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

OVERVIEW OF CHINA'S DAIRY PRODUCTS MARKET

Definition and Classification of Dairy Products

Dairy products refer to products manufactured using raw milk and their derivatives as the primary raw materials through processing activities to produce liquid dairy products and dry dairy products.

Based on product form, dairy products can be classified into liquid dairy products and dry dairy products. Liquid dairy products refer to dairy products derived primarily from raw milk that remain in liquid form following processes such as sterilization or fermentation and are intended for direct consumption. Dry dairy products refer to dairy products that are processed into solid or powdered form through processes such as concentration, drying or further processing. These products mainly include milk powder and other dairy products, such as condensed milk, butter, cream and cheese.

Market Size of China's Dairy Products Industry

The market size of China's dairy products industry has maintained steady growth. Driven by factors such as ongoing urbanization, increasing consumer health awareness, rising per-capita consumption of dairy products and continuous product innovation and upgrading, the market has continued to expand. The retail sales value of the dairy products market in China increased from RMB644.1 billion in 2021 to RMB653.8 billion in 2025, at a CAGR of 0.4%. It is expected that by 2030, the retail sales value of the dairy products market in China will reach RMB752.8 billion, at a CAGR of 2.9% from 2025 to 2030.

Entry Barriers to China's Dairy Products Industry

Brand recognition and consumer trust. Dairy products emphasize freshness and product quality and, therefore, place high requirements on raw milk quality and processing technology. The consistency of product experience directly affects consumer repurchase behavior. Brand recognition and product reputation built through long-term market presence help enhance consumer trust and establish strong brand loyalty. In contrast, new entrants typically require a relatively long period of time to build brand awareness and cultivate the market in order to gain consumer acceptance.

Barriers related to raw milk supply and product quality control. A stable supply of high-quality raw milk is critical to product taste and safety. New entrants need to establish reliable dairy farm networks or effective supply chain management systems to secure consistent raw milk supply and ensure product quality.

Channel coverage and end-market reach. Dairy products rely on high-frequency consumption and rapid circulation. An established distribution network and strong presence across key national or regional markets constitute advantages that are difficult for new entrants to replicate within a short period of time.

OVERVIEW OF CHINA'S LIQUID DAIRY PRODUCTS MARKET

Classification of Liquid Dairy Products

Based on processing methods, liquid dairy products can be classified into low-temperature liquid dairy products and ambient liquid dairy products.

Low-temperature liquid dairy products refer to liquid dairy products that require storage, transportation, distribution and sale under low-temperature conditions (typically 2-6°C) throughout the supply chain. These products are generally processed using pasteurization or extended-shelf-life technologies. Low-temperature liquid dairy products mainly include low-temperature fresh milk, low-temperature yogurt, and other low-temperature milk products.

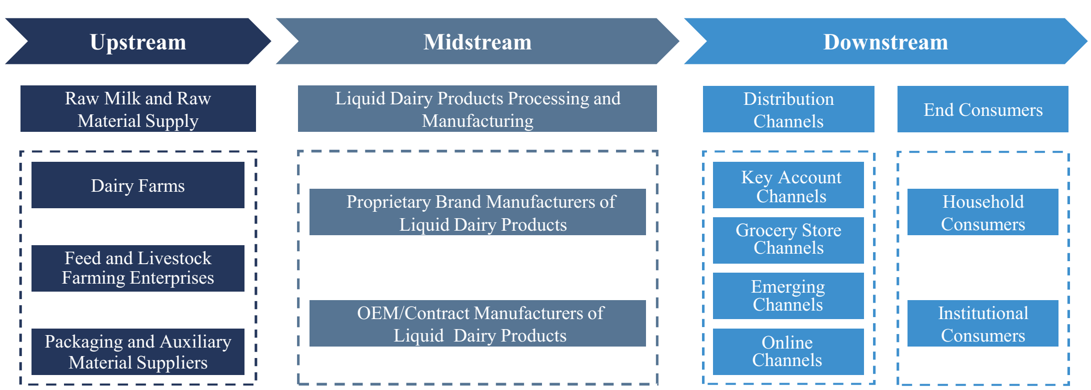
Ambient liquid dairy products refer to liquid dairy products stored and distributed at room temperature. These products are typically processed using ultra-high temperature sterilization and similar technologies, which result in a relatively longer shelf life and facilitate long-distance transportation and nationwide distribution. Ambient liquid dairy products mainly include ambient milk, ambient yogurt and other ambient milk products.

