The extreme reliance of fresh milk and yogurt on temperature control and delivery timeliness makes an efficient and widely covered cold chain a core competitive barrier. Leading enterprises need strong cold chain management capabilities to meet fulfillment requirements across multiple channels, including on demand delivery, membership stores and supermarkets. In addition, the application of key technologies such as ESL is critical to expanding the effective sales radius, reducing loss, enabling nationwide scaled supply, and enhancing profitability in low-temperature businesses.

Competitive Landscape

China’s low-temperature liquid dairy market exhibits a relatively high level of concentration, with a pronounced leading player effect. Based on retail value in 2024, the top five market participants collectively accounted for 63.9% of total market share, among which the Company ranked second with a market share of 14.5%.

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The table below sets out the top five low-temperature liquid dairy market participants by retail value in China market in 2024 and their respective market share.

Ranking	Players	Market Share
1	Company B	15.7%
2	The Company	14.5%
3	Company D	14.2%
4	Company A	11.5%
5	Company E	8.0%
Top 5 combined		63.9%

Source: Listed companies' public filings, Frost & Sullivan analysis

Note:

Company E: a China-based dairy products company headquartered in Chengdu, Sichuan Province and listed on the Shenzhen Stock Exchange, primarily engaged in the production and sale of dairy products, including fresh milk, yogurt, UHT milk and other dairy products.

OVERVIEW OF CHINA'S FORMULA MARKET

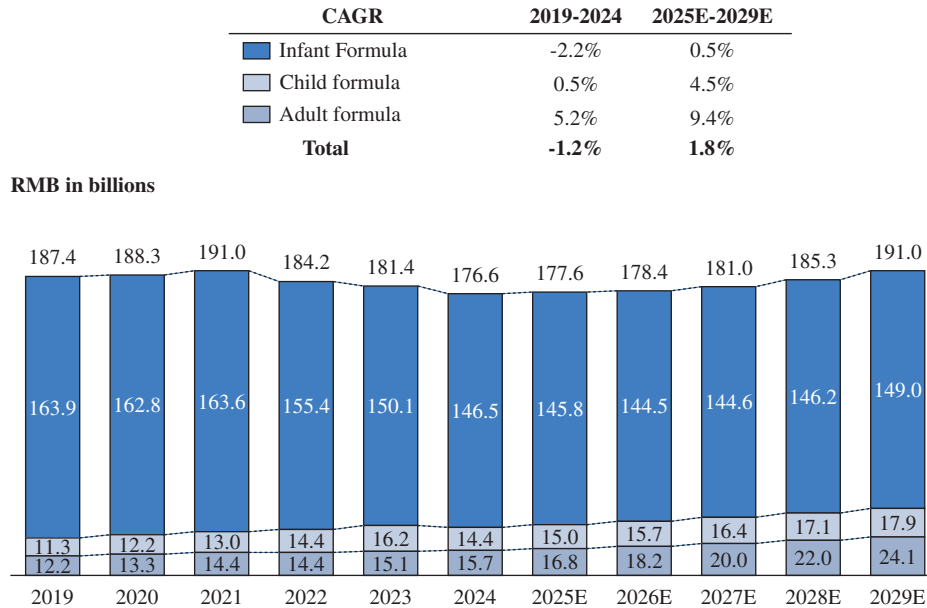
Formula products are powdered dairy products processed from fresh raw milk and core nutritional ingredients such as lactoferrin through scientifically formulated blending, concentration and spray-drying processes. These products are characterized by long shelf life, stable nutritional content, and ease of storage and transportation. Based on the specific nutritional needs of consumers at different life stages, China's formula market can be broadly segmented into three major categories. Infant formula is designed for infants and toddlers aged 0 to 36 months and provides precise nutritional alternatives that closely resemble breast milk through refined stage-based formulations and science-based recipes. Child formula primarily targets preschool children aged 3 to 6 years. Adult formula focuses on providing nutritional support for adults, addressing needs such as bone health, blood glucose management and cardiovascular health.

Benefiting from continued upgrading toward premiumized and functional product offerings, as well as continuous growth in child and adult formula segments, China's formula industry has demonstrated resilience.

Infant formula represents the largest segment within China's formula market. With the implementation of the New National Standard driving higher industry concentration, and increasing consumer willingness to pay for scientifically validated formulations such as A2 protein, OPO structured lipids and lactoferrin, have continued to support structural upgrading of the industry. By retail value, China's infant formula market reached RMB146.5 billion in 2024, accounting for 83.0% of the total formula market.

