You should read the following discussion and analysis in conjunction with the historical financial information as of and for each of the years ended December 31, 2023, 2024 and 2025, and the notes thereto included in the Accountants' Report set out in Appendix I to this document. Our historical financial information has been prepared in accordance with the requirements of all applicable CASBEs.

Our historical results do not necessarily indicate results expected for any future periods. 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 our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Forward-looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are a technology-driven nutritional food company dedicated to our mission of "bringing freshness and vitality to better lives（鮮活，讓生活更美好）" through the research, development, production and marketing of dairy products and other nutritional food. Guided by our "Fresh Cube Strategy（鮮立方戰略）" at the core, we aspire to elevate low-temperature dairy products from a conventional nutritional source to healthy high-frequency consumer goods with more functional benefits and in broader consumption scenarios, offering consumers dairy products that are fresher, more nutritious, and more emotionally engaging. Leveraging advanced biotechnology and digital capabilities and validated acquisition integration capabilities to drive product quality, operational efficiency and, ultimately, sustained growth, we have evolved into a preeminent player with a nationwide footprint, regional leadership, a diversified brand portfolio, and fully integrated operations across the value chain.

We have demonstrated consistent financial stability and growth resilience across industry cycles. Despite widespread challenges in the overall dairy market in China in recent years, our revenue grew from RMB10,987.3 million in 2023 to RMB11,233.5 million in 2025 at a CAGR of 1.1%. Our net profit increased from RMB437.7 million in 2023 to RMB754.5 million in 2025 at a CAGR of 31.3%, with steady improvement in net profit margin from 4.0% in 2023 to 6.7% in 2025.

BASIS OF PRESENTATION

Our financial statements as of and for the years ended December 31, 2023, 2024 and 2025 (the "Historical Financial Information") have been prepared in accordance with the requirements of the applicable China Accounting Standards for Business Enterprises ("CASBEs"), which are also referred to as China Accounting Standards, issued by the Ministry of Finance ("MOF") of the PRC. Further details of the material accounting policy information are set out in Note II to the Accountants' Report in Appendix I to this document. MOF has issued various new and revised CASBEs. For the purpose of preparing the Historical Financial Information, we have adopted all applicable new and revised CASBEs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2025.

The Historical Financial Information also complies with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the CSRC in 2023 and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies set out in the Accountants' Report in Appendix I to this document have been applied consistently to all periods presented in the Historical Financial Information. The Historical Financial Information is presented in Renminbi except when otherwise indicated.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by general factors influencing the dairy industry in China. These factors include macroeconomic trends, fluctuations in consumer spending capacity, industry development and competitive landscape. Any adverse development in these areas can have a negative impact on our results of operations.

In addition to these general factors, our results of operations are affected by the following company-specific factors.

Sales Volume and Selling Prices of Our Products

Our revenue is primarily driven by the sales volume and selling prices of our products. Sales volume is influenced by our product portfolio composition, sales channel structure and consumer demand trends.

We have strategically focused on low-temperature liquid dairy products, particularly fresh milk and yogurt categories, which generally generate higher gross profit margins compared to ambient products. During the Track Record Period, revenue from low-temperature liquid dairy products increased as a proportion of our total revenue, which contributed to the improvement of our overall gross profit margin. The relative contribution of different product categories directly affects our revenue mix and profitability.

Sales volume is further affected by evolving consumer demand patterns. Increasing consumer preference for fresh and value-added dairy products, together with demographic shifts and regional differences in purchasing power, affect sales volume and product mix. In addition, competitive dynamics within the dairy industry may influence both product demand and pricing strategies. Changes in average selling prices directly affect our revenue and gross profit. We may adjust pricing strategies from time to time in response to market conditions, which may in turn affect our financial performance.

Raw Milk Procurement and Supply Chain Management

Raw milk is the principal raw material for our dairy business and represents a significant component of our operating costs. As a result, our cost structure and profitability are materially affected by fluctuations in raw milk procurement prices and our ability to manage upstream farming operations efficiently. Raw milk prices in China are influenced by factors such as supply-demand balance, feed costs, herd productivity, industry capacity cycles and macroeconomic conditions. A decline in raw milk prices generally reduces our procurement costs for externally sourced raw milk, while an increase in raw milk prices may raise our operating costs and affect profitability if such increases cannot be passed on through product pricing.

We maintain a diversified raw milk sourcing structure comprising our self-owned dairy farms, strategic partner dairy farms, and third-party dairy farms. As of December 31, 2025, we operated 12 dairy farms with over 50,000 cows across multiple provinces in China, providing partial insulation from external market volatility while maintaining supply flexibility.

Production Capacity Management and Expansion

Our long-term financial performance is closely tied to our ability to strategically expand production capacity, particularly in high-margin low-temperature categories. On the production side, we manage a network of processing facilities across key regions, each equipped with modern production lines and quality control systems. This distributed structure provides us with geographic flexibility and reduces over-reliance on any single site. While we continue to optimize existing capacity utilization, we retain the ability to invest in capacity expansion to meet growing demand in targeted markets. Our vertical integration in key areas, such as strategic raw milk sourcing, further enhances our capacity scalability without necessitating disproportionate upfront capital expenditure.

However, scaling requires significant capital investment, skilled personnel, and robust supply chain coordination. Delays in facility commissioning, regulatory approvals, or equipment installation could constrain volume growth. Moreover, if new capacity comes online during a period of weak demand or intensified competition, it could lead to underutilization and margin dilution.

