You should read the following discussion and analysis in conjunction with our consolidated financial information including the notes thereto, included in the Accountants' Report set out in Appendix I to this Document, together with the respective accompanying notes. 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 that involve risks and uncertainties. These statements are based on assumptions and analysis in light of our experience and perception of historical events, 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, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Document, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a large-scale and fast-growing snack and beverage retailer, with our GMV increasing at a CAGR of 156.4% from 2023 to 2025. In terms of GMV of snack and beverage in 2025, we ranked as the second-largest snack and beverage retailer in China, according to CIC. Our nationwide brand *Haoxianglai* ranked as the No. 1 snack and beverage retail brand in China, and was the first brand of value retail for snack and beverage to surpass 10,000 stores nationwide in 2024, with the second brand in the industry reaching this milestone in 2025, according to the same source.

We are primarily engaged in the snack and beverage retail business, offering consumers a unified shopping experience that turns snacking into a daily affordable pleasure. Our stores feature a broad selection of food and beverage products, selected based on consumer insights and primarily sourced directly from brand owners. By making these products available to consumers without unnecessary intermediaries, we ensure that we provide consumers with quality products at affordable prices.

We primarily employ a franchise model to grow our store network, and generated 98.0% of our total revenue from sales of goods to our franchised stores in 2025. We also generated 0.6% of our total revenue from self-operated stores in the same year, which allow us to explore new markets and business models, as well as from wholesale sales, where we supply products in bulk to enterprise customers. In addition, we are also engaged in the cultivation and sale of edible fungi.

BASIS OF PRESENTATION AND PREPARATION

The historical financial information has been prepared in accordance with the IFRS Accounting Standards ("**IFRS**") which comprise all standards and interpretations approved by the International Accounting Standards Board. The historical financial information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Hong Kong Listing Rules.

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 our Group in the preparation of the historical financial information throughout the Track Record Period.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Store Network Expansion and Consumer Base Growth

As we primarily generate revenue from selling snacks and beverages through franchised and self-operated stores, the scale of our store network is critical to our revenue growth. During the Track Record Period, our store network had grown significantly, encompassing 4,560, 14,098 and 18,282 franchised stores and 166, 98 and 32 self-operated stores as of December 31, 2023, 2024 and 2025, respectively. We direct our business growth generally toward economically developed or densely populated regions, where higher purchasing power and consumer traffic can support stronger sales. According to CIC, in 2025, our Group was the largest value retailer for snack and beverage in both the Yangtze River Delta and the Shanhe Four Provinces, with market shares of approximately 63% and 55%, respectively, and GMV of 2.3 times and 1.6 times that of the respective second-largest competitors.

In parallel, our growing consumer base further supports our revenue growth. In 2025, our stores recorded approximately 2.4 billion transactions. At the core of our consumer base is our large and loyal membership system. We had approximately 190 million registered members as of December 31, 2025 and over 144 million active members in 2025. In December 2025, the average monthly purchasing frequency of our active members was 3.0 times. Such engagement level illustrates the vibrancy of our consumer base, which in turn drives sustained repurchases and supports revenue growth.

Our Ability in Product Selection and Development

Our product selection and development capabilities are critical to driving consumer traffic and sales volume. We review a broad range of SKUs and narrow them down to a curated national assortment of over 4,000 SKUs, with each store typically carrying around 1,800-2,000 SKUs. We explore new initiatives and keep enriching our product mix to better fulfill the needs of consumers. In 2025, we launched an average of approximately 220 new SKUs every month, ensuring freshness of offerings while maintaining operational efficiency through constant optimization.

In addition, we collaborate with upstream manufacturers to develop private-label products, which allow us to respond quickly to ever-evolving consumer preferences with agility, and deliver products that are either priced with affordability or differentiated in quality and features. We believe our private-label products will further drive revenue growth through diversifying and differentiating our product offerings, and enhancing product quality while ensuring affordable price, thereby increasing consumer traffic and strengthening brand loyalty.

Our Ability to Efficiently Manage Supply Chain

Efficient management of our supply chain is a critical factor in managing costs and improving profitability. As of December 31, 2025, approximately 96% of our products were procured directly from brand owners, effectively eliminating intermediaries and achieving more control over procurement costs. This direct procurement model allows us to negotiate better terms and pass on cost savings to our consumers.

To optimize logistics, we strategically position our warehouses in close alignment with our store network, enabling deliveries to approximately 80% of our stores within 24 hours to maintain optimal inventory levels and minimize stockouts. By utilizing technology and optimizing both procurement and logistics, we enhance supply chain efficiency, maintain cost control, and improve profitability across the business. In December 2025, our average order fulfillment rate under *Haoxianglai* brand exceeded 99%, above the industry average of 90%-95%, according to CIC.

Our Ability to Improve Operational Efficiency

Efficient management and control of operating expenses are crucial to our success. Our unified nationwide brand, *Haoxianglai*, not only strengthens brand awareness but also drives cost efficiencies by allowing marketing and promotional expenses to be shared across the network, standardizing training and operations, among others. We have maintained relatively low selling and distribution costs for our snack and beverage retail business. Since rapidly scaling our store network in 2023, we have kept selling and distribution costs below 5% of revenue from this segment, which further decreased to around 3% in 2025. Additionally, our administrative expenses have remained relatively low and exhibited a generally downward trend throughout the Track Record Period. While we expect the absolute amount of operating expenses to increase as our business grows, we anticipate ongoing improvements in operational efficiency and expect to benefit from economies of scale as we continue to scale up.

KEY OPERATING DATA

The following table sets forth our key operating data as of the dates and for the years indicated which we believe are useful for understanding our business performance, operational scale, and growth trends during the Track Record Period. We present these operating metrics because they are closely linked to our financial performance. For example, total GMV, total number of stores and total number of orders. These metrics should be read in conjunction with the discussion of our results of operations and other financial information included elsewhere in this Document.

	For the Year Ended/As of December 31,		
	2023	2024	2025
Total GMV *(RMB in million)*	11,151	42,596	73,316
Total number of orders *(in million)*	306	1,198	2,390
Total number of stores (count)	4,726	14,196	18,314
Average monthly GMV per store *(RMB in thousand)*[1]	406	412	382[3]
Average daily order volume per store[2]	394	402	419

Notes:

(1) The average monthly GMV per store is calculated by dividing the total GMV for a particular year by the aggregate number of months of operation of our stores during the same year.

(2) The average daily order volume per store is calculated by dividing the aggregate number of orders placed by consumers for a particular year by the aggregate number of days of operation of stores within our store network during the same year.

(3) The average monthly GMV per store in 2025 reflects an improvement during the second half of 2025, with the average monthly GMV per store increasing from approximately RMB371 thousand in the first half of 2025 to approximately RMB392 thousand in the second half of 2025.

MATERIAL ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions concerning the future and judgments are made by the management in the preparation of the historical financial information. They affect the application of our accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognized in the period of revision and future periods, in case the revision also affects future periods. During the Track Record Period, there had not been any material deviation from our management's estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions. We do not expect any material changes to these estimates and assumptions in the foreseeable future. For a better understanding of our material accounting policy information and material accounting judgment and estimates, please refer to Note 3 to the Accountants' Report included in Appendix I to this Document.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,											
	2023				2024				2025			
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	
	RMB	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*RMB*	*%*
	(RMB in thousands, except percentages)											
Revenue												
Snack and beverage retail business ("Snack")	8,759,025	–	8,759,025	94.2	31,790,207	–	31,790,207	98.3	50,856,923	–	50,856,923	98.8
Edible fungi business ("Fungi")	534,715	–	534,715	5.8	538,623	–	538,623	1.7	602,226	–	602,226	1.2
Subtotal	**9,293,740**	**–**	**9,293,740**	**100.0**	**32,328,830**	**–**	**32,328,830**	**100.0**	**51,459,149**	**–**	**51,459,149**	**100.0**
Cost of sales												
Snack	(7,925,134)	–	(7,925,134)	(85.3)	(28,336,922)	–	(28,336,922)	(87.7)	(44,590,086)	–	(44,590,086)	(86.6)
Fungi	(504,500)	(25,882)	(530,382)	(5.7)	(514,345)	(17,204)	(531,549)	(1.6)	(494,301)	(105,537)	(599,838)	(1.2)
Subtotal	**(8,429,634)**	**(25,882)**	**(8,455,516)**	**(91.0)**	**(28,851,267)**	**(17,204)**	**(28,868,471)**	**(89.3)**	**(45,084,387)**	**(105,537)**	**(45,189,924)**	**(87.8)**
Gross profit												
Snack	833,891	–	833,891	9.0	3,453,285	–	3,453,285	10.7	6,266,837	–	6,266,837	12.2
Fungi	30,215	(25,882)	4,333	0.0	24,278	(17,204)	7,074	0.0	107,925	(105,537)	2,388	0.0
Subtotal	**864,106**	**(25,882)**	**838,224**	**9.0**	**3,477,563**	**(17,204)**	**3,460,359**	**10.7**	**6,374,762**	**(105,537)**	**6,269,225**	**12.2**
Other income	11,199	–	11,199	0.2	133,176	–	133,176	0.5	196,451	–	196,451	0.4
Other gains and (losses), net	(19,357)	(5,595)	(24,952)	(0.3)	(44,456)	26,148	(18,308)	(0.1)	(29,897)	108,202	78,305	0.2
Selling and distribution costs	(433,843)	–	(433,843)	(4.7)	(1,430,819)	–	(1,430,819)	(4.4)	(1,544,440)	–	(1,544,440)	(3.0)
Administrative expenses	(476,785)	–	(476,785)	(5.1)	(1,053,468)	–	(1,053,468)	(3.3)	(1,676,198)	–	(1,676,198)	(3.3)
Finance costs	(28,745)	–	(28,745)	(0.3)	(50,848)	–	(50,848)	(0.2)	(54,065)	–	(54,065)	(0.1)
(Loss)/Profit before taxation	(83,425)	(31,477)	(114,902)	(1.2)	1,031,148	8,944	1,040,092	3.2	3,266,613	2,665	3,269,278	6.4
Income tax expense	(61,304)	–	(61,304)	(0.7)	(429,180)	–	(429,180)	(1.3)	(842,703)	–	(842,703)	(1.7)
(Loss)/Profit for the year and total comprehensive (expense)/income for the year	(144,729)	(31,477)	(176,206)	(1.9)	601,968	8,944	610,912	1.9	2,423,910	2,665	2,426,575	4.7
(Loss)/Profit for the year and total comprehensive (expense)/income for the year attributable to:												
Owners of the Company			(113,110)	(1.2)			301,174	0.9			1,347,264	2.6
Non-controlling interests			(63,096)	(0.7)			309,738	1.0			1,079,311	2.1
			(176,206)	(1.9)			610,912	1.9			2,426,575	4.7