Value Chain of China's Liquid Dairy Products Market

The value chain of the liquid dairy products market in China primarily consists of three segments: upstream raw milk supply, midstream processing of liquid dairy products, and downstream distribution channels and end consumer sales.

The upstream segment is centered on dairy farm operations and raw milk production. The quality and stability of raw milk supply have a significant impact on the product quality and cost structure of liquid dairy products. The midstream segment mainly involves the processing and manufacturing of liquid dairy products, including processes such as sterilization, fermentation, filling and packaging. The downstream segment consists of distributors, retailers and end consumers. The distribution and retail system serves as an important link connecting producers with consumers. Sales channels are diversified, with offline channels covering key account channels (including supermarkets and hypermarkets), grocery store channels, emerging channels (such as membership-based warehouse clubs, snack and beverage retail stores, and fresh food retail stores), and online channels. Downstream demand mainly comes from household consumers and institutional consumers. Household consumers constitute the primary demand in the retail market, while institutional consumers (such as hotels, corporates and schools) represent bulk procurement and professional distribution channels.

Value Chain of China's Liquid Dairy Products Market

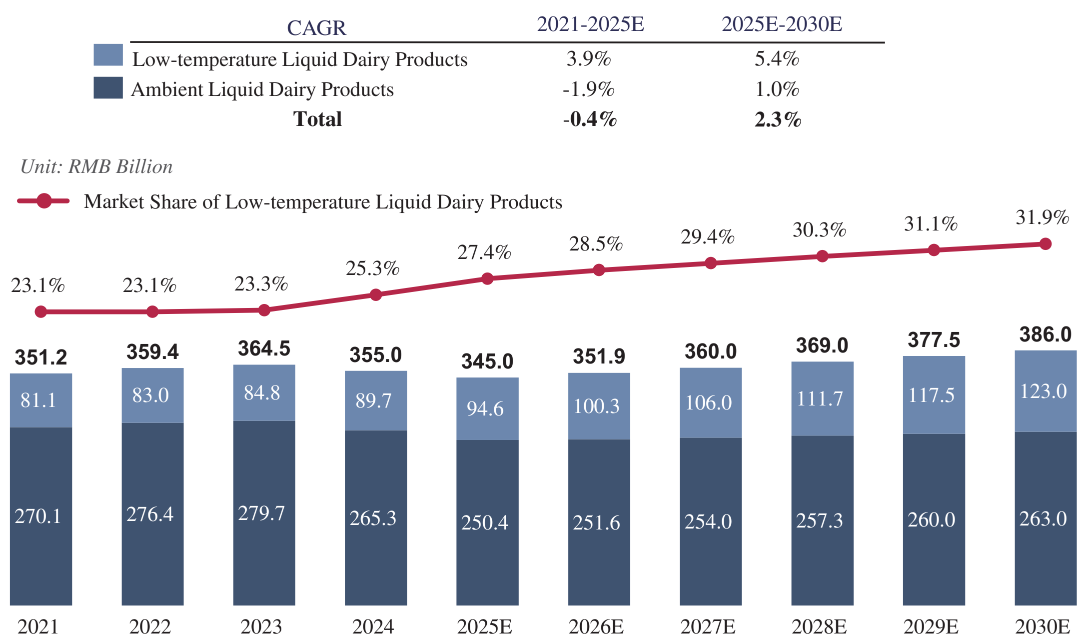


Source: Frost & Sullivan

Market Size of China's Liquid Dairy Products Industry

Liquid dairy products represent the largest segment of China's dairy products market. From 2021 to 2025, the market size of liquid dairy products in China decreased slightly from RMB351.2 billion to RMB345.0 billion, at a CAGR of negative 0.4%, primarily due to intensified market competition and pricing adjustments, together with temporary supply-demand