Cost Management and Operational Efficiency

Our ability to achieve profitability and sustainable growth depends in part on our management of operating costs. In 2023, 2024 and 2025, our operating costs were RMB8,034.7 million, RMB7,640.7 million and RMB7,955.5 million in 2023, 2024 and 2025, respectively, accounting for 73.1%, 71.6% and 70.8% of our total revenues for the same periods, respectively. Changes in any major component of our operating costs and our overall cost structure could have an impact on our gross profit and gross profit margin.

The performance of our business and operations is also heavily influenced by our operating expenses. During the Track Record Period, these expenses primarily consisted of selling and distribution expenses, general and administrative expenses, and research and development expenses. Although we improved our operating efficiency during the Track Record Period, we may incur rising expenses going forward due to potential expansion and increased operational spending to support business growth. Our future profitability will consequently depend on our ability to enhance operational efficiency, gain economies of scale, and achieve operating leverage to ensure costs and expenses remain aligned with our growth strategies.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions. Our management continually evaluates such estimates, assumptions and judgements based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our significant accounting policies, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Note II to the Accountants' Report in Appendix I to this document.

Revenue from Contracts with Customers

We recognize revenue when we satisfy the performance obligation in a contract by transferring control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, we determine the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices. We recognize as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which we expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. We recognize the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

We satisfy a performance obligation over time if one of the following criteria is met; otherwise, the performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- the customer can control the asset created or enhanced during our performance; or
- Our performance does not create an asset with an alternative use to it and we have an enforceable right to payment for performance completed to date.

Accounts receivable is our right to consideration that is unconditional (only the passage of time is required). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

The following is a description of accounting policies regarding revenue from our principal activities:

Our revenue is mainly from the sales of dairy products and related products. We are generally responsible for delivering goods to the designated location and revenue is recognized at the point in time when control of assets is transferred to the customer, generally on delivery and acceptance of the products.

For the transfer of products with a right of return, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for the amount expected to be returned, which is estimated based on historical data. We recognize a refund liability based on the amount expected to be returned. An asset is initially measured by reference to the former carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value of returned products). At each balance sheet date, we update the measurement of the refund liability for changes in expectations about the amount of returns. The above assets and liabilities are adjusted accordingly.

For sales with conditions of discounts and rebates, we use an expected value approach to estimate variable consideration.

Biological Assets

Our biological assets include consumable biological assets and productive biological assets. Consumable biological assets are biological assets held for sale or to be harvested as agricultural produce in the future (e.g. male calves). Productive biological assets are biological assets, for example, held for the production of agricultural produce, provision of services or rental, including immature productive biological assets and mature productive biological assets.

Consumable biological assets

A consumable biological asset is initially measured at cost. The cost of a consumable biological asset bred or cultivated by us comprises the costs necessarily incurred before sold and attributable to the asset.

At the balance sheet date, a consumable biological asset is measured at the lower of cost and net realizable value, and a provision for consumable biological assets is recognized using the method consistent with that applicable to provide for write-down of inventories. If the circumstances that previously led to a provision for write-down of a consumable biological asset no longer exist, the original provision for write-down is reversed in profit or loss for the current period. The reversal is limited to the amount originally recognized.

Productive biological assets

Productive biological assets are initially measured at cost. The cost of purchased productive biological assets comprises purchase price, relevant taxes, transportation costs, insurance costs, and other expenditures directly attributable to the purchase of the assets. The cost of self-breeding productive biological assets comprises those costs necessarily incurred and directly attributable to the asset before the asset becomes available for intended production and operating purpose, including feed costs, labor costs, an appropriate allocation of the depreciation cost of fixed assets and mature productive biological assets and an appropriate allocation of other indirect costs.

We accrue depreciation of productive biological assets using straight-line method, with a corresponding increase in the costs of the related assets or expenses. We determine the useful life and estimated net residual value of a productive biological asset and the depreciation method on a reasonable basis according to the asset's nature, usage and the pattern in which the associated economic benefits are expected to be realized. The useful life, expected net residual value and depreciation method of our mature productive biological assets are as follows

	Estimated Useful Life	**Estimated Net Residual Value Rate**	**Depreciation Rate**
	(years)	*(%)*	*(%)*
Cows	4-5	20%-35%	13%-20%

We carry out an examination on productive biological assets at least at each financial year-end. If there is clear evidence that the recoverable amount of a productive biological asset is lower than its carrying amount, impairment losses in respect of that biological asset shall be recognized and charged to profit or loss for the current period. Once an impairment loss is provided for a productive biological asset, it should not be reversed in a subsequent period.

Inventories

Inventories include raw materials, work in progress, finished goods and consumable biological assets. Inventories are measured initially at cost except for consumable biological assets. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labor costs and an appropriate allocation of production overheads based on normal capacity.

Cost of inventories recognized is calculated using the weighted average method. Consumables including low-value consumables and packaging materials are amortized when they are used. The amortization charge is included in the cost of the related assets or recognized in profit or loss for the current period.

At the balance sheet date, inventories are carried at the lower of cost and net realizable value. The net realizable value of materials held for use in production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities of our inventories exceed the quantities specified in sales contracts, the net realizable value of the excess portion of inventories is based on general selling prices. Any excess of the cost over the net realizable value of each category of inventories is recognized as a provision for obsolete inventories, and is recognized in profit or loss.

Impairment of Assets Other than Inventories and Financial Assets

At the balance sheet date, we assess whether there is any indication that assets other than inventories and financial assets may be impaired. For other non-current assets other than financial assets, impairment testing will be carried out if any indication exists that their carrying amount is not recoverable. We test annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment, in accordance with the accounting policy stated in Note II. 20 of the Accountants' Report in Appendix I to this document. When the carrying amount of the assets or assets group is higher than the recoverable amount, i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset, it indicates that the impairment has occurred.