Non-IFRS Measure

To supplement our consolidated financial statements presented in accordance with IFRS, we use adjusted net profit/(loss) (non-IFRS measure) for the year as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company. We believe that this measure provides useful information to [**REDACTED**] in understanding and evaluating our consolidated results of operations in the same manner as it helps management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) for the year may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit/(loss) (non-IFRS measure) as profit/(loss) for the year, adjusted for net share-based compensation expenses, which are non-cash in nature, and [**REDACTED**].

The following table reconciles our non-IFRS measure for the years presented with the nearest measures prepared in accordance with IFRS.

	For the Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Profit/(loss) for the year	(176,206)	610,912	2,426,575
Add back:			
Share-based compensation expenses, net	147,971	219,374	144,186
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit/(loss) (non-IFRS measure)	**(28,235)**	**830,286**	**2,574,191**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from (i) snack and beverage retail business and (ii) edible fungi business. In 2023, we strategically transitioned our business focus to snack and beverage retail business. As a result, revenue from snack and beverage retail business has increased rapidly and constituted 94.2%, 98.3% and 98.8% of our total revenue in 2023, 2024 and 2025, respectively.

Snack and beverage retail business

During the Track Record Period, we generated revenue primarily from sale of snacks and beverages to our franchisees, through our self-operated stores and through wholesale. We primarily adopt a franchise model, which is a common practice in the industry and helps us grow our store network in an efficient manner. We also generate wholesale revenue, where we sell our products in bulk to enterprise customers. During the Track Record Period, our wholesale revenue accounted for less than 1% of our total revenue.

Edible fungi business

We generate revenue from edible fungi, including enoki mushrooms, hypsizygus tessulatus and velvet antler mushrooms.

The following table sets forth the breakdown of our revenue by the nature of products, in absolute amounts and as percentages of our total revenue, for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Snack						
Franchised stores	8,320,591	89.5	31,150,071	96.3	50,425,059	98.0
Self-operated stores	390,966	4.2	524,048	1.6	324,047	0.6
Wholesale	47,468	0.5	116,088	0.4	107,817	0.2
Subtotal	**8,759,025**	**94.2**	**31,790,207**	**98.3**	**50,856,923**	**98.8**
Fungi	**534,715**	**5.8**	**538,623**	**1.7**	**602,226**	**1.2**
Total	**9,293,740**	**100.0**	**32,328,830**	**100.0**	**51,459,149**	**100.0**

Cost of Sales

The following table sets forth a breakdown of our cost of sales by major cost components, in absolute amounts and as percentages of our total cost of sales, for the years indicated. The changes in our cost of sales by major costs components were in line with the fluctuations in our revenue by business.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Snack						
Cost of procurement	7,800,728	92.3	27,945,053	96.8	43,953,272	97.3
Others	124,406	1.5	391,869	1.4	636,814	1.4
Subtotal	**7,925,134**	**93.8**	**28,336,922**	**98.2**	**44,590,086**	**98.7**
Fungi						
Cost of production	479,546	5.7	475,830	1.6	540,925	1.2
- Manufacturing costs	453,664	5.4	458,626	1.5	435,388	1.0
- Fair value adjustments of biological assets recorded in cost of sale	25,882	0.3	17,204	0.1	105,537	0.2
Others	50,836	0.5	55,719	0.2	58,913	0.1
Subtotal	**530,382**	**6.2**	**531,549**	**1.8**	**599,838**	**1.3**
Total	**8,455,516**	**100.0**	**28,868,471**	**100.0**	**45,189,924**	**100.0**

The cost of sales of our snack and beverage retail business consists of (i) cost of procurement, which comprises costs in procuring snacks and beverages from suppliers and represents a single cost component by nature; and (ii) others, which include logistics costs for delivering snack and beverage to our stores.

The cost of sales of our edible fungi business consists of (i) cost of production, which includes manufacturing costs and fair value adjustments of biological asset; and (ii) others, which include packaging costs for our fungi products.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by our products for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Snack	833,891	9.5	3,453,285	10.9	6,266,837	12.3
Fungi	4,333	0.8	7,074	1.3	2,388	0.4
Total	**838,224**	**9.0**	**3,460,359**	**10.7**	**6,269,225**	**12.2**

Our franchise model enables us to scale rapidly and efficiently. From 2023 to 2025, our gross profit margin maintained a steady growth. We plan to continue to improve our gross margin by further leveraging our economies of scale, streamlining supply chain and optimizing product mix offered in our store network.

During the Track Record Period, the gross profit margin for our edible fungi business was primarily influenced by the fluctuation of selling prices of fungi products due to market demand, as well as cost related to agricultural production.

Selling and Distribution Costs

Our selling and distribution costs consist of (i) employee compensation, including salaries, bonuses, and other benefits for our sales and marketing personnel; (ii) traveling and office expenses, which include travel expenses for business trips, office-related expenses, and logistics costs for self-operated stores; (iii) marketing and promotional expenses, which consist of business promotion expenses incurred for brand marketing and strategic planning, as well as service fees charged by online platforms; (iv) business development expenses, primarily in connection with supporting the store opening, relocation and renovation of our franchised stores; (v) depreciation and amortization related to fixed assets and right-of-use assets, (vi) short-term lease expenses and (vii) others, which comprise utility costs, property management costs, costs of store equipment, and training costs for franchisees.

The following table sets forth a breakdown of our selling and distribution costs, in absolute amounts and as percentages of our total selling and distribution costs, for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Employee compensation	222,513	51.3	626,700	43.8	731,378	47.4
Traveling and office expenses	64,824	14.9	169,220	11.8	187,057	12.1
Marketing and promotional expenses	50,716	11.7	184,440	12.9	244,227	15.8
Business development expenses	8,479	2.0	334,271	23.4	305,639	19.8
Depreciation and amortization	63,240	14.6	74,718	5.2	44,407	2.9
Short-term lease expenses	240	0.1	956	0.1	782	0.1
Others	23,831	5.4	40,514	2.8	30,950	1.9
Subtotal	**433,843**	**100.0**	**1,430,819**	**100.0**	**1,544,440**	**100.0**

Administrative Expenses

Our administrative expenses consist of (i) employee compensation, including salaries, bonuses, share-based payment expenses and other benefits for our administrative personnel; (ii) professional service fees, in connection with hiring auditors, software service providers and other professional parties for our daily and [**REDACTED**] compliance activities; (iii) depreciation and amortization, which include depreciation of self-owned and leased properties, buildings, machineries, office equipment, computer equipment, motor vehicles, other equipment and leasehold improvements; (iv) traveling and office expenses; (v) storage and transportation costs, which include warehousing service fees; (vi) taxes and surcharges; and (vii) others, which comprise repair costs, utilities and property management fees, external donation, bank charges and other miscellaneous expenses.

The following table sets forth a breakdown of administrative expenses by nature, in absolute amounts and as percentages of total administrative expenses, for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Employee compensation	291,306	61.1	471,248	44.7	652,553	38.9
Professional service fees	9,583	2.0	44,986	4.3	103,571	6.2
Depreciation and amortization	59,749	12.5	136,061	12.9	146,701	8.8
Traveling and office expenses	18,763	4.0	36,353	3.5	49,040	2.9
Storage and transportation costs	53,846	11.3	243,695	23.1	472,267	28.2
Taxes and surcharges	20,970	4.4	63,423	6.0	129,047	7.7
Others	22,568	4.7	57,702	5.5	123,019	7.3
Total	**476,785**	**100.0**	**1,053,468**	**100.0**	**1,676,198**	**100.0**

Other Income

Our other income consists of (i) interest income generated from bank deposits; (ii) government grants, which represent various industry-related subsidies provided by local authorities to support enterprises in our business sectors. Such grants are generally subject to conditions set out in the relevant government policies, including achieving certain revenue thresholds or meeting specified operational and compliance standards. We are required to satisfy these conditions before receiving the grants, and all relevant requirements have been duly fulfilled; and (iii) others, which represent sales of used store materials, income related to store operation activities and miscellaneous income such as long-term accounts payable that were written-off, VAT-exempt income and consumer complaint compensation from suppliers.