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Market Size of Formula in China, by Retail Value, 2019-2029E



Source: Listed companies' public filings, Frost & Sullivan analysis

In recent years, leading domestic brands have leveraged their integrated local value-chain advantages. By controlling upstream high-quality dairy farms, using fresh raw milk as the primary input and adhering to science-based nutrition R&D, these enterprises have established differentiation in product freshness, nutrient uniformity and formulation rigor. Given the nature of infant formula as a core staple food, its stringent requirements for milk source quality and processing standards, together with China's implementation of one of the world's most stringent infant formula registration regimes, have created high technical, R&D and regulatory barriers to entry, shifting market competition from channel-driven marketing toward scientific validation and full-chain quality control.

This structural shift is reflected in the evolving competitive dynamics between domestic and imported infant formula brands. The market has undergone a pronounced change in recent years as domestic brands achieved breakthroughs in milk source development, formulation research and product quality, resulting in steadily increasing market share. By retail value, the market share of domestic infant formula brands rose from 49.0% in 2019 to 69.0% in 2024.

The expansion of domestic brands has been driven by several core factors, including the higher entry barriers and quality benchmarks introduced by the “New National Standard,” continued investment in research on the composition of Chinese breast milk enabling more differentiated products aligned with local physiological needs, and refined channel operations supporting deeper penetration into lower-tier markets. Collectively, these factors reflect a shift in competition from brand-origin preferences toward more rational evaluation based on product performance and scientific capabilities.

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Market Drivers and Development Trends

- **Premiumization and competition shifting toward scientific validation.** Consumer demand is shifting from basic nutrition toward precise, science-based nutritional support, driving premiumization across the infant formula market. Ingredients such as A2 protein, OPO, HMOs, lactoferrin and probiotics are increasingly incorporated into higher value-added formulations. At the same time, competition is moving beyond ingredient lists toward clinical validation and scientific evidence, with leading players strengthening barriers through breast milk databases, proprietary strain development and clinical research.
- **Professionalization of retail channel operations.** The mother-and-baby retail channel is undergoing consolidation toward chain-based and professional operators. Large chains with standardized management and stricter product selection are gaining share, favoring leading brands with strong supply-chain support and channel service capabilities.
- **Extension of consumption lifecycle and segment expansion.** Leading companies are expanding into child and adult formula segments, extending customer lifetime value and forming full lifecycle product portfolios.

Entry Barriers

- **Stringent formula registration, regulatory approval and capital-intensive scientific validation.** China operates one of the world’s most rigorous infant formula registration systems, requiring each formula and differentiation point to pass strict regulatory review. Compliance with these requirements, together with the need for long-term investment in milk composition research, proprietary strain development and clinical validation, creates high administrative and technical barriers that are difficult to replicate in the short term.
- **Control over milk sources and integrated value-chain capabilities.** Infant formula production relies on stable, traceable and self-controlled milk sources, together with advanced processing capabilities and integrated quality control systems. Compliance with regulatory requirements and consistent product quality typically necessitate heavy asset investment in upstream dairy farms, processing facilities and end-to-end quality management infrastructure, forming high barriers to entry.
- **Long-cycle brand trust accumulation.** As a special food category, infant formula depends heavily on long-established brand reputation and consumer trust, which new entrants cannot build in the short term.
- **Extensive offline distribution networks.** Infant formula sales rely on dense, nationwide mother-and-baby retail networks that also serve as platforms for professional services and consumer education, creating high channel development and management barriers.

Competitive Landscape of Infant Formula Market in China

China’s infant formula market exhibits a relatively high level of concentration, with leading domestic brands demonstrating clear competitive advantages. Based on retail value, the top five market participants collectively accounted for 55.9% of total market share. Among them, the Company ranked fifth with a market share of 5.0%, and was also the third largest domestic infant formula company in China, firmly positioned within the leading tier of the market.

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The table below sets out the top five infant formula market participants by retail value in China market in 2024 and their respective market share.

Ranking	Players	Market Share	Brand Origin
1	Company C	19.8%	China
2	Company A	14.6%	China
3	Company F	8.7%	Netherlands
4	Company G	7.8%	France
5	The Company	5.0%	China
Top 5 combined		55.9%	

Source: Listed companies' public filings, Frost & Sullivan analysis

Note:

Company F: a Netherlands-based dairy cooperative group headquartered in Amersfoort, the Netherlands, incorporated in 2008, primarily engaged in the production and sale of dairy products including infant formula and other dairy products.

Company G: a France-based food and beverage group headquartered in Paris, France, founded in 1919 and listed on Euronext Paris, primarily engaged in the production and sale of dairy and plant-based products, waters and specialized nutrition products, including infant formula.