Fair value less costs to sell, is determined with reference to sales contract price of the similar assets in an arm's length transaction or observable market price, less the incremental cost directly attributable to the disposal of the assets. When estimating the present value of the future cash flows, we need to make a major judgment on the output, selling price, related operating costs of the assets (or assets group) and the discount rate used in calculating the present value. When estimating the recoverable amount, we will use all available relevant information, including the prediction of production, selling price and related operating costs based on reasonable and supportable assumptions.

Depreciation of Fixed Assets

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. We review the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during the Track Record Period. The useful lives and residual values are based on our technological experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimations.

Provision of ECL for Accounts Receivables

We use provision matrix to calculate ECL for accounts receivable. The provision rates are based on the number of overdue days of accounts receivable as groupings of receivables that have similar loss patterns. The provision matrix is based on our historical default rates taking into consideration forward-looking information that is available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates. The information about the ECL and our accounts receivable are disclosed in Note IV.4 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED INCOME STATEMENTS

The following table sets forth our consolidated income statements and other comprehensive income for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)					
Revenue	10,987,294	100.0	10,665,423	100.0	11,233,458	100.0
Operating costs	(8,034,709)	(73.1)	(7,640,697)	(71.6)	(7,955,458)	(70.8)
Gross profit	**2,952,585**	**26.9**	**3,024,726**	**28.4**	**3,278,000**	**29.2**
Tax and surcharges	(51,739)	(0.5)	(53,053)	(0.5)	(59,507)	(0.5)
Selling and distribution expenses	(1,678,497)	(15.3)	(1,659,290)	(15.6)	(1,809,516)	(16.1)
General and administrative expenses	(469,881)	(4.3)	(380,816)	(3.6)	(356,814)	(3.2)
Research and development expenses	(47,385)	(0.4)	(49,103)	(0.5)	(50,366)	(0.4)
Financial expenses	(161,976)	(1.5)	(100,963)	(0.9)	(77,774)	(0.7)
Other income	64,183	0.6	53,885	0.5	53,838	0.5
Investment income/(losses)	6,048	0.1	(2,607)	(0.0)	27,819	0.2
Gains from changes in fair value	23,238	0.2	23,553	0.2	4,690	0.0
Credit (losses)/reversal	(9,039)	(0.1)	8,567	0.1	1,956	0.0
Impairment losses	(17,012)	(0.2)	(97,653)	(0.9)	(62,824)	(0.6)
Losses from asset disposals	(102,628)	(0.9)	(87,238)	(0.8)	(96,952)	(0.9)
Operating profit	**507,897**	**4.6**	**680,008**	**6.4**	**852,550**	**7.6**
Non-operating income	8,881	0.1	10,847	0.1	10,856	0.1
Non-operating expenses	(7,951)	(0.1)	(47,393)	(0.4)	(13,292)	(0.1)
Profit before income tax	**508,827**	**4.6**	**643,462**	**6.0**	**850,114**	**7.6**
Income tax expenses	(71,167)	(0.6)	(93,997)	(0.9)	(95,647)	(0.9)
Net profit	**437,660**	**4.0**	**549,465**	**5.2**	**754,467**	**6.7**

DESCRIPTION OF MAJOR COMPONENTS IN OUR CONSOLIDATED INCOME STATEMENTS

Revenue

During the Track Record Period, we primarily generated revenue from dairy business, comprising the production and sales of liquid dairy products and milk powder products.

By product category

Our dairy products can be categorized into liquid dairy products and milk powder products. Our liquid dairy products can be further divided into (1) low-temperature liquid dairy products and (2) ambient liquid dairy products. The following table sets forth a breakdown of our revenue by business line and product category for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Liquid dairy products	**9,755,260**	**88.8**	**9,836,179**	**92.2**	**10,495,087**	**93.4**
Low-temperature	4,925,225	44.8	5,226,188	49.0	6,049,009	53.8
Ambient	4,830,035	44.0	4,609,991	43.2	4,446,078	39.6
Milk powder products	**78,802**	**0.7**	**71,215**	**0.7**	**86,570**	**0.8**
Other business[(1)]	**1,153,232**	**10.5**	**758,029**	**7.1**	**651,801**	**5.8**
Total	**10,987,294**	**100.0**	**10,665,423**	**100.0**	**11,233,458**	**100.0**

(1) Our other business activities primarily consisted of (i) sales of dairy-related products and ancillary products, (ii) provision of products or services in the supply chain, and (iii) sales of recyclables.

Sale volume and average selling price

The following table sets forth a breakdown of our sales volume and average selling price by product category for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Sales volume	ASP	Sales volume	ASP	Sales volume	ASP
	(tonnes)	*(RMB/kg)*	*(tonnes)*	*(RMB/kg)*	*(tonnes)*	*(RMB/kg)*
Liquid dairy products	**1,092,313**	**8.9**	**1,144,622**	**8.6**	**1,218,179**	**8.6**
Low-temperature	400,120	12.3	458,399	11.4	540,710	11.2
Ambient	692,193	7.0	686,223	6.7	677,469	6.6
Milk powder products	**1,598**	**49.3**	**1,455**	**49.0**	**1,650**	**52.5**

During the Track Record Period, our sales volume of liquid dairy products increased from 1,092.3 thousand tonnes in 2023 to 1,144.6 thousand tonnes in 2024 and further to 1,218.2 thousand tonnes in 2025, consistent with our business growth. The average selling price of our liquid dairy products decreased from RMB8.9 per kilogram in 2023 to RMB8.6 per kilogram in 2024, primarily due to increased promotion activities amid more intensive market competition. The average selling price of our liquid dairy products remained stable at RMB8.6 per kilogram in 2025.