The following table sets forth a breakdown of other income by nature, in absolute amounts and as percentages of total other income, for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Interest income	1,614	14.4	14,110	10.6	17,400	8.8
Government grant	7,382	65.9	105,612	79.3	140,007	71.3
Others	2,203	19.7	13,454	10.1	39,044	19.9
Total	**11,199**	**100.0**	**133,176**	**100.0**	**196,451**	**100.0**

Other Gains and Losses, Net

Our other gains and losses consist of (i) net losses on disposal of property, plant and equipment, which results from the disposal of assets from the closure of self-operated stores, machinery and equipment; (ii) net losses on disposal of intangible assets, as we disposed of a third-party corporate expense management platform which no longer satisfies our growing scale; (iii) (loss)/gain on modification and termination of leases, which primarily result from the strategic closure of self-operated stores and in connection with our disposal of properties for sale and construction projects; (iv) write down of inventories primarily in connection with our snack and beverage business; (v) provision for impairment loss on trade and other receivables, net; (vi) net changes in fair value less costs to sell (unrealized) due to the fluctuation of market price and market demand of edible fungi products; (vii) net changes in fair value less costs to sell (realized) in connection with edible fungi products; (viii) write-offs of receivables from wholesale customers; and (ix) others, which comprise payments made to employees in accordance with applicable labor laws to cover medical or recovery related expense, as well as compensation and fines.

Our financial results have been, and will continue to be, affected by changes in the fair value of our biological assets. The fair value of edible fungi is determined by cost approach and market approach. In applying these valuation methods, the Valuer has relied on a number of assumptions related to, among other things, selling price and cost to sell. Therefore, the fair value of our biological assets could be affected by, among other things, the accuracy of such assumptions, and any changes in the estimates may affect the fair value of our biological asset significantly. The Valuer and our management review the assumptions and estimates periodically to identify any significant changes in the fair value of our biological assets. Unrealized fair value gains do not generate any cash inflow for our operations and similarly, fair value losses do not result in any cash outflows for our operations. See "— Valuation of Biological Assets" for details.

The following table sets forth our items of other gains and losses in absolute amounts and as percentages of our total other gains and losses, net in each year indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Losses on disposal of property, plant and equipment, net	(6,753)	27.1	(23,160)	126.5	(2,822)	(3.6)
Loss on disposal of intangible assets, net	–	–	(132)	0.7	(113)	(0.1)
(Loss)/gain on modification and termination of leases	(554)	2.2	3,947	(21.6)	(1,224)	(1.6)
Write down of inventories	(5,197)	20.8	(11,901)	65.0	(4,437)	(5.7)
Provision for impairment loss on trade and other receivables, net	(5,653)	22.7	(4,685)	25.6	(7,747)	(9.9)
Net changes in fair value less costs to sell (unrealized)	(127)	0.5	7,524	(41.1)	10,189	13.0
Net changes in fair value less costs to sell (realized)	(5,468)	21.9	18,624	(101.7)	98,013	125.2
Written-off of receivables	(270)	1.1	(4,423)	24.2	(2,591)	(3.3)
Others	(930)	3.7	(4,102)	22.4	(10,963)	(14.0)
Subtotal	**(24,952)**	**100.0**	**(18,308)**	**100.0**	**78,305**	**100.0**

Finance Costs

Finance costs incurred by our snack and beverage retail business and edible fungi business include interests on borrowings and interest on lease liabilities.

The following table sets forth the breakdown of our finance costs in each year indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Interests on interest-bearing borrowings	16,860	58.7	32,602	64.1	39,488	73.0
Interests on lease liabilities	11,885	41.3	18,246	35.9	14,577	27.0
Total	**28,745**	**100.0**	**50,848**	**100.0**	**54,065**	**100.0**

Income Tax Expense

Our income tax expenses are related to profit before taxation arisen from our operation. For details, see Note 12 to the Accountants' Report set out in Appendix I to this Document.

Profit/(Loss) for the Year

We recorded after-tax profit of RMB610.9 million and RMB2,426.6 million for 2024 and 2025, respectively. We recorded net loss of RMB176.2 million for 2023.

Taxation

Our group entities established in the PRC were subject to PRC Enterprise Income Tax ("**EIT**") at a statutory rate of 25% during the Track Record Period except for the following:

Pursuant to Article 27(1) of the PRC EIT and Article 86(1) of the Regulations for the Implementation of the Enterprise Income Tax Law of the PRC, agricultural products produced and sold by us and our subsidiary Nanjing Jinwanchen Biotechnology Co., Ltd. are exempted from the PRC EIT.

Certain subsidiaries of our Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC's State Administration of Taxation. Pursuant to the policy, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporate which is not exceeding RMB3 million is subject to 25% income tax rate at its taxable income, and such taxable income is entitled to a preferential income tax rate of 20% for the period from January 1, 2023 and expiring on December 31, 2027.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our revenue increased by 59.2% from RMB32,328.8 million in 2024 to RMB51,459.1 million in 2025.

- ***Snack and beverage retail business.*** Our revenue from snack and beverage retail business increased by 60.0% from RMB31,790.2 million in 2024 to RMB50,856.9 million in 2025. The increase was primarily due to the expansion of our store network of 14,196 as of December 31, 2024 to 18,314 as of December 31, 2025, as well as an increase in our number of orders from 1,198 million in 2024 to 2,390 million in 2025. The growth was in turn, driven by (i) optimized and diversified product mix with the average SKUs per store increased from 1,700 units as of December 31, 2024 to approximately 1,900 units as of December 31, 2025, (ii) an increase in our store network primarily in economically developed regions, with the number of stores in eastern China significantly increased from 8,265 as of December 31, 2024 to 9,888 as of December 31, 2025 and (iii) enhanced brand awareness with new marketing activities initiated since the first half of 2025, such as launching marketing video, audio, gift boxes in limited edition, holding festive events and appointment of Mr. Tan Jianci as *Haoxianglai's* first brand ambassador.

- ***Edible fungi business.*** Our revenue from edible fungi business increased by 11.8% from RMB538.6 million in 2024 to RMB602.2 million in 2025. The increase was primarily attributable to increase in the sales price of enoki mushrooms as well as increases in the sales volume of hypsizygus tessulatus and fresh velvet antler mushrooms, as a result of fluctuations in the market conditions and shift in supply and demand dynamics.

Cost of sales

Our cost of sales increased by 56.5% from RMB28,868.5 million in 2024 to RMB45,189.9 million in 2025.

- ***Snack and beverage retail business***. Cost of sales from snack and beverage retail business increased by 57.4% from RMB28,336.9 million in 2024 to RMB44,590.1 million in 2025, which was in line with our revenue growth.

- ***Edible fungi business***. Cost of sales from sales of edible fungi increased by 12.8% from RMB531.5 million in 2024 to RMB599.8 million in 2025, along with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 81.2% from RMB3,460.4 million in 2024 to RMB6,269.2 million in 2025.

- ***Snack and beverage retail business***: Gross profit from the snack and beverage retail business increased by 81.5% from RMB3,453.3 million in 2024 to RMB6,266.8 million in 2025, which was in line with our revenue growth. Our gross profit margins from the snack and beverage retail business increased from 10.9% to 12.3%, primarily driven by improved supply-chain efficiency. Our improved supply-chain efficiency was mainly driven by the expansion of our store network, which enhanced our bargaining power with suppliers through centralized procurement, enabled bulk purchasing at more favorable terms, and allowed transportation and logistics costs to be spread across a wider base of stores, thereby reducing per-store delivery costs and improving overall operational efficiency.

- ***Edible fungi business***: Gross profit from our edible fungi business decreased by 66.2% from RMB7.1 million in 2024 to RMB2.4 million in 2025. The decrease was primarily due to an increase in the price of enoki mushrooms, which led to higher fair value adjustment and a corresponding increase in cost of goods sold, resulting in a decrease in gross profit and gross profit margin.

Selling and distribution costs

Our selling and distribution costs increased by 7.9% from RMB1,430.8 million in 2024 to RMB1,544.4 million in 2025. Such increase was primarily due to (i) an increase in employee compensation due to the increase in the number of our sales and marketing employees to support our growing business needs, (ii) an increase in traveling and office expenses, due to our expansion of store network which required more travel, and (iii) an increase in marketing and promotional expenses driven by our brand building initiatives. Our selling and distribution costs as a percentage of total revenue in 2024 and 2025 amounted to 4.4% and 3.0%, respectively, reflecting our increased economies of scale leveraging our brand value and operational efficiency.

Administrative expenses

Our administrative expenses increased by 59.1% from RMB1,053.5 million in 2024 to RMB1,676.2 million in 2025. The increase in our administrative expenses was primarily attributable to (i) the expansion of our store network, which led to an increase in the amount of necessary administrative work and an increase in employee compensation due to an increase in the number of our administrative employees and (ii) an increase in storage and transportation costs, mainly due to the growth of our order volume and GMV. Our administrative expenses as a percentage of total revenue remained relatively stable, at 3.3% in 2024 and 2025.