imbalance in the industry. Looking ahead, the market size of liquid dairy products in China is expected to reach RMB386.0 billion by 2030, at a CAGR of 2.3% from 2025 to 2030. Based on processing methods, ambient liquid dairy products have historically accounted for the majority share of the liquid dairy products market due to their longer shelf life and advantages in nationwide distribution. Meanwhile, with increasing consumption trend towards freshness and quality of liquid dairy products, as well as the improvement and wider adoption of cold chain logistics technologies, the market size of low-temperature liquid dairy products has continued to expand. The share of low-temperature liquid dairy products in the overall liquid dairy products market has gradually increased, making it an important segment driving structural upgrading and growth of the liquid dairy products market. The market share of low-temperature dairy products increased from 23.1% in 2021 to 27.4% in 2025 and is expected to reach 31.9% by 2030. From 2021 to 2025, the market size of ambient liquid dairy products decreased from RMB270.1 billion to RMB250.4 billion, at a CAGR of negative 1.9%, primarily due to a decline in consumption frequency of ambient liquid dairy products.

Market Size of Liquid Dairy Products in China to refine and by Retail Sales Value, 2021-2030E



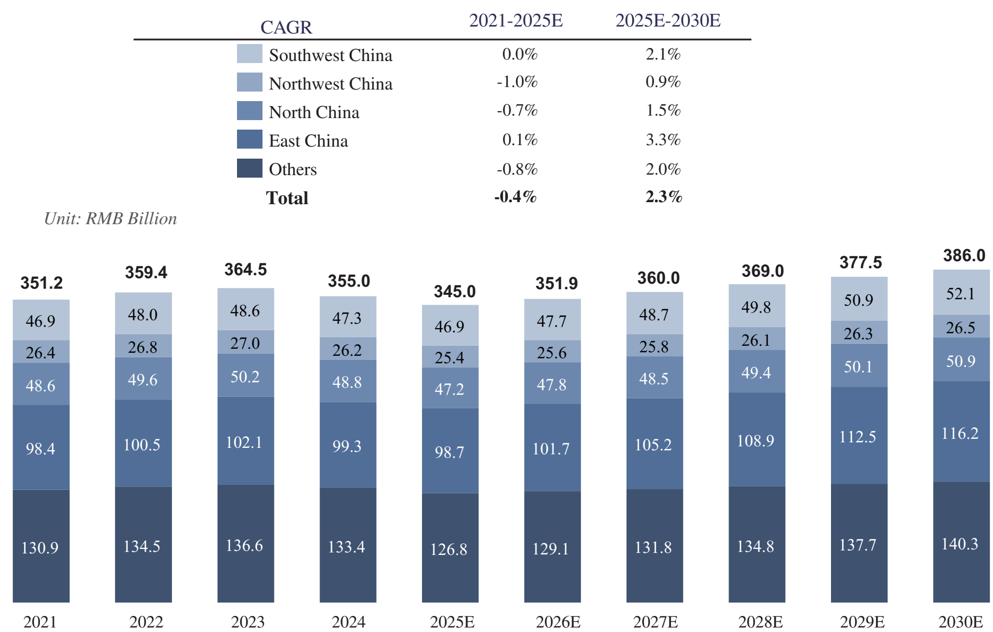
Source: Dairy Association of China ("DAC"); Frost & Sullivan

From a regional perspective, the market size of liquid dairy products across different regions expanded steadily from 2021 to 2025. Among them, the market size of liquid dairy products in Southwest China remained stable at RMB46.9 billion from 2021 to 2025. East China remained the largest liquid dairy products consumption market in China, with the market size of liquid dairy products in East China increasing from RMB98.4 billion to RMB98.7 billion, at a CAGR of 0.1%, and continued to rank among the leading regions.