The sales volume and the average selling price of our milk powder products increased from 1,455 tonnes and RMB49.0 per kilogram in 2024 to 1,650 tonnes and RMB52.5 per kilogram in 2025, primarily due to the launch of our new milk powder products with relatively higher pricing in 2025.

By geographic region

During the Track Record Period, we generated substantially all of our revenue from Chinese Mainland. The following table sets forth a breakdown of our revenue by geographic region, in absolute amounts and as percentage of our total revenue, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Southwest China	4,095,228	37.3	3,828,813	35.9	3,830,155	34.1
East China	3,019,920	27.5	3,065,963	28.7	3,524,355	31.4
North China	1,109,047	10.1	922,980	8.7	918,368	8.2
Northwest China	1,423,901	13.0	1,265,633	11.9	1,265,631	11.3
Other regions(1)	1,339,198	12.2	1,582,034	14.8	1,694,949	15.1
Total	**10,987,294**	**100.0**	**10,665,423**	**100.0**	**11,233,458**	**100.0**

(1) Other regions primarily included Central China, South China and Northeast China. In 2023, 2024 and 2025, we also had revenue generated from the foreign market of RMB0.6 million, nil and nil, respectively.

Our revenue from Southwest China decreased from RMB4,095.2 million in 2023 to RMB3,828.8 million in 2024, primarily due to (1) the decrease in revenue from ambient liquid dairy products, which were affected by an overall downturn in the market, (2) the partial disposal of our equity interest in Chongqing Hanhong, whose customer base was primarily located in this region. See "Business—Our Sales Channels—Retailers."

Our revenue from East China increased from RMB3,066.0 million in 2024 to RMB3,524.4 million in 2025, primarily due to our strategic focus and devoted resources on our core low-temperature liquid dairy products, including effective marketing strategies and continuous innovation.

In 2023 and 2024, our revenue from North China and Northwest China decreased from RMB1,109.0 million to RMB923.0 million, and from RMB1,423.9 million to RMB1,265.6 million, respectively, mainly due to the subsidiaries in these regions primarily focused on ambient liquid dairy products, which were affected by an overall downturn in the market.

Our revenue from other regions increased steadily from RMB1,339.2 million in 2023 to RMB1,694.9 million in 2025, primarily due to (1) the launch of new products, and (2) the expansion of our distribution channels.

By sales channel

During the Track Record Period, our sales channels primarily consisted of sales to (1) retailers, (2) institutional customers, (3) end consumers through DTC channels, and (4) distributors. The following table sets forth a breakdown of our revenue by sales channel, in absolute amounts and as percentages of our total revenue, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Retailers(1)	3,289,160	30.0	3,674,127	34.5	4,291,344	38.2
Institutional customers	1,306,223	11.9	1,577,385	14.8	1,830,487	16.3
DTC	992,124	9.0	973,885	9.1	1,041,650	9.3
Distributors	4,246,555	38.6	3,681,997	34.5	3,418,176	30.4
Others business(2)	1,153,232	10.5	758,029	7.1	651,801	5.8
Total	**10,987,294**	**100.0**	**10,665,423**	**100.0**	**11,233,458**	**100.0**

(1) Our retailers include franchisees, with revenue contribution of RMB2.6 million, RMB3.5 million and RMB6.7 million in 2023, 2024 and 2025, respectively, accounting for 0.02%, 0.03% and 0.06% of our total revenue in the same periods, respectively.

(2) Our other business activities primarily consisted of (i) sales of dairy-related products and ancillary products, (ii) provision of products or services in the supply chain, and (iii) sales of recyclables.

Operating Costs

Our operating costs primarily consisted of raw materials, labor costs, manufacturing costs and transportation costs. Raw materials primarily included raw milk we procured, forage, and packaging materials. The following table sets forth a breakdown of our operating costs by nature, in absolute amounts and as a percentage of our total operating costs, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Raw materials	5,449,082	67.8	5,276,816	69.1	5,585,112	70.2
Labor	317,382	4.0	313,048	4.1	314,521	4.0
Manufacturing costs	510,562	6.4	596,806	7.8	621,319	7.8
Transportation costs	726,267	9.0	757,334	9.9	821,362	10.3
Others business[(1)]	1,031,416	12.8	696,693	9.1	613,144	7.7
Total	**8,034,709**	**100.0**	**7,640,697**	**100.0**	**7,955,458**	**100.0**

(1) Cost of other business activities primarily included costs incurred for (i) sales of dairy-related products and ancillary products, (ii) provision of products or services in the supply chain, and (iii) sales of recyclables.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit was RMB2,952.6 million, RMB3,024.7 million and RMB3,278.0 million in 2023, 2024 and 2025, respectively, and our gross profit margin was 26.9%, 28.4% and 29.2% for the same periods, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Margin (%)	Gross Profit	Gross Margin (%)	Gross Profit	Gross Margin (%)
	(RMB in thousands, except for percentages)					
Liquid dairy products	**2,805,202**	**28.8**	**2,940,944**	**29.9**	**3,218,496**	**30.7**
Low-temperature	1,757,224	35.7	1,886,216	36.1	2,180,310	36.0
Ambient	1,047,978	21.7	1,054,728	22.9	1,038,186	23.4
Milk powder products	**25,567**	**32.4**	**22,446**	**31.5**	**20,847**	**24.1**
Other business[(1)]	**121,816**	**10.6**	**61,336**	**8.1**	**38,657**	**5.9**
Total	**2,952,585**	**26.9**	**3,024,726**	**28.4**	**3,278,000**	**29.2**

(1) Gross profit of other business activities primarily included gross profit of (i) sales of dairy-related products and ancillary products, (ii) provision of products or services in the supply chain, and (iii) sales of recyclables.