Other income

Our other income increased from RMB133.2 million in 2024 to RMB196.5 million in 2025, primarily due to increases in (i) government grants in support of the fungi and retail industries, (ii) interest income due to increased bank deposits, and (iii) other income, such as sales of used store materials and income related to store operation activities.

Other gains and losses, net

Our net other gains and losses changed from a loss of RMB18.3 million in 2024 to a gain of RMB78.3 million in 2025, primarily due to the increase in gain arising from changes in fair value less costs to sell of biological assets (unrealized) and (realized), which in turn due to the increase in market price during the same year. The increase was also due to a decrease in net losses on disposal of property, plant and equipment, as we have strategically closed some of our self-operated stores to focus on a franchise model from 2023 to 2025. After such closure, we experienced a decrease in net losses on disposal of property, plant and equipment.

Finance costs

Our finance costs increased from RMB50.8 million in 2024 to RMB54.1 million in 2025, as we incurred more borrowings to fund our expanded operations and increased working capital needs.

Income tax expense

Our income tax expense increased significantly from RMB429.2 million in 2024 to RMB842.7 million in 2025, primarily due to a significant increase in profit before tax from our snack and beverage retail business.

Profit for the year

As a result of the foregoing, our profit for the year increased from RMB610.9 million in 2024 to RMB2,426.6 million in 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 247.9% from RMB9,293.7 million in 2023 to RMB32,328.8 million in 2024.

- ***Snack and beverage retail business.*** Revenue from our snack and beverage retail business increased by 262.9% from RMB8,759.0 million in 2023 to RMB31,790.2 million in 2024, primarily because we continue to grow our store network with franchise model. Specifically, the increase was primarily attributable to the expansion of our store network of 4,726 stores as of December 31, 2023, with franchised stores accounting for 96.5%, to 14,196 stores as of December 31, 2024, with franchised stores accounting for 99.3%, as well as an increase in the number of orders from 306 million in 2023 to 1,198 million in 2024. Our growth was in turn driven by (i) an increase in the number of franchised stores from 4,560 as of December 31, 2023 to 14,098 as of December 31, 2024, (ii) an increase in our store network in economically developed regions, with the number of stores in eastern China significantly increased from 3,245 as of December 31, 2023 to 8,265 as of December 31, 2024, and (iii) enhanced brand awareness through campaigns with renowned IPs, such as holding joint marketing events with Ultraman IP in August 2024, creating delicious and interesting offline snack social experiences for the younger generation and families with children.

- ***Edible fungi business.*** Revenue from sales of edible fungi remained relatively stable at RMB534.7 million and RMB538.6 million in 2023 and 2024, respectively.

Cost of sales

Our cost of sales increased by 241.4% from RMB8,455.5 million in 2023 to RMB28,868.5 million in 2024.

- ***Snack and beverage retail business***. Cost of sales from snack and beverage retail business increased by 257.6% from RMB7,925.1 million in 2023 to RMB28,336.9 million in 2024, which was in line with our revenue growth.

- ***Edible fungi business***. Cost of sales from sales of edible fungi remained relatively stable at RMB530.4 million and RMB531.5 million in 2023 and 2024, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 312.8% from RMB838.2 million in 2023 to RMB3,460.4 million in 2024, and our gross profit margin increased from 9.0% in 2023 to 10.7% in 2024.

- ***Snack and beverage retail business***: Gross profit from the snack and beverage retail business increased by 314.1% from RMB833.9 million in 2023 to RMB3,453.3 million in 2024, which was in line with our business expansion. Our gross profit margin increased from 9.5% in 2023 to 10.9% in 2024, primarily driven by improved supply-chain efficiency. Our improved supply-chain efficiency was mainly driven by the expansion of our store network, which enhanced our bargaining power with suppliers through centralized procurement, enabled bulk purchasing at more favorable terms, and allowed transportation and logistics costs to be spread across a wider base of stores, thereby reducing per-store delivery costs and improving overall operational efficiency.

- ***Edible fungi business***: Gross profit from our edible fungi business increased by 65.1% from RMB4.3 million in 2023 to RMB7.1 million in 2024. The gross profit margin from our edible fungi business remained relatively stable at 0.8% and 1.3% during the same years, respectively.

Selling and distribution costs

Our selling and distribution costs increased by 229.8% from RMB433.8 million in 2023 to RMB1,430.8 million in 2024. The increase was primarily due to (i) an increase in employee compensation due to an increase in the number of our sales and marketing employees to support our growing business needs, (ii) an increase in traveling and office expenses, due to our expansion of store network which required more business travel, (iii) an increase in marketing and promotional expenses driven by our brand building initiatives and (iv) an increase in business development expenses to support the store opening, relocation and renovation of our franchised stores. Our selling and distribution costs as a percentage of revenue decreased from 4.7% in 2023 to 4.4% in 2024, reflecting our increased operational efficiency and economies of scale as the marketing and promotional expenses was shared among higher product volume.

Administrative expenses

Our administrative expenses increased by 121.0% from RMB476.8 million in 2023 to RMB1,053.5 million in 2024. The increase in our administrative expenses was primarily attributable to the expansion of our business and corresponding increases in (i) employee compensation due to an increase in the number of our administrative employees, (ii) depreciation and amortization as we leased more warehouses and acquired more equipment, and (iii) storage and transportation costs. Our administrative expenses as a percentage of revenue decreased from 5.1% in 2023 to 3.3% in 2024, reflecting our increased operational efficiency.

Other income

Our other income increased from RMB11.2 million in 2023 to RMB133.2 million in 2024. The significant increase primarily stemmed from increases in (i) interest income from increased bank deposits, (ii) government grants in support of the snack and beverage retail industry and (iii) other income, such as selling used store materials and income related to store operation activities.

Other gains and losses, net

Our net other losses decreased by 26.8% from RMB25.0 million in 2023 to RMB18.3 million in 2024. The decrease was mainly driven by the net changes in fair value less costs to sell (unrealized), which was in turn due to the decrease in the cost of raw material; partially offset by (i) an increase in net losses on disposal of property, plant and equipment, as we have strategically closed some of our self-operated stores to focus on a franchise model from 2022 to 2024 and (ii) an increase in impairment loss on inventories, as we continue to develop our snack and beverage retail business and procure more inventories.

Finance costs

Our finance costs increased from RMB28.7 million in 2023 to RMB50.8 million in 2024, as we incurred more borrowings to fund our expanded operations and increased working capital needs and leased more properties.

Income tax expense

Our income tax expense increased from RMB61.3 million in 2023 to RMB429.2 million in 2024, primarily due to an increase in profit before tax generated from our snack and beverage retail business.

Profit/(loss) for the year

As a result of the foregoing, the year-end result went from a loss of RMB176.2 million in 2023 to a profit of RMB610.9 million in 2024.

DISCUSSION OF SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountants' Report included in Appendix I to this Document:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Non-current assets	1,574,556	1,482,043	1,154,059
Current assets	2,345,872	5,751,594	8,876,031
Total assets	**3,920,428**	**7,233,637**	**10,030,090**
Non-current liabilities	589,331	663,984	1,227,626
Current liabilities	2,635,415	5,100,783	6,241,463
Total liabilities	**3,224,746**	**5,764,767**	**7,469,089**

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Total assets less current liabilities	**1,285,013**	**2,132,854**	**3,788,627**
Net current (liabilities)/assets	(289,543)	650,811	2,634,568
Net assets	**695,682**	**1,468,870**	**2,561,001**
Capital and reserves			
Share capital	154,694	179,990	188,891
Reserves	490,540	925,688	1,304,548
Equity attributable to owners of the Company	645,234	1,105,678	1,493,439
Non-controlling interests	50,448	363,192	1,067,562
Total equity	**695,682**	**1,468,870**	**2,561,001**

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				(unaudited)
	(RMB in thousands)			
Current Assets				
Inventories	685,517	2,098,990	2,313,916	1,466,985
Biological assets	47,645	49,784	54,716	41,014
Trade and other receivables	402,779	1,221,262	1,764,422	1,870,058
Finance lease receivables	241	944	1,214	543
Restricted bank deposits	56,000	171,326	92,765	95,113
Bank balances and cash	1,153,690	2,209,288	4,648,998	3,583,783
Total Current Assets	**2,345,872**	**5,751,594**	**8,876,031**	**7,057,496**
Current Liabilities				
Trade and bills payables	943,174	2,093,942	3,074,804	755,574
Other payables and accruals	971,753	1,683,804	1,943,685	1,803,267
Interest-bearing borrowings	520,049	968,678	820,755	922,439
Lease liabilities	146,026	154,844	111,064	102,767
Income tax payable	54,413	199,515	291,155	227,812
Total Current Liabilities	**2,635,415**	**5,100,783**	**6,241,463**	**3,811,859**
Net Current (Liabilities) Assets	**(289,543)**	**650,811**	**2,634,568**	**3,245,637**

Our net current assets increased by RMB940.3 million, from net current liabilities of RMB289.5 million as of December 31, 2023 to net current assets of RMB650.8 million as of December 31, 2024, primarily because the increase in total current assets outpaced the increase in total current liabilities. Our total current assets increased by RMB3,405.7 million, primarily attributable to increases in (i) inventories of RMB1,413.5 million, (ii) bank balances and cash of RMB1,055.6 million, (iii) trade and other receivables of RMB818.5 million and (iv) restricted bank deposits of RMB115.3 million. In addition, our total current liabilities increased by RMB2,465.4 million, primarily attributable to increases in (i) trade and bills payables of RMB1,150.7 million, (ii) other payables and accruals of RMB712.0 million and (iii) interest-bearing borrowings of RMB448.7 million.