OVERVIEW OF CHINA'S BUSINESS-TO-BUSINESS DAIRY PRODUCTS MARKET

As China's food-service industry and broader food manufacturing sector continue to scale and professionalize, downstream customers are placing higher requirements on dairy ingredient suppliers, including consistent high quality, stable supply and the ability to support diversified flavor and product innovation across standardized menus and industrial formulations. These evolving requirements are raising the bar for supply-chain capabilities and food ingredient standards across the value chain. Against the backdrop of accelerating chain-based expansion in the food-service industry, ongoing upgrades in supply-chain capabilities and food ingredient standards, and rising consumer demand for healthier food and beverage options, China's B2B dairy products market has emerged as one of the faster-growing segments within the broader dairy industry, with a relatively clear trajectory of structural upgrading. By revenue, the market size of China's B2B dairy products market increased from RMB27.9 billion in 2019 to RMB39.5 billion in 2024, representing a CAGR of approximately 7.2%. This growth has been primarily driven by rising and stable demand for dairy ingredients from formats such as bakery and freshly made coffee and tea, as well as the trend toward scaled procurement and standardized ingredient usage associated with the expansion of chain outlets.

Looking ahead, as chain restaurants and new-style beverage formats continue to expand, and as in-store applications of higher value-added dairy products such as fresh milk, cream, butter and cheese become increasingly diversified, the B2B dairy products market is expected to further grow to RMB61.0 billion by 2029. From 2025 to 2029, the market is expected to grow at a CAGR of 9.4%.

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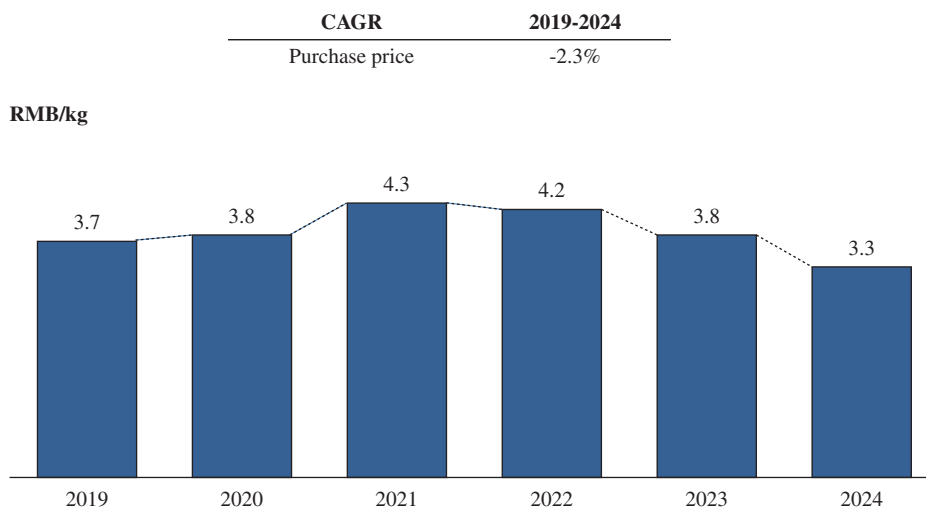
Market Drivers and Development Trends

- **Chain expansion and standardization driving stable B2B demand.** Increasing chain penetration in freshly made coffee and tea and bakery formats is promoting standardized menus and centralized procurement, generating stable and predictable demand for core dairy ingredients such as fresh milk, cream, butter and cheese.
- **Broader consumption scenarios lifting usage intensity.** Dairy applications are expanding beyond traditional Western-style food-service into beverages and Chinese-style desserts, increasing dairy usage per serving and supporting structural growth in B2B consumption.
- **Integrated supply chains and customized solutions accelerating concentration.** Downstream customers increasingly favor suppliers with nationwide coverage, end-to-end quality control and customized solutions, accelerating the B2B market’s shift from ingredient supply toward solution-based services.

RAW MILK PRICE ANALYSIS

From 2019 to 2024, the average procurement price of raw milk in China’s major producing provinces exhibited a volatile downward trend. The average purchase price declined from RMB3.7 per kilogram in 2019 to RMB3.3 per kilogram in 2024, representing a CAGR of -2.3% over the period. Specifically, prices temporarily peaked at RMB4.3 per kilogram in 2021, driven by tight supply conditions and elevated feed costs. Thereafter, prices declined from 2022 to 2024, primarily due to a shift in supply-demand dynamics. On the supply side, earlier expansion of dairy farms and improvements in per-cow productivity led to increased raw milk supply. On the demand side, softer downstream consumption, coupled with inventory pressure and the impact of imported base milk powder, jointly exerted downward pressure on prices.

Average Farm-Gate Purchase Price of Raw Milk in Major Producing Provinces, 2019-2024



Source: NBS, Frost & Sullivan analysis

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SOURCE OF INFORMATION

This section contains information extracted from the Frost & Sullivan Report prepared by Frost & Sullivan independently, which is commissioned by us in connection with the [REDACTED]. We expect to pay Frost & Sullivan a total of RMB400,000 for the Frost & Sullivan Report and our use of the report. Frost & Sullivan is a consulting company which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this Document to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.