Taxes and Surcharges

During the Track Record Period, our taxes and surcharges primarily consisted of (1) urban construction and maintenance tax, (2) real estate tax, and (3) education surcharges. In 2023, 2024 and 2025, our taxes and surcharges were RMB51.7 million, RMB53.1 million and RMB59.5 million, respectively.

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (1) advertising and marketing expenses, representing expenses in relation to promotions on online media, offline traditional media and other promotional expenses, (2) employee remuneration for our sales personnel, and (3) depreciation expenses of equipment in connection with sales activities. The following table sets forth a breakdown of our sales and distribution expenses for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Advertising and marketing expenses	1,044,071	62.2	1,118,667	67.4	1,263,408	69.8
Employee remuneration	414,619	24.7	365,240	22.0	357,265	19.7
Depreciation expenses	27,140	1.6	20,912	1.3	19,423	1.1
Others[(1)]	192,667	11.5	154,471	9.3	169,420	9.4
Total	**1,678,497**	**100.0**	**1,659,290**	**100.0**	**1,809,516**	**100.0**

(1) Others primarily included travel expenses, low-value consumables and rental expenses.

General and Administrative Expenses

During the Track Record Period, our general and administrative expenses primarily consisted of (1) employee remuneration for our general and administrative personnel, (2) professional service fees, representing service expenses for environmental protection and other professional service fees, (3) depreciation and amortization expenses, (4) low-value consumables, maintenance and labor expenses, and (5) travel and business development expenses. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Employee remuneration	201,715	42.9	221,304	58.1	206,989	58.0
Professional service fees	65,560	14.0	47,039	12.4	49,608	13.9
Depreciation and amortization expenses	47,373	10.1	37,905	10.0	36,471	10.2
Low-value consumables, maintenance and labor expenses	101,441	21.6	31,246	8.2	19,750	5.5
Travel and business development expenses	14,924	3.2	14,551	3.8	13,755	3.9
Others[(1)]	38,868	8.3	28,771	7.6	30,241	8.5
Total	**469,881**	**100.0**	**380,816**	**100.0**	**356,814**	**100.0**

(1) Others primarily included rental expenses, utility expenses and property insurance expenses.

Research and Development Expenses

During the Track Record Period our research and development expenses primarily consisted of (1) employee remuneration for our R&D personnel, (2) R&D material consumption expenses, representing expenses of raw and auxiliary materials incurred during the R&D process, (3) service fee mainly related to R&D collaborations, and (4) depreciation and amortization expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Employee remuneration	23,797	50.2	22,616	46.1	21,506	42.7
R&D material consumption expenses	17,033	35.9	16,254	33.1	17,125	34.0
Service fee	2,972	6.3	4,554	9.3	4,278	8.5
Depreciation and amortization	610	1.3	1,273	2.6	2,925	5.8
Others(1)	2,973	6.3	4,406	9.0	4,532	9.0
Total	**47,385**	**100**	**49,103**	**100.0**	**50,366**	**100.0**

(1) Others primarily included experiment expenses and design fees.

Financial Expenses

Our financial expenses primarily consisted of (1) interest expenses on loans and debentures, including capitalized interest expenses related to productive biological assets and construction projects, net off interests on policy-related preference loans, (2) interest expenses on lease liabilities, (3) interest income, derived from bank deposits, and (4) net exchange losses or gains. The following table sets forth a breakdown of our financial expenses for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Interest expenses on loans and debentures	169,925	120,096	94,223
Interest expenses on lease liabilities	5,613	4,057	3,620
Less: capitalized interest expenses	(21,870)	(14,060)	(8,373)
Less: interest expenses on policy-related preference loans	(5,000)	(3,824)	(10,221)
Less: interest income	(9,076)	(7,658)	(4,547)
Net exchange losses/(gains)	12,020	(207)	394
Others(1)	10,364	2,559	2,678
Total	**161,976**	**100,963**	**77,774**

(1) Others primarily included bank charges and other financial service fees.

Other Income

Our other income consisted of (1) government grants primarily related to financial assistance funds for the operation of new infrastructure projects and (2) government grants primarily related to R&D projects and technological development support funds. We recorded other income of RMB64.2 million, RMB53.9 million and RMB53.8 million in 2023, 2024 and 2025, respectively.

Investment Income/(Losses)

During the Track Record Period, our investment income/(losses) primarily consisted of (1) investment income/(losses) from long-term equity investments accounted for using the equity method, (2) investment losses from disposal of subsidiaries, see Note V.1 to the Accountant's Report in Appendix I to this document and (3) dividend income from investments in other equity instruments.

Gains from Changes in Fair Value

During the Track Record Period, our gains from changes in fair value mainly arose from (1) changes in fair value of derivative financial assets, (2) fair value changes in compensation receivables, and (3) fair value changes in debt investments.

Credit (Losses)/Reversal

We recorded expected credit (losses)/reversal on (1) accounts receivable, and (2) other receivables. We recorded a credit loss of RMB9.0 million in 2023, credit reversal of RMB8.6 million and RMB2.0 million in 2024 and 2025, respectively.

Impairment Losses

We recorded expected impairment losses mainly on (1) fixed assets, (2) construction progress, (3) productive biological assets, (4) intangible assets, (5) investment properties, and (6) goodwill. In 2023, 2024 and 2025, we recorded impairment losses of RMB17.0 million, RMB97.7 million and RMB62.8 million, respectively.