Our net current assets increased by RMB1,983.8 million, from RMB650.8 million as of December 31, 2024 to RMB2,634.6 million as of December 31, 2025, primarily because the increase in total current assets outpaced the increase in total current liabilities. Our total current assets increased by RMB3,124.4 million, primarily attributable to increases in (i) bank balances and cash of RMB2,439.7 million, (ii) trade and other receivables of RMB543.2 million and (iii) inventories of RMB214.9 million. Our total current liabilities increased by RMB1,140.7 million, primarily attributable to increases in (i) trade and bills payables of RMB980.9 million and (ii) other payables and accruals of RMB259.9 million, partially offset by decreases in interest-bearing borrowings of RMB147.9 million.

Our net current assets increased by RMB611.0 million from RMB2,634.6 million as of December 31, 2025 to RMB3,245.6 million as of February 28, 2026, primarily due to the decrease in total current liabilities that outpaced the decrease in total current assets. Our current assets decreased primarily due to the decreases in (i) bank balances and cash of RMB1,065.2 million, attributable to our payment of bonus and repayment of bank borrowings and (ii) inventories of RMB846.9 million, mainly as we experienced an increase in sales in February due to the impact of the Chinese New Year holiday, which led to a decrease in inventories. The decrease in current liabilities was mainly attributable to the decreases in (i) trade and bills payables of RMB2,319.2 million, due to our payment of trade payables for procurement in preparation of the Chinese New Year holiday towards the end of the 2025 and (ii) other payables and accruals of RMB140.4 million, as we often made provisions for bonuses at year end.

Key Items of Assets

Inventories

During the Track Record Period, our inventories consisted of (i) inventories related to our snack and beverage retail business, comprising of finished goods and (ii) inventories related to our edible fungi business, including raw materials and goods-in-transit. The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Raw materials	21,816	22,037	21,912
Goods-in-transit	5,028	25,802	72,698
Finished goods	659,634	2,057,240	2,219,818
	686,478	2,105,079	2,314,428
Less: provision for impairment, net	(961)	(6,089)	(512)
	685,517	**2,098,990**	**2,313,916**

As of December 31, 2023, 2024 and 2025, the increases of our inventories were generally in line with our business expansion over time driven by our snack and beverage retail business.

The following table sets forth the turnover days of our inventories for the years indicated.

	For the Year Ended December 31,		
	2023	2024	2025
Inventory turnover days[1]			
Snack	16.0	17.6	17.9
Fungi	18.0	17.8	15.7
Overall	16.2	17.7	17.8

Notes:

(1) Inventories turnover days are based on the average balance of inventories divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year. Average balance is calculated as the average of the beginning balance and ending balance of a given year. The number of days for the years ended December 31, 2023 and 2025 is 365 days; the number of days for the year ended December 31, 2024 is 366 days.

In 2023, 2024 and 2025, as we quickly grew, our inventory turnover days remained relatively stable as we aimed to achieve a balance between fulfilling time and inventory level. The turnover days of our edible fungi remained relatively stable during the Track Record Period.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within six months	656,726	2,082,467	2,259,287
Six months to one year	11,032	6,556	26,698
Over one year	17,759	9,967	27,931
Total	**685,517**	**2,098,990**	**2,313,916**

We have put in place a set of policies and procedures to manage our inventories. Leveraging our self-developed digital systems, we make forecast on product demand by different product type based on the sales data and prepare inventories accordingly. In addition, our supply chain management department monitors the inventory level across all of our warehouses to make sure we supplement the inventory on time and maintain a healthy level. We believe that by maintaining optimal inventory levels, we can meet our franchisees' demand and ensure their satisfaction without compromising our liquidity.

Under our franchise model, the franchisees have little incentive to maintain an unreasonably high level of inventory because: (i) franchisees typically make advance payment before the products are delivered to them; (ii) we do not have a minimum purchase requirement; (iii) we generally do not accept product return absent quality issues; and (iv) franchisees can place orders for store supplies frequently and conveniently to fulfill the daily operational needs given our prompt delivery of orders. Additionally, we utilize our digital systems to actively track and manage the inventory level of the stores. Therefore, the risk of channel stuffing by our franchisees is low.

As of February 28, 2026, RMB2,301.9 million, or 99.5% of our inventories outstanding as of December 31, 2025 had been subsequently sold or utilized.

Biological Assets

Our biological assets consist of edible fungi and were stated at fair value less costs to sell as at the valuation dates. In 2023, 2024 and 2025, our biological assets accounted for 6.8%, 3.4% and 2.1% of our net assets, respectively. The following table sets forth the value of our biological assets as at the dates indicated:

	For the Year Ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
At the beginning of the year	66,965	47,645	49,784
Increase due to new plantations	418,346	401,179	381,404
Harvested and transferred to inventories	(432,071)	(425,188)	(484,674)
Net changes in fair value less costs to sell (unrealized)	(127)	7,524	10,189
Net changes in fair value less costs to sell (realized)	(5,468)	18,624	98,013
At the end of the year	**47,645**	**49,784**	**54,716**

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique. See Note 21 to the Accountants' Report included in Appendix I to this Document for details. During the Track Record Period, the fair value change of our biological assets was primarily impacted by market price and stock volume.

Trade and Other Receivables

Our trade and other receivables consist of trade receivables from third parties, trade receivables from related companies and other receivables. Trade receivables from third parties represent amounts due from our wholesale customers for their purchases of goods. Trade receivables from related companies were primarily related to sales of packaging materials to related companies. Other receivables include (i) prepayments to snack and beverage suppliers, (ii) prepayments to related companies in connection with our procurement of goods, (iii) other prepayments, which consist of temporary or occasional prepayments that are not core to our business operations, such as advertising promotions and property management, (iv) deposits, which consist of security deposits for daily operations and leased properties, as well as contingency funds, (v) amounts due from related companies mainly with regard to, deposit for warehouse we provided to a related company, and (vi) others.

Our trade receivables less loss allowance decreased from RMB26.9 million as of December 31, 2023 to RMB18.5 million as of December 31, 2024 and further to RMB13.1 million as of December 31, 2025, as we narrowed down our credit lines offered to our wholesale customers.

Our other receivables less loss allowance increased from RMB375.9 million as of December 31, 2023 to RMB1,202.8 million as of December 31, 2024 and further to RMB1,751.3 million as of December 31, 2025, which was primarily driven by the expansion of our snack and beverage retail business and the corresponding increases in prepayments to suppliers.

The fluctuations of our allowance for credit losses were primarily due to changes in expected credit loss estimates based on updated aging profiles and market conditions.

The following table sets forth a breakdown of our trade and other receivables by the nature of receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables from third parties	28,897	21,743	14,206
Trade receivables from related companies	12	–	–
Less: loss allowance	(1,979)	(3,270)	(1,132)
	26,930	**18,473**	**13,074**
Other receivables			
Prepayments to suppliers	227,006	1,125,994	1,601,323
Prepayments to related companies	–	694	–
Other prepayments	30,496	28,612	50,744
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposits	105,775	46,506	42,436
Amounts due from related companies	144	33	3,132
Others	17,590	8,677	39,166
	381,011	1,210,516	1,766,061
Less: loss allowance	(5,162)	(7,727)	(14,713)
	375,849	**1,202,789**	**1,751,348**
	402,779	**1,221,262**	**1,764,422**

The following table sets forth an aging analysis of our trade receivables less loss allowance based on invoice date as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables			
Within 90 days	23,007	16,753	12,181
91 to 180 days	913	181	374
181 to 365 days	1,727	1,084	23
Over 365 days	1,283	455	496
Total	**26,930**	**18,473**	**13,074**

The following table sets forth trade receivables turnover days for the years indicated.

	For the Year Ended December 31,		
	2023	2024	2025
Trade receivables turnover days[1]			
Snack	0.4	0.2	0.1
Fungi	7.0	5.7	5.1
Overall	0.8	0.3	0.1

Notes:

(1) Trade receivables turnover days are calculated using the average of beginning balance and ending balance of trade receivables (net of loss allowance) in the relevant year divided by revenue for the relevant year and multiplied by the number of days for the year. The number of days for the years ended December 31, 2023 and 2025 is 365 days; the number of days for the year ended December 31, 2024 is 366 days.

In 2023, 2024 and 2025, our trade receivables turnover days for snack and beverage retail business were 0.4 days, 0.2 days, and 0.1 days, respectively. Our trade receivables turnover days for edible fungi business decreased from 2023 to 2025, mainly as the credit sales to distributors remained relatively stable while the total revenue from the sales of fungi products increased.

Currently, we primarily grant credit terms to customers for our wholesale business under snack and beverage retail business and some customers of our edible fungi business. We implemented effective trade receivables management procedures to monitor trade receivables and enhance collection. For example, we perform credit checks on new customers and regularly review the collection status of trade receivables. In addition, we keep close communication with customers.

As of February 28, 2026, RMB11.8 million, or 90.4% of our trade receivables outstanding as of December 31, 2025 had been subsequently collected.