Looking ahead from 2025 to 2030, the market size of each region is expected to maintain moderate growth. The market size of liquid dairy products in Southwest China is expected to reach RMB52.1 billion by 2030, at a CAGR of 2.1% from 2025 to 2030. The market size of liquid dairy products in East China is expected to reach RMB116.2 billion by 2030, at a CAGR of 3.3% from 2025 to 2030, maintaining its leading market size. East

China is expected to maintain its leading position nationwide due to its large market base, while Southwest China is expected to demonstrate relatively stronger growth potential during the forecast period, primarily due to increasing dairy consumption driven by urbanization and rising income levels.

Market Size of Liquid Dairy Products in China, by Region and by Retail Sales Value, 2021-2030E



Source: DAC; Frost & Sullivan

Analysis of Raw Milk Prices

Raw milk prices in China have generally experienced cyclical fluctuations. From 2016 to 2020, the average procurement price of raw milk in major domestic producing regions showed a modest upward trend, increasing by approximately 8.6% from 2016 to 2020. In 2021, against the backdrop of a temporary supply-demand imbalance, raw milk prices further increased by over 10%. Since 2022, with the continuous release of upstream dairy farm production capacity with increased supply, the industry entered an adjustment cycle. Raw milk prices are influenced by changes in supply and demand dynamics and demonstrate cyclical characteristics. As industry capacity is gradually adjusted and supply-demand conditions move towards balance, raw milk prices are expected to experience a modest recovery over the forecast period.

COMPETITIVE LANDSCAPE OF CHINA'S LIQUID DAIRY PRODUCTS MARKET

Based on the retail sales value of liquid dairy products in 2025, our Group ranked No. 5 in the liquid dairy products market in China, with the second fastest growth rate in retail sales value of liquid dairy products among the top five dairy companies in the market from 2024 to 2025 in China. In 2025, the top five dairy companies in China's liquid dairy products market collectively held a market share of 74.0% in terms of retail sales value of liquid dairy products, with our Group holding a market share of 4.6%.

Top Five Dairy Companies by Retail Sales Value of Liquid Dairy Products in China, 2025

Ranking	Company	Market Share (%)
1	Company A	30.3%
2	Company B	27.2%
3	Company C	6.2%
4	Company D	5.7%
5	**Our Group**	**4.6%**
	Top Five	**74.0%**
	Total	**100.0%**

Source: Frost & Sullivan

(1) Company A, founded in 1993 and listed on the Shanghai Stock Exchange, is primarily engaged in the production and sale of a comprehensive range of dairy products, including liquid dairy products, milk formula, and other dairy-related products.

(2) Company B, founded in 1999 and listed on the Hong Kong Stock Exchange, is primarily engaged in the production and sale of dairy products, including liquid dairy products, milk formula and other dairy-related products.

(3) Company C, founded in 1996 and listed on the Shanghai Stock Exchange, is primarily engaged in the production and sale of dairy products, including liquid dairy products, milk formula and other dairy-related products.

(4) Company D, founded in 2000 and headquartered in Hebei Province, China, is primarily engaged in the production and sale of dairy products, including liquid dairy products, milk formula and other dairy-related products.