Losses from Asset Disposals

Our losses from asset disposals were mainly related to disposal of productive biological assets. In 2023, 2024 and 2025, we recorded losses from asset disposals of RMB102.6 million, RMB87.2 million and RMB97.0 million, respectively.

Non-Operating Income

Our non-operating income primarily consisted of (1) penalty and forfeiture income, primarily representing the payment imposed for certain breaches of contract by distributors, and (2) other non-operating income, primarily representing payables write-off. In 2023, 2024 and 2025, our non-operating income was RMB8.9 million, RMB10.8 million and RMB10.9 million, respectively.

Non-Operating Expenses

Our non-operating expenses primarily consisted of (1) an expense related to pre-acquisition liabilities of a subsidiary acquired prior to the Track Record Period, (2) losses from damage or scrapping of non-current assets, and (3) donations. In 2023, 2024 and 2025, our non-operating expenses were RMB8.0 million, RMB47.4 million and RMB13.3 million, respectively.

Income Tax Expenses

Our income tax expenses primarily consisted of (1) current income tax expenses for the year, and (2) changes in deferred income tax assets/liabilities. In 2023, 2024 and 2025, our income tax expenses were RMB71.2 million, RMB94.0 million and RMB95.6 million, respectively.

PRC Tax Rate

Under the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the enterprise income tax rate of our Company and our PRC subsidiaries is 25% unless subject to tax exemption or preferential treatment set out below.

During the Track Record Period, certain of our subsidiaries located in the western region of China met the conditions stipulated in the Announcement on Continuing the Enterprise Income Tax Policy for the Western Development and were subject to a reduced enterprise income tax rate of 15%.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China, income derived by enterprises from agricultural, forestry, animal husbandry, and fishery projects may be exempted from or reduced for enterprise income tax. As a result, the income derived by our subsidiaries from animal husbandry activities shall be exempt from enterprise income tax.

In addition, our subsidiary, Hebei Tianxiang obtained the High and New Tech Enterprise certification and was subject to a preferential tax rate of 15% during the Track Record Period.

In accordance with the Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (Announcement No. 12) in 2023 issued by the MOF and the State Taxation Administration, for small and micro enterprises with an annual taxable income of no more than RMB3 million, 25% of the amount is included in the taxable income, and the applicable enterprise income tax rate is 20%.

Net Profit

In 2023, 2024 and 2025, we recorded net profit of RMB437.7 million, RMB549.5 million and RMB754.5 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 5.3% from RMB10,665.4 million in 2024 to RMB11,233.5 million in 2025, primarily due to an increase in revenue generated from our low-temperature liquid dairy products.

Liquid dairy products

Our revenue generated from liquid dairy products increased by 6.7% from RMB9,836.2 million in 2024 to RMB10,495.1 million in 2025, primarily driven by our strategic focus on low-temperature liquid dairy products.

- *Low-temperature liquid dairy products*. Our revenue generated from low-temperature liquid dairy products increased by 15.7% from RMB5,226.2 million in 2024 to RMB6,049.0 million in 2025, primarily due to an increase in the sales volume from 458.4 thousand tonnes in 2024 to 540.7 thousand tonnes in 2025, partially offset by a decrease in the average selling price from RMB11.4 per kilogram in 2024 to RMB11.2 per kilogram in 2025.

- *Ambient liquid dairy products*. Our revenue generated from ambient liquid dairy decreased by 3.6% from RMB4,610.0 million in 2024 to RMB4,446.1 million in 2025, primarily due to the combined effects of a decrease in average selling price from RMB6.7 per kilogram in 2024 to RMB6.6 per kilogram in 2025, and a decrease in sale volume of ambient liquid dairy products from 686.2 thousand tonnes in 2024 to 677.5 thousand tonnes in 2025, which was mainly caused by an industry-wide downturn in the ambient milk market as customer preferences continued to shift towards low-temperature liquid dairy products.

Milk powder products

Our revenue generated from milk powder products increased by 21.6% from RMB71.2 million in 2024 to RMB86.6 million in 2025, primarily due to the increases in sales volume and average selling price of our milk powder products from 1,455 tonnes and RMB49.0 per kilogram in 2024 to 1,650 tonnes and RMB52.5 per kilogram in 2025, respectively, attributable to the launch of our new products in 2025.

Other business

Our revenue generated from other business decreased by 14.0% from RMB758.0 million in 2024 to RMB651.8 million in 2025, primarily due to a decrease in the revenue from provision of products or services in the supply chain.

Operating costs

Our operating costs increased by 4.1% from RMB7,640.7 million in 2024 to RMB7,955.5 million in 2025, primarily due to an increase of RMB308.3 million in raw materials, driven by the expansion of our operating scale, which resulted in higher costs of raw materials, manufacturing and transportation.

Gross profit and gross profit margin

Our gross profit increased by 8.4% from RMB3,024.7 million in 2024 to RMB3,278.0 million in 2025. Our gross profit margin increased from 28.4% in 2024 to 29.2% in 2025 for the following reasons.

Liquid dairy products

The gross profit of our liquid dairy products increased by 9.4% from RMB2,940.9 million in 2024 to RMB3,218.5 million in 2025. The gross profit margin of our liquid dairy products increased from 29.9% in 2024 to 30.7% in 2025, primarily due to (1) an increase in the proportion of low-temperature liquid dairy products with relatively high gross profit margins, (2) the launch of new products with relatively high gross profit margins, and (3) a decline in the cost of raw milk.