Finance Lease Receivables

Our finance lease receivables consist of lease revenue generated from subleasing some of our self-operated stores. As of December 31, 2023, 2024 and 2025, the current portion of our finance lease receivables amounted to RMB0.2 million, RMB0.9 million and RMB1.2 million, respectively. The non-current portion of our finance lease receivables amounted to RMB0.7 million, RMB3.0 million and RMB2.3 million for the same dates, respectively. The continued increase of the current portion of our finance lease receivables from 2023 to 2025 was attributable to an increase in number and floor area of our subleased stores. The non-current portion of finance lease receivables decreased from 2024 to 2025 as we continued to close some of our self-operated stores to focus more on a franchise model, which led to the cessation of certain subleases.

Restricted Bank Deposits

The majority of our restricted bank deposits are deposited in major financial institutions located in the PRC, which are of high credit ratings. They were mainly reserved for bank acceptance guarantees in accordance with relevant PRC regulations and prepaid cards guarantees required by banks. Our restricted bank deposits amounted to RMB56.0 million and RMB171.3 million as of December 31, 2023 and 2024, respectively, as we increased our bank acceptance guarantees and prepaid cards guarantees. Our restricted bank deposits subsequently decreased to RMB92.8 million as of December 31, 2025 as we cashed in a bank's acceptance bill of RMB82.2 million.

Bank Balances and Cash

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The following table sets forth a breakdown of our bank balances and cash as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Bank Balances	1,153,651	2,209,258	4,648,975
Cash	39	30	23
	1,153,690	**2,209,288**	**4,648,998**

Property, Plant and Equipment

The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Buildings	469,832	443,032	414,060
Machineries	263,684	228,153	195,539
Office Equipment	5,969	10,723	14,932
Computer Equipment	6,145	7,225	5,255
Motor vehicles	14,259	17,284	11,646
Tools	80,963	77,741	53,801
Other Equipment	10,000	9,615	4,452
Leasehold Improvements	49,628	36,881	22,332
Construction in Progress	1,239	1,098	406
Total	**901,719**	**831,752**	**722,423**

Changes in the balance of property, plant and equipment during the Track Record Period were primarily attributable to business expansion, routine depreciation, scheduled disposal of assets upon expiration, and new purchases based on business needs.

Certain of our property, plant and equipment with a total carrying amount of RMB419.1 million, RMB393.9 million and RMB367.5 million as of December 31, 2023, 2024 and 2025, respectively, were pledged to secure interest-bearing borrowings. From December 31, 2023 to December 31, 2024, and further to December 31, 2025, our property, plant and equipment value continued to decrease, primarily due to no new major acquisitions of property and the regular depreciation of existing property, plant and equipment.

Right-of-use Assets

We lease various warehouses, retail stores, machinery and motor vehicles for our daily operations. Lease terms range from one to ten years, with an option to renew the lease when all terms are renegotiated. Lease payments were usually increased annually to reflect current market rentals. See Note 16 to the Accountants' Report included as Appendix I to this Document.

Our right-of-use assets slightly decreased from RMB569.4 million as of December 31, 2023 to RMB525.3 million as of December 31, 2024, and further to RMB331.0 million as of December 31, 2025, as we closed some of our self-operated stores to focus on a franchise model.

The following table sets forth the breakdown of our right-of-use assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Right-of-use Assets			
Leased buildings	467,558	443,284	264,781
Land use rights	67,069	62,985	55,669
Machineries	23,275	14,811	6,347
Motor vehicles	11,482	4,179	4,178
Total	**569,384**	**525,259**	**330,975**

Key Items of Liabilities

Trade and Bills Payables

Our trade payables represent the amounts payable to snack and beverage suppliers as well as edible fungi suppliers. They are non-interest bearing with normal credit terms ranging from 0 to 30 days. Our trade and bills payables consist of (i) trade payables to third parties, (ii) trade payables to related companies, from which we mainly procure dried fruits and nuts, and (iii) bills payable. Our trade and bills payables increased from RMB943.2 million as of December 31, 2023 to RMB2,093.9 million as of December 31, 2024 and RMB3,074.8 million as of December 31, 2025. Such increase was aligned with the expansion of our snack and beverage retail business.

The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Trade payables			
Trade payables to third parties	858,869	1,977,897	3,053,471
Trade payables to related companies	84,305	33,798	21,333
	943,174	2,011,695	3,074,804
Bills payable	–	82,247	–
Total	**943,174**	**2,093,942**	**3,074,804**

The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated. As of December 31, 2025, 99.7% of our total trade and bills payables were aged within 1 year, consistent with the aging structure as of prior year ends. Trade and bills payables aged within 1 to 2 years consist of payables to suppliers for the procurement of goods and quality assurance deposits for store equipment and renovation of stores. Trade and bills payables over 2 years consist of security deposit for the purchase of equipment used in our edible fungi business.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade payables			
Within 1 year	936,167	2,004,387	3,065,944
1 to 2 years	5,613	5,778	6,494
2 to 3 years	428	499	1,153
Over 3 years	966	1,031	1,213
Total	**943,174**	**2,011,695**	**3,074,804**

The following table sets forth the turnover days of our trade and bills payables for the years indicated:

	For the Year Ended December 31,		
	2023	2024	2025
Trade and bills payables turnover days[(1)]			
Snack	20.0	18.5	20.6
Fungi	65.5	57.5	39.7
Overall	22.9	19.3	20.9

Notes:

(1) Trade and bills payables turnover days are calculated using the average of the gross value of the opening and closing trade and bills payables balance divided by cost of sales in the relevant year and multiplied by the number of days for the year. The number of days for the years ended December 31, 2023 and 2025 is 365 days; the number of days for the year ended December 31, 2024 is 366 days.

In 2023, 2024 and 2025, our trade and bills payables turnover days for snack and beverage retail business amounted to 20.0 days, 18.5 days, and 20.6 days, respectively. With our healthy cash flow, we continued to maintain good relationship with suppliers and witnessed a decrease in trade and bills payables turnover days from 2023 to 2024. Our trade and bills payables turnover day increased to 20.6 days in 2025, primarily due to the settlement timeline for procurement in preparation of the Chinese New Year holiday towards the end of 2025.

Since 2023, our trade and bills payables turnover days for our fungi business continued to decrease, which was mainly due to the opening of a new production plant which led to the increase of fixed cost including depreciation and hence the cost of sales.

As of February 28, 2026, RMB3,000.6 million, or 97.6% of our trade and bills payables outstanding as of December 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals include (i) contract liabilities, representing amounts received in advance for delivery of store merchandise, (ii) contract liabilities with related companies, (iii) membership card balance, (iv) security deposits from suppliers and franchisees, (v) salary payables, (vi) dividend payable, (vii) amounts due to related companies in connection with a payable mainly arising from purchasing inventories and equipment and such payable is set to net off with the trade receivables due from the customers who have made prepayment to related company and (viii) others, which include accrued expenses and payables from value-added tax and promotional activities in cooperation with third parties.

The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Other Payables and Accruals			
Contract liabilities	169,140	311,738	308,163
Contract liabilities with related companies	568	435	–
Membership card balance	380,654	456,569	479,532
Security deposits from suppliers and franchisees	286,795	550,260	672,534
Salary payables	67,285	151,305	256,423
Dividend payable	–	35,998	–
Amounts due to related companies	4,765	2,894	200
Others	62,546	174,605	226,833
	971,753	**1,683,804**	**1,943,685**

Our other payables and accruals increased from RMB971.8 million as of December 31, 2023 to RMB1,683.8 million as of December 31, 2024 primarily due to increases in (i) contract liabilities, (ii) membership card balance, (iii) security deposits from suppliers and franchisees, (iv) salary payables and (v) others. The overall increases were in line with the further expansion of our snack and beverage retail business.

Our other payables and accruals increased from RMB1,683.8 million as of December 31, 2024 to RMB1,943.7 million as of December 31, 2025, primarily due to increases in (i) salary payable and (ii) security deposits from suppliers and franchisees, which continued to be in line with the further expansion of our snack and beverage retail business.

As of February 28, 2026, RMB715.8 million, or 36.8% of our other payables and accruals outstanding as of December 31, 2025 had been subsequently settled.

Interest-Bearing Borrowings

During the Track Record Period, our borrowings consisted of our bank loans. Our interest-bearing bank and other borrowings increased from RMB668.4 million as of December 31, 2023 to RMB1,206.2 million as of December 31, 2024 and further to RMB1,795.1 million as of December 31, 2025, mainly due to our additional bank loans used for working capital and capital raising purposes.

The table below sets forth a breakdown of our bank borrowings as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Bank borrowings			
Fixed rate bank borrowings			
unsecured and unguaranteed	10,013	49,030	38,829
secured and unguaranteed	–	9,905	27,219
secured and guaranteed	106,827	165,397	77,173
unsecured and guaranteed	339,857	674,624	452,335
Variable rate bank borrowings			
unsecured and unguaranteed	40,053	36,030	820,677

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
secured and unguaranteed	14,016	35,036	25,020
secured and guaranteed	127,602	120,990	109,590
unsecured and guaranteed	30,035	115,150	244,236
	668,403	1,206,162	1,795,079
Less: Current portion	(520,049)	(968,678)	(820,755)
Total	**148,354**	**237,484**	**974,324**

During the Track Record Period and up to the Latest Practicable Date, we did not violate any financial covenants under the agreements of borrowings.