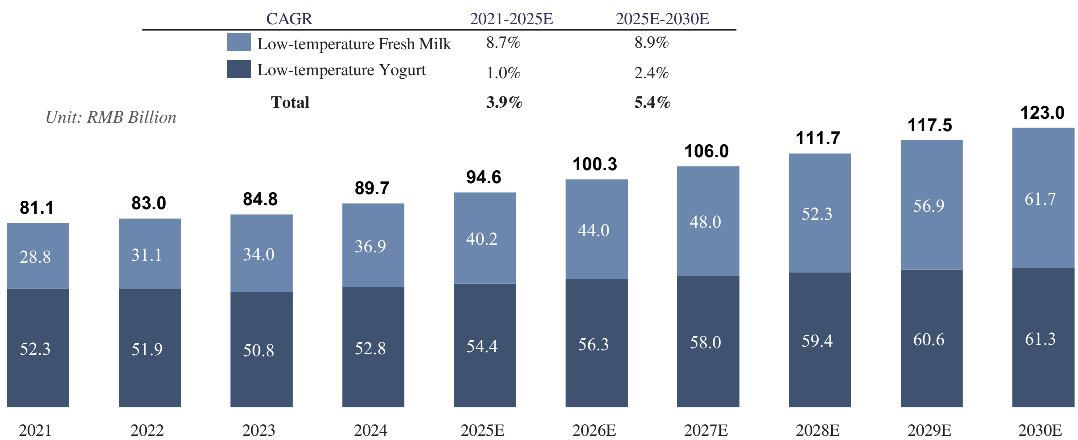
OVERVIEW OF CHINA'S LOW-TEMPERATURE LIQUID DAIRY PRODUCTS MARKET

Market Size of China's Low-temperature Liquid Dairy Products Industry

Amid the consumption trend towards freshness, product quality and nutritional value, the market size of low-temperature liquid dairy products in China has expanded steadily, with a growth rate exceeding that of the overall liquid dairy products market. From 2021 to 2025, the market size of China's low-temperature liquid dairy products industry increased from RMB81.1 billion to RMB94.6 billion, at a CAGR of 3.9%. It is expected that by 2030, the retail sales value of the low-temperature liquid dairy products market in China will reach RMB123.0 billion, at a CAGR of 5.4% from 2025 to 2030.

Low-temperature fresh milk and low-temperature yogurt, as the core segments of low-temperature liquid dairy products, have continued to drive the expansion of the low-temperature liquid dairy products market. From 2021 to 2025, the market size of low-temperature fresh milk increased from RMB28.8 billion to RMB40.2 billion, at a CAGR of 8.7%, while the market size of low-temperature yogurt increased from RMB52.3 billion to RMB54.4 billion, at a CAGR of 1.0%. Looking ahead, the market size of low-temperature fresh milk is expected to reach RMB61.7 billion by 2030, at a CAGR of 8.9% from 2025 to 2030. The market size of low-temperature yogurt is expected to reach RMB61.3 billion by 2030, at a CAGR of 2.4% from 2025 to 2030.

Market Size of Low-temperature Liquid Dairy Products in China, by Categories and by Retail Sales Value, 2021-2030E