- *Low-temperature liquid dairy products*. The gross profit of our low-temperature liquid dairy products increased by 15.6% from RMB1,886.2 million in 2024 to RMB2,180.3 million in 2025. The gross profit margin of our low-temperature liquid dairy products remained relatively stable at 36.1% and 36.0% in 2024 and 2025, respectively.

- *Ambient liquid dairy products*. The gross profit of our ambient liquid dairy products remained relatively stable at RMB1,054.7 million and RMB1,038.2 million in 2024 and 2025, respectively. The gross profit margin of our ambient liquid dairy products increased from 22.9% in 2024 to 23.4% in 2025, primarily due to a decrease in the cost of raw milk.

Taxes and surcharges

Our taxes and surcharges increased by 12.1% from RMB53.1 million in 2024 to RMB59.5 million in 2025, primarily due to the increase of urban construction and maintenance tax and education surcharges, which was in line with the expansion of our operating scale.

Selling and distribution expenses

Our selling and distribution expenses increased by 9.1% from RMB1,659.3 million in 2024 to RMB1,809.5 million in 2025, primarily due to an increase of RMB144.7 million in advertising and marketing expenses in connection with our enhanced advertising efforts as we expand our business.

General and administrative expenses

Our general and administrative expenses decreased by 6.3% from RMB380.8 million in 2024 to RMB356.8 million in 2025, primarily due to (1) a decrease of RMB14.3 million in employee remuneration driven by a reduction in the headcount of our general and administrative personnel from 2024 to 2025, and (2) a decrease of RMB11.5 million in low-value consumables, maintenance and labor expenses, in relation to a decrease in maintenance-related consumption expenses.

Research and development expenses

Our research and development expenses increased by 2.6% from RMB49.1 million in 2024 to RMB50.4 million in 2025, primarily driven by an increase of RMB1.7 million in depreciation and amortization expenses from R&D equipment newly put into use in 2025.

Financial expenses

Our financial expenses decreased by 23.0% from RMB101.0 million in 2024 to RMB77.8 million in 2025, primarily due to a decrease in interest expenses on loans and debentures, which resulted from (1) the repayment of our bank loans, and (2) a decrease in interest rate.

Other income

Our other income remained relatively stable at RMB53.9 million and RMB53.8 million in 2024 and 2025, respectively.

Investment income/(losses)

We recorded an investment loss of RMB2.6 million in 2024 and an investment income of RMB27.8 million in 2025, primarily due to the improvement in the operating performance of one of our associates.

Gains from changes in fair value

Our gains from changes in fair value decreased by 80.1% from RMB23.6 million in 2024 to RMB4.7 million in 2025, primarily due to fair value change in 2024 related to the in compensation receivables from non-controlling shareholder of Chongqing Hanhong due to failure to meet performance commitment. See Note IV.2 to the Accountant's Report in Appendix I to this document.

Credit (losses)/reversal

We recorded a credit reversal of RMB8.6 million and RMB2.0 million in 2024 and 2025, respectively, primarily due to a continuous improvement in the aging profile of our accounts receivable.

Impairment losses

Our impairment losses decreased by 35.7% from RMB97.7 million in 2024 to RMB62.8 million in 2025, primarily due to the recognition of impairment losses on biological assets in 2024.

Losses from asset disposals

Our losses from asset disposals increased by 11.2% from RMB87.2 million in 2024 to RMB97.0 million in 2025, primarily due to the disposal of a land use right in 2025.

Non-operating income

Our non-operating income remained relatively stable at RMB10.8 million and RMB10.9 million in 2024 and 2025, respectively.

Non-operating expenses

Our non-operating expenses decreased by 71.9% from RMB47.4 million in 2024 to RMB13.3 million in 2025, primarily due to (1) an expense related to pre-acquisition liabilities of a subsidiary acquired prior to the Track Record Period, and (2) losses from damage or scrapping of non-current assets.

Income tax expenses

Our income tax expenses increased by 1.7% from RMB94.0 million in 2024 to RMB95.6 million in 2025, primarily due to an increase in our taxable income.

Net profit

As a result of the foregoing, our net profit increased by 37.3% from RMB549.5 million in 2024 to RMB754.5 million in 2025. Our net profit margin increased from 5.2% in 2024 to 6.7% in 2025.

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

Revenue

Our revenue remained relatively stable at RMB10,987.3 million in 2023 and RMB10,665.4 million in 2024, primarily due to the combined effects as discussed below.

Liquid dairy products

Our revenue generated from liquid dairy products remained relatively stable at RMB9,755.3 million and RMB9,836.2 million in 2023 and 2024, respectively, primarily due to the combined effects as discussed below.

- *Low-temperature liquid dairy products*. Our revenue generated from low-temperature liquid dairy products increased by 6.1% from RMB4,925.2 million in 2023 and RMB5,226.2 million in 2024, primarily due to an increase in the sales volume from 400.1 thousand tonnes in 2023 to 458.4 thousand tonnes in 2024, mainly driven by the launch of new products and the expansion of sales channels, partially offset by a decrease in the average selling price from RMB12.3 per kilogram in 2023 to RMB11.4 per kilogram in 2024.

- *Ambient liquid dairy products*. Our revenue generated from ambient liquid dairy products decreased by 4.6% from RMB4,830.0 million in 2023 and RMB4,610.0 million in 2024, primarily due to the combined effects of a decrease in average selling price from RMB7.0 per kilogram in 2023 to RMB6.7 per kilogram in 2024 and a decrease in the sales volume from 692.2 thousand tonnes in 2023 to 686.2 thousand tonnes in 2024, which was mainly caused by an industry-wide downturn in the ambient milk market as customer preferences continued to shift towards low-temperature liquid dairy products.