Lease Liabilities

Lease liabilities represent payments owed under lease agreements with regard to warehouses, company-operated stores, office buildings and employee dormitory. Lease liabilities decreased from December 31, 2023 to 2024, and further to December 31, 2025, as we have not entered into new major leases and continued to make payments of existing leases.

The following table sets forth the details of our lease liabilities as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Lease liabilities			
Current	146,026	154,844	111,064
Non-Current	324,810	299,212	164,116
Total	**470,836**	**454,056**	**275,180**

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements mainly from cash generated from our business operations, shareholder contributions and bank loans. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, and the net [**REDACTED**] from the [**REDACTED**]. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents (as represented by bank balances and cash) of RMB1,153.7 million, RMB2,209.3 million and RMB4,649.0 million as of December 31, 2023, 2024 and 2025, respectively.

The following table presents our consolidated cash flow data for the years indicated.

	For the Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash generated from operating activities	1,007,506	777,052	3,587,455
Net cash used in investing activities	(236,492)	(57,102)	(9,711)
Net cash generated from/(used in) financing activities	267,640	335,648	(1,138,034)
Net increase in cash and cash equivalents	**1,038,654**	**1,055,598**	**2,439,710**
Cash and cash equivalents at beginning of the year	115,036	1,153,690	2,209,288
Cash and cash equivalents at end of the year	**1,153,690**	**2,209,288**	**4,648,998**

Net cash generated from operating activities

Net cash generated from operating activities for the year ended December 31, 2025 was RMB3,587.5 million, primarily representing our profit before tax of RMB3,269.3 million, adjusted by (i) share-based compensation expenses of RMB165.2 million, (ii) depreciation of right-of-use assets of RMB155.5 million and (iii) depreciation of property, plant and equipment of RMB121.5 million. This amount was further adjusted by income tax paid of RMB751.9 million and changes in certain working capital accounts, primarily including the increases in trade and other payables of RMB1,261.0 million, partially offset by increases in trade and other receivables of RMB520.2 million and inventories of RMB219.4 million.

Net cash generated from operating activities for the year ended December 31, 2024 was RMB777.1 million, primarily representing our profit before tax of RMB1,040.1 million, primarily adjusted by (i) share-based compensation expenses of RMB225.5 million, (ii) depreciation of right-of-use assets of RMB161.5 million and (iii) depreciation of property, plant and equipment of RMB117.1 million. This amount was further adjusted by income tax paid of RMB289.1 million and changes in certain working capital accounts, primarily including the increases in (i) trade and other payables of RMB1,826.8 million, (ii) inventories of RMB1,425.4 million and (iii) trade and other receivables of RMB830.4 million.

Net cash generated from operating activities for the year ended December 31, 2023 was RMB1,007.5 million, primarily representing our loss before tax of RMB114.9 million, primarily adjusted by (i) share-based compensation expenses of RMB155.1 million, (ii) depreciation of property, plant and equipment of RMB95.4 million and (iii) depreciation of right-of-use assets of RMB95.2 million. This amount was further adjusted by changes in certain working capital accounts, primarily including the increases in (i) inventories of RMB627.5 million and (ii) trade and other payables of RMB1,270.7 million.

Net cash used in investing activities

For the year ended December 31, 2025, our net cash used in investing activities was RMB9.7 million, which primarily consisted of (i) payments and deposit paid for acquisition of property, plant and equipment of RMB27.0 million and (ii) payments for acquisition of intangible assets of RMB27.0 million, partially offset by proceeds from disposal of property, plant and equipment of RMB25.3 million, and interest received of RMB17.4 million.

For the year ended December 31, 2024, our net cash used in investing activities was RMB57.1 million, which primarily consisted of payments and deposit paid for acquisition of property, plant and equipment of RMB83.7 million, partially offset by (i) interest received of RMB14.1 million and (ii) proceeds from disposal of property, plant and equipment of RMB14.8 million.

For the year ended December 31, 2023, our net cash used in investing activities was RMB236.5 million, which primarily consisted of payments and deposit paid for acquisition of property, plant and equipment of RMB246.3 million, partially offset by proceeds from disposal of property, plant and equipment of RMB20.8 million.

Net cash generated from/used in financing activities

Net cash used in financing activities for the year ended December 31, 2025 was RMB1,138.0 million, which primarily consisted of acquisition of non-controlling interest of RMB1,399.3 million and repayment of interest-bearing borrowings of RMB1,395.5 million, partially offset by inception of interest-bearing borrowings of RMB1,984.1 million.

Net cash generated from financing activities for the year ended December 31, 2024 was RMB335.7 million, which primarily consisted of inception of interest-bearing borrowings of RMB1,106.0 million; partially offset by repayment of interest-bearing borrowings of RMB568.7 million and acquisition of non-controlling interest of RMB294.0 million.

Net cash generated from financing activities for the year ended December 31, 2023 was RMB267.6 million, which primarily consisted of inception of interest-bearing borrowings of RMB598.2 million, partially offset by repayment of interest-bearing borrowings of RMB195.7 million.

INDEBTEDNESS

The following table sets forth a breakdown of our bank borrowings and leased liabilities as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				(unaudited)
	(RMB in thousands)			
Current				
Interest-bearing borrowings	520,049	968,678	820,755	922,439
Lease liabilities	146,026	154,844	111,064	102,767
Non-Current				
Interest-bearing borrowings	148,354	237,484	974,324	940,934
Lease liabilities	324,810	299,212	164,116	147,397
Total	**1,139,239**	**1,660,218**	**2,070,259**	**2,113,537**

Our interest-bearing borrowings increased from RMB668.4 million as of December 31, 2023 to RMB1,206.2 million as of December 31, 2024 and RMB1,795.1 million as of December 31, 2025, primarily due to additional bank loans secured for working capital and capital raising purposes. As of February 28, 2026, our unutilized bank facilities amounted to RMB1,285.4 million. Lease liabilities decreased from the end of 2023 to 2024, and further to December 31, 2025, as we have not entered into new major leases and continued to make payments of existing leases. For further details of our interest-bearing borrowings and lease liabilities during the Track Record Period, see "Discussion of Selected Items from our Consolidated Statements of Financial Position".

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of February 28, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since February 28, 2026, and up to the Latest Practicable Date.

Additionally, our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material and adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

CAPITAL EXPENDITURES

The following table sets forth a breakdown of our capital expenditures and long-term investments for the years indicated.

	For the Year Ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Capital Expenditures			
Acquisition of subsidiaries	5,395	–	–
Acquisition of property, plant and equipment	246,340	83,671	26,978
Acquisition of intangible assets	7,198	2,743	26,973
Total	**258,933**	**86,414**	**53,951**

Our capital expenditures were RMB258.9 million, RMB86.4 million and RMB54.0 million, respectively, in 2023, 2024 and 2025. Our capital expenditures were primarily attributable to: (i) acquisition of subsidiaries, (ii) acquisition of property, plant and equipment, and (iii) acquisition of intangible assets. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operating activities, our available banking facilities, and [**REDACTED**] from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]." We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

PLEDGE OF ASSETS

Our certain assets have been pledged to secure bills payable, bank borrowings and banking facilities granted to ours. The carrying amounts of the pledged assets as of December 31, 2023, 2024 and 2025 were as follows:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Property, plant and equipment	419,099	393,884	367,476
Right-of-use assets – land use rights	50,581	49,260	47,940
Restricted bank deposits	56,000	170,676	92,765
Total	**525,680**	**613,820**	**508,181**

CAPITAL COMMITMENTS

Our capital commitments mainly represented the capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided net of deposits paid. Our capital commitments were RMB1.6 million, nil and nil, respectively, in 2023, 2024 and 2025.

KEY FINANCIAL RATIOS

The following table sets forth some of our key financial ratios for the years or as of the dates indicated.

	For the Year Ended/As of December 31,		
	2023	2024	2025
Revenue growth	1,592.0%	247.9%	59.2%
Gross profit margin	9.0%	10.7%	12.2%
Adjusted net profit/ (loss) margin (non-IFRS measure)	(0.3%)	2.6%	5.0%
Cash conversion cycle *(days)*[1]	(5.9)	(1.3)	(3.0)

Notes:

(1) The cash conversion cycle is calculated by inventory turnover days added by trade receivables turnover days, then subtracting trade and bills payables turnover days.

WORKING CAPITAL SUFFICIENCY

Based on our available cash and cash equivalents, and the net operating cash inflows since 2023, our Directors are of the view that the financial resources available to our Group, including the estimated net [**REDACTED**] from the [**REDACTED**] and the expected cash inflows from operating activities, we have sufficient working capital to meet our operating needs and support our planned expansion for the next 12 months from the date of this Document.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 34 to the Accountants' Report included in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountants' Report included in Appendix I to this Document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any significant contingent liabilities and were not involved in any legal proceedings pending or threatened against us which could have a material adverse effect on our business or operations.

FINANCIAL RISKS DISCLOSURE

Our principal financial instruments comprise restricted bank deposits bank balances and cash and interest-bearing borrowings. The main purpose of these financial instruments is to raise and maintain finance for our operations. We have various other financial instruments such as trade and other receivables, trade and bills payables and other payables and accruals, which arise directly from our business activities.

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. We generally adopt conservative strategies on our risk management and limits our exposure to these risks to a minimum. Our management reviews and agrees policies for managing each of these risks. We also monitor the market price risk arising from all financial instruments. See Note 35 to the Accountants' Report set out in Appendix I to this Document for details of our exposure to financial risk.