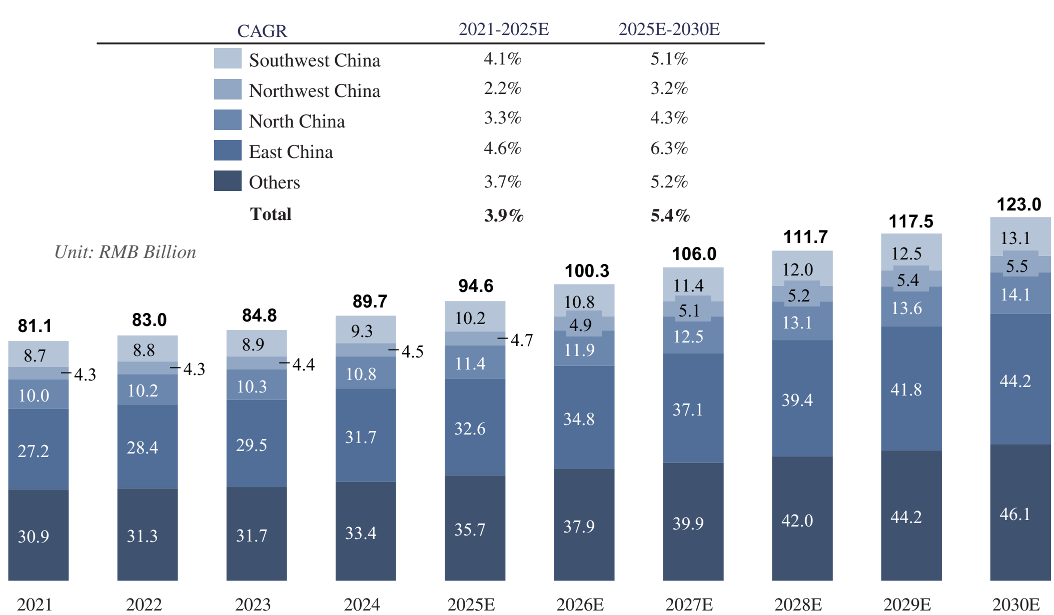


Source: DAC; Frost & Sullivan

From a regional perspective, the market size across different regions in China maintained steady growth from 2021 to 2025. Among them, the market size of low-temperature liquid dairy products in Southwest China increased from RMB8.7 billion in 2021 to RMB10.2 billion in 2025, at a CAGR of 4.1%. The market size of low-temperature liquid dairy products in East China increased from RMB27.2 billion in 2021 to RMB32.6 billion in 2025, at a CAGR of 4.6%.

Looking ahead from 2025 to 2030, the market size of each region is expected to further expand. Southwest China and East China are expected to become the key drivers of future market growth. The market size of low-temperature liquid dairy products in Southwest China is expected to reach RMB13.1 billion by 2030, at a CAGR of 5.1% from 2025 to 2030. The market size of low-temperature liquid dairy products in East China is expected to reach RMB44.2 billion by 2030, at a CAGR of 6.3% from 2025 to 2030, maintaining the largest market size nationwide while continuing to rank among the fastest-growing regions.

Market Size of Low-temperature Liquid Dairy Products in China, by Region and by Retail Sales Value, 2021-2030E



Source: DAC; Frost & Sullivan

Market Drivers of China's Low-temperature Liquid Dairy Products Industry

Rising per-capita disposable income and consumption upgrading. With the continuous increase in per capita disposable income and growing health awareness among domestic residents, consumer demand for high-quality and nutritionally rich dairy products has continued to rise. In particular, consumers are increasingly attentive to functional nutritional components contained in low-temperature liquid dairy products, such as immunoglobulins and lactoferrin.

Rapid development of cold chain logistics and improvements in supply capabilities. Cold chain logistics imposes relatively high requirements on storage and transportation conditions, and China's cold chain logistics market has developed rapidly in recent years. This development has expanded the transportation radius of low-temperature liquid dairy products and helped break the geographical constraints previously associated with their production and distribution.

Innovation and upgrading of the retail market. China's modern retail system has evolved rapidly. More refined product selection by supermarkets, together with the penetration of e-commerce and community group buying into lower-tier markets, has enabled low-temperature liquid dairy products to achieve higher shelf efficiency and faster turnover. Retail channels have also driven brands to optimize product specifications, price positioning and product launch cycles.

Continuous resource investment by leading dairy companies. Leading dairy companies have continued to allocate resources towards low-temperature liquid dairy products in areas such as milk source development, cold chain infrastructure, brand promotion and channel coordination. These efforts have strengthened supply capabilities and enhanced consumer awareness, thereby promoting the rapid development of this segment.

Future Trends of China's Low-temperature Liquid Dairy Products Industry

Increasing penetration of low-temperature liquid dairy products. Based on the retail sales value of liquid dairy products, the penetration rate of low-temperature liquid dairy products in China was approximately 27.4% in 2025, compared to those in mature markets such as Europe, the United States, Japan and South Korea generally ranging between 70% and 90%. Looking ahead, as residents' health awareness continues to increase, consumers are placing greater emphasis on natural dairy products with better nutritional retention, and low-temperature liquid dairy products are perceived to possess advantages in terms of health attributes, thereby accelerating the penetration of this segment.

Diversification of consumer demographics driving demand segmentation. The consumer base for low-temperature liquid dairy products in China is becoming increasingly diversified and segmented. For example, young consumers pay greater attention to nutritional ingredients, functional attributes and brand values, and their purchasing decisions increasingly prioritize personalized experiences and emotional value, driving the continuous innovation and upgrading of low-temperature liquid dairy products. In addition, demographic aging is driving the growth of demand from middle-aged and elderly consumers. This group places greater emphasis on high-protein, low-fat and functionally fortified dairy products to meet their needs for health management and supplemental nutritional intake.

Diversified and more immediate channel structure. In addition to traditional supermarket and convenience stores channels, emerging channels such as community fresh food stores, e-commerce platforms and home milk delivery services continue to develop, enabling low-temperature liquid dairy products to reach consumers more efficiently and better meet demand for freshness and convenience. Meanwhile, ongoing channel innovation is driving dairy companies to optimize product specifications, price positioning and product portfolios to better align with different retail formats.

Shorter shelf life, enhanced freshness and functional upgrading. The low-temperature liquid dairy products market in China is expected to continue upgrading toward shorter shelf life, higher freshness and stronger functional attributes. In addition, products such as low-temperature yogurt are evolving towards the incorporation of specific bacterial strains, compound probiotic formulations and functional fortification, which is expected to better meet consumers' diverse needs for gut health, nutritional supplementation and personalized nutrition, thereby promoting the upgrading of product structures toward more premium and differentiated offerings.

COMPETITIVE LANDSCAPE OF CHINA'S LOW-TEMPERATURE LIQUID DAIRY PRODUCTS MARKET

Based on the retail sales value of low-temperature liquid dairy products in 2025, our Group ranked No. 5 in the low-temperature liquid dairy products market in China, with the fastest growth rate in retail sales value of low-temperature liquid dairy products among the top five dairy companies in the market from 2024 to 2025 in China. In 2025, the top five dairy companies in China's low-temperature liquid dairy products market collectively held a market share of 64.3% in terms of retail sales value of low-temperature liquid dairy products, with our Group holding a market share of 9.7%.

Based on the retail sales value of low-temperature fresh milk in 2025, our Group ranked No. 4 in the low-temperature fresh milk market in China. In 2025, the combined market share of the top five dairy companies in China, as measured by the retail sales value of low-temperature fresh milk, was 62.2%, with our Group holding a market share of 11.2%.

Top Five Dairy Companies by Retail Sales Value of Low-temperature Liquid Dairy Products in China, 2025

Ranking	Company	Market Share (%)	CAGR 2024-2025 (%)
1	Company B	15.0%	0.5%
2	Company D	14.6%	6.2%
3	Company C	13.3%	-1.2%
4	Company A	11.7%	7.9%
5	**Our Group**	**9.7%**	**15.7%**
	Top Five	**64.3%**	
	Total	**100.0%**	

Source: Frost & Sullivan

Based on the retail sales value of low-temperature liquid dairy products in Southwest China in 2025, our Group ranked No. 1 in the low-temperature liquid dairy products market, and the sub-markets of low-temperature fresh milk and yogurt, in Southwest China. In 2025, the top five dairy companies in the low-temperature liquid dairy products market in Southwest China collectively held a market share of 80.1% in terms of retail sales value of low-temperature liquid dairy products, with our Group holding a market share of 32.4%, exceeding the combined market share of the second- and third-ranked companies among the top five dairy companies in the market.

Based on the retail sales value of low-temperature liquid dairy products in East China in 2025, our Group ranked No. 5 in the low-temperature liquid dairy products market in East China. In 2025, the top five dairy companies in the low-temperature liquid dairy products market in East China collectively held a market share of 84.7% in terms of retail sales value of low-temperature liquid dairy products, with our Group holding a market share of 11.7%. We recorded the fastest growth rate among the top five dairy companies in the market in East China in terms of the retail sales value of low-temperature liquid dairy products from 2024 to 2025.