DIVIDENDS

Any declaration and payment, as well as the amount of dividends, are subject to our Articles of Association and the relevant PRC laws. In 2024 and 2025, we declared dividends of RMB36.0 million and RMB100.3 million, respectively. We did not declare dividends in 2023. In 2025, we paid dividends of RMB136.3 million.

Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. We currently do not have any fixed dividend payout ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings of RMB1,182.0 million that were available for distribution to our equity shareholders.

[REDACTED] EXPENSES

Based on the [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), the total [**REDACTED**] (including [**REDACTED**]) payable by our Company are estimated to be approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), assuming the [**REDACTED**] is not exercised. These [**REDACTED**] expenses mainly comprise professional fees paid and payable to the professional parties, and [**REDACTED**] payable to the [**REDACTED**], for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**].

As of December 31, 2025, we incurred [**REDACTED**] expenses of RMB[**REDACTED**] for the [**REDACTED**]. We estimate that an additional [**REDACTED**] expenses of RMB[**REDACTED**] (including [**REDACTED**] of RMB[**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]), accounting for [**REDACTED**]% of our gross [**REDACTED**], will be further incurred by us, of which RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and RMB[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**].

BIOLOGICAL ASSETS AND VALUATION

Our biological assets increased from RMB47.6 million as of December 31, 2023 to RMB49.8 million as of December 31, 2024, primarily due to the decrease in the cost of raw material. Our biological assets increased from RMB49.8 million as of December 31, 2024 to RMB54.7 million as of December 31, 2025, primarily due to the increase in market prices of certain mushrooms. For the table that sets forth the changes in the value of our biological assets during the Track Record Period, see "— Discussion of Selected Items from Our Consolidated Statements of Financial Position — Key Items of Assets — Biological Assets."

See "Business — Edible Fungi Business — Our Operation" for sales volume and average selling price of our edible fungi products.

Information about the independent valuer of our biological assets

We have engaged APV International Consulting & Appraisal Limited ("**APV**" or the "**Valuer**"), a firm of independent qualified professional valuer, to determine the fair value of our edible fungi as of December 31, 2023, 2024 and 2025, respectively. The key valuer of APV includes Justin Liang.

Justin Liang has extensive work experience in valuation and corporate advisory industries for about twenty years. He has provided a wide range of valuation services to numerous listed companies of different industries in Chinese Mainland, Hong Kong and United States.

Prior to his current duty, he has worked in Hongkong, Shanghai and Shenzhen office of Jones Lang LaSalle Corporate Appraisal and Advisory Limited for over ten years and has rich practical and team management experience. He has provided various valuation services including equity valuation, purchase price allocation, intangible asset identification and valuation (e.g. trademark, customer base, patent, etc.), biological asset valuation (e.g. trees, livestock, cows), goodwill and other asset impairment evaluation, convertible bond valuation, employee share option valuation and other financial instrument valuation.

Justin Liang is currently an active member of Chartered Financial Analyst (CFA).

Based on market reputation and relevant background research, the Directors and the Joint Sponsors are satisfied that APV is independent from us and is competent in conducting a valuation on our biological assets.

Valuation methodology

Considering the nature of edible fungi and short growing period, the income approach is not selected for the biological asset valuation. In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and the cost approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparatives. Assets for which there is an established used market may be valued by this approach.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The following valuation methods for each type of biological assets were adopted:

Fair values of the Biological Assets WIP as at the Valuation Dates

In terms of the biological nature of edible fungi, The primary production process can be classified as follows: Bottling → Inoculation → Incubation → Scratching → Primordia Formation → Paper Wrapping → Fruiting Development.

We understand that the biological transformation process of mushrooms begins at Inoculation. Mushroom growth is divided into two primary phases:

(i) Vegetative growth phase: The mycelium absorbs nutrients from the substrate within the cultivation bottles, expanding the mycelial mass to accumulate sufficient nourishment for subsequent fruiting.

(ii) Reproductive growth phase: This stage commences at primordia formation (pinning) and continues through to the final harvest.

During the Bottling process, the biological transformation has not begun, so cost approach is adopted. The costs of direct raw material, direct labor, labor service and depreciation and amortization have been considered in the calculation of the fair values for the Bottling process.

The market approach is adopted for the process of Inoculation, Incubation, Scratching, Primordia Formation, Paper Wrapping and Fruiting Development.

The fair values of the biological assets work-in-progress ("**WIP**") as of December 31, 2023, 2024 and 2025 (the "**Valuation Dates**") were calculated to be the product of market price and estimated the agricultural produce edible fungi by deducting the reasonable cost related to selling.

Fair values of the biological assets finished goods

Market Approach is adopted to value the biological assets finished goods as at the Valuation Dates.

Based on the investigation and the information provided by the Company, APV arrived at the fair values of the biological assets finished goods by subtracting the estimated packaging costs, freight costs, sales expenses, and all taxes from the future tax-excluded selling price of the finished products.

Key assumptions and inputs

The key assumptions and inputs include the following:

Quantity

In the valuation process, the Valuer relied on the figures and information provided by our Company, which were based on historical harvest and producing records as of December 31, 2023, 2024 and 2025.

Selling Prices

The Valuer understands from our Company that there is a wide range of factors influencing the market price of edible fungi including the size, supply balance, financial positions of buyers and sellers and production costs related to planting. The Valuer further understands that the price of edible fungi sold by our Company is in line with other market transaction and within the reasonable range of those in the market with similar quality. The weighted average historical selling prices for the following month after the Valuation Dates were used to value the fair values of the Biological Assets WIP as at the Valuation Dates. The weighted average historical selling prices in the month of the Valuation Dates by category of different size and quality were used to value the fair values of the biological assets finished goods as at the Valuation Dates. The estimated selling price of cumulative harvested edible fungi is determined based on the actual average selling price in the month of harvest for the Valuation Periods.

Other Assumptions

In this valuation exercise, the Valuer assumed that all proposed facilities and systems operated efficiently and had sufficient capacity for future expansion. The Valuer also assumed that the historical trend and data would be maintained and there would be no material change in the existing political, legal, technological, fiscal or economic condition that may adversely affect our business.

The Valuer planned and performed the valuation so as to obtain all the information and explanations that the Valuer considered necessary in order to provide them with sufficient evidence to express the opinion on the subject asset. The Valuer is of the opinion that the valuation procedures they employed provide a reasonable basis for their opinion.

Sensitivity analysis

The following table illustrates the sensitivity of the estimated fair values of biological assets WIP that would arise if the key inputs had changed as of the Valuation Dates, assuming all other variables remained constant.

Valuation Date	December 31, 2023				
% Change in selling Price	10%	5%	0%	-5%	-10%
Change in Valuation Result (RMB'000)	5,541.8	2,770.9	–	-2,770.9	-5,541.8
% Change in Valuation Result	11.6%	5.8%	–	-5.8%	-11.6%

Valuation Date	December 31, 2024				
% Change in selling Price	10%	5%	0%	-5%	-10%
Change in Valuation Result (RMB'000)	5,617.1	2,808.6	–	-2,808.6	-5,617.1
% Change in Valuation Result	11.3%	5.6%	–	-5.6%	-11.3%

Valuation Date	December 31, 2025				
% Change in selling Price	10%	5%	0%	-5%	-10%
Change in Valuation Result (RMB'000)	6,262.0	3,131.0	–	-3,131.0	-6,262.0
% Change in Valuation Result	11.4%	5.7%	–	-5.7%	-11.4%

The Joint Sponsors have reviewed and considered the relevant qualifications and valuation experience of APV and its professional valuers, and had discussed with APV to understand its valuation techniques and procedures, valuation bases and assumptions, and the information used in preparing its valuation report. In addition, the Joint Sponsors noted from their discussions with the Reporting Accountants that the Reporting Accountants had considered the valuation prepared by APV and performed their audit procedures in accordance with the relevant auditing standards. The Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation are appropriate and reasonable.

The Reporting Accountants are satisfied that the valuation techniques chosen and the inputs used in the valuation techniques are appropriate and reasonable.

Stocktake and internal control

Stocktake

We have established a standard internal protocol in relation to stocktaking for all our edible fungi products, which includes scheduled and ad hoc stocktake, so as to ensure the physical existence and accuracy of data and information of our biological assets. We perform a full stocktake for each of our fungi product category (enoki mushroom, hypsizygus tessulatus and velvet antler mushrooms) on a yearly basis and sampling stocktake on a monthly and quarterly basis to ensure and monitor the physical existence and conditions of our biological assets. Supported by our cultivation technology department, our finance department is responsible for implementing the stocktake process and recording the stocktake results on a stocktake report. Any variance between the results of the stocktake and the inventory record shall be reported to the management. During the Track Record Period and up to the Latest Practicable Date, there was no material damage or death of our biological assets.

Internal Control and Management System

We have formulated a comprehensive policy for biological asset management, which covers, among other things, purchase and inspection of raw materials, monitor of the cultivation process, accounting record keeping and retention and stocktake. To facilitate the implementation of our biological asset management policy, we employ an electronic information management system, in collaboration with our accounting system, to keep comprehensive and detailed records of our biological assets.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

Please refer to "Appendix II — Unaudited [**REDACTED**] Financial Information" for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since December 31, 2025, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this Document, and there had been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.