OVERVIEW OF CHINA'S AMBIENT LIQUID DAIRY PRODUCTS MARKET

Ambient liquid dairy products are typically produced using ultra-high temperature sterilization technology, which provides a longer shelf life and facilitates cross-regional transportation and nationwide distribution, making them an important component of China's liquid dairy products market. Common categories of ambient liquid dairy products include ambient milk, ambient yogurt and ambient formulated milk products. Ambient liquid dairy products experienced rapid growth during the early stage of expansion of the liquid dairy products industry and have long accounted for a significant share of China's liquid dairy products market, serving as an important product format that has driven the widespread adoption of dairy consumption.

With rising household income levels and evolving consumption preferences, consumers are placing increasing emphasis on the freshness, nutritional retention and overall quality of dairy products, leading to a gradual shift in demand from ambient liquid dairy products to low-temperature liquid dairy products. Against the backdrop of changing consumer demand, the market size and share of low-temperature liquid dairy products have continued to increase, while the overall growth of the ambient liquid dairy products market has declined. Meanwhile, intensified industry competition and periodic price adjustments have also exerted certain pressure on the growth of ambient liquid dairy products sales. From 2021 to 2025, the market size of China's ambient liquid dairy products market decreased from RMB270.1 billion to RMB250.4 billion at a CAGR of negative 1.9%, primarily due to a decline in consumption frequency of ambient liquid dairy products. The market size is expected to reach RMB263.0 billion in 2030, at a CAGR of 1.0% from 2025 to 2030.

The development of China's ambient liquid dairy products market is primarily driven by its long shelf life, strong distribution efficiency and suitability for large-scale nationwide circulation. Ambient liquid dairy products are less dependent on cold chain infrastructure, enabling broader penetration into lower-tier cities and rural markets. In addition, their stable storage characteristics and standardized product forms make them well-suited for bulk consumption scenarios, such as household stock-up and school milk programs, thereby supporting consistent baseline demand across diverse consumption settings.

Going forward, China's ambient liquid dairy products market is expected to evolve toward product differentiation within a relatively mature market structure. Leading companies are increasingly focusing on optimizing product mix through the introduction of differentiated and specialty products, including organic milk, A2 milk and functional fortified products, while also enhancing packaging formats and consumption scenarios to stimulate demand. At the same time, the market is expected to maintain its importance in lower-tier markets and mass consumption segments, while gradually transitioning from volume-driven growth to value-driven competition.

From a competitive landscape perspective, the ambient liquid dairy products market in China has experienced a relatively high level of concentration, with leading companies leveraging strong brand advantages and nationwide distribution networks to capture the majority of market share.

COMPETITIVE LANDSCAPE OF CHINA'S AMBIENT LIQUID DAIRY PRODUCTS MARKET

Based on the retail sales value of ambient liquid dairy products in 2025, our Group ranked No. 4 in the ambient liquid dairy products market in China. In 2025, the top five dairy companies in China's ambient liquid dairy products market collectively held a market share of 77.6% in terms of retail sales value of ambient liquid dairy products, with our Group holding a market share of 2.7%.

Top Five Dairy Companies by Retail Sales Value of Ambient Liquid Dairy Products in China, 2025

Ranking	Company	Market Share (%)
1	Company A	37.9%
2	Company B	31.7%
3	Company C	3.5%
4	**Our Group**	**2.7%**
5	Company D	2.4%
	Top Five	**77.6%**
	Total	**100.0%**

Source: Frost & Sullivan

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to analyze and prepare a report regarding China's liquid dairy products market, China's low-temperature liquid dairy products market, and China's ambient liquid dairy products market during the period of 2021 to 2030. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York, offering industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of RMB400,000 to Frost & Sullivan pursuant to a service agreement reached by arm's length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report.

In preparing for the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as World Bank, National Bureau of Statistics and other industrial associations. The market projections in the F&S Report are based on the following key assumptions: (1) the global social, economic, and political environment are expected to remain stable during the forecast period; (2) global economic and industrial development are likely to maintain a steady growth in the forecast period; (3) related industry key drivers are likely to drive the growth of China's liquid dairy products market, China's low-temperature liquid dairy products market, and China's ambient liquid dairy products market in the forecast period; and (4) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

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