Milk powder products

Our revenue generated from milk powder products decreased by 9.6% from RMB78.8 million in 2023 to RMB71.2 million in 2024, reflecting intense competition in the milk powder market in 2024.

Other business

Our revenue from other business decreased by 34.3% from RMB1,153.2 million in 2023 to RMB758.0 million in 2024, primarily due to a decrease in the revenue from provision of products or services in the supply chain.

Operating costs

Our operating costs decreased by 4.9% from RMB8,034.7 million in 2023 to RMB7,640.7 million in 2024, primarily due to a decrease the cost of raw milk.

Gross profit and gross profit margin

Our gross profit increased by 2.4% from RMB2,952.6 million in 2023 to RMB3,024.7 million in 2024. Our gross profit margin increased from 26.9% in 2023 to 28.4% in 2024 for the following reasons.

Liquid dairy products

The gross profit of our liquid dairy products increased by 4.8% from RMB2,805.2 million in 2023 to RMB2,940.9 million in 2024. The gross profit margin of our liquid dairy products increased from 28.8% in 2023 to 29.9% in 2024, primarily due to (1) an increase in the proportion of low-temperature liquid dairy products with relatively higher gross profit margins, (2) the launch of new products with relatively higher gross profit margins, and (3) a decline in the cost of raw milk.

- *Low-temperature liquid dairy products*. The gross profit of our low-temperature liquid dairy products increased by 7.3% from RMB1,757.2 million in 2023 to RMB1,886.2 million in 2024. The gross profit margin of our low-temperature liquid dairy products increased from 35.7% in 2023 to 36.1% in 2024, primarily due to (1) an increase in the proportion of high-margin products in our product offering mix, and (2) a decrease in the cost of raw milk.

- *Ambient liquid dairy products*. The gross profit of our ambient liquid dairy products remained relatively stable at RMB1,048.0 million and RMB1,054.7 million in 2023 and 2024, respectively. The gross profit margin of our ambient liquid dairy products increased from 21.7% in 2023 to 22.9% in 2024, primarily due to a decrease in the cost of raw milk.

Taxes and surcharges

Our taxes and surcharges remained relatively stable at RMB51.7 million and RMB53.1 million in 2023 and 2024, respectively.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at RMB1,678.5 million and RMB1,659.3 million in 2023 and 2024, respectively.

General and administrative expenses

Our general and administrative expenses decreased by 19.0% from RMB469.9 million in 2023 to RMB380.8 million in 2024, primarily due to a decrease of RMB70.2 million in low-value consumables, maintenance and labor expenses, resulting from the adoption of a more refined management approach.

Research and development expenses

Our research and development expenses increased by 3.6% from RMB47.4 million in 2023 to RMB49.1 million in 2024, primarily due to an increase of RMB1.6 million in service fee related to collaborative R&D activities with universities and research institutions.

Financial expenses

Our financial expenses decreased by 37.7% from RMB162.0 million in 2023 to RMB101.0 million in 2024, primarily attributable to (1) a decrease in interest expenses on loans and debentures as a result of (i) the repayment of our bank loans, and (ii) a decrease in interest rate, and (2) net exchange gains of RMB0.2 million in 2024 as compared to net exchange losses of RMB12.0 million in 2023 following our repayment of certain foreign bank loans dominated in U.S. dollars.

Other income

Our other income decreased by 16.0% from RMB64.2 million in 2023 to RMB53.9 million in 2024, primarily due to a reduction in government grants related to income, mainly from industrial and IT development support funds.

Investment income/(losses)

We recorded an investment income of RMB6.0 million in 2023 and an investment loss of RMB2.6 million in 2024, primarily due to the change from investment income from long-term equity investments accounted for using the equity method in 2023 to the losses in 2024 as a result of the fluctuations in the operating performance of one of our associates, partially offset by losses from the disposal of subsidiaries. See Note V.1 to the Accountant's Report in Appendix I to this document.

Gains from changes in fair value

Our gains from changes in fair value remained relatively stable at RMB23.2 million and RMB23.6 million in 2023 and 2024, respectively.

Credit (losses)/reversal

We recorded a credit loss of RMB9.0 million in 2023 and a credit reversal of RMB8.6 million in 2024, primarily driven by the enhanced collection of the receivable which has been previously impaired.

Impairment losses

Our impairment losses increased significantly from RMB17.0 million in 2023 to RMB97.7 million in 2024, primarily due to the recoverable amount being lower than the carrying amount of productive biological assets which resulted from a decrease in market prices of cows and raw milk. As such, we recorded impairment losses of RMB94.6 million in 2024.

Losses from asset disposals

Our losses from asset disposals decreased by 15.0% from RMB102.6 million in 2023 to RMB87.2 million in 2024, primarily due to (1) reduced volumes of cow culling in 2024, and (2) the closure of two underperforming dairy farms in 2023.

Non-operating income

Our non-operating income increased by 21.3% from RMB8.9 million in 2023 to RMB10.8 million in 2024, primarily due to an increase in (1) the payment imposed for certain breaches of contract by distributors, and (2) payables write-off.

Non-operating expenses

Our non-operating expenses increased significantly from RMB8.0 million in 2023 to RMB47.4 million in 2024, primarily due to (1) an increase in losses on disposal of non-current assets, which was mainly related to the scrapping of obsolete non-current assets due to facilities upgrade, and (2) an increase in donation expenses.

Income tax expenses

Our income tax expenses increased by 32.0% from RMB71.2 million in 2023 to RMB94.0 million in 2024, primarily due to an increase in our taxable income.

Net profit

As a result of the foregoing, our net profit increased by 25.5% from RMB437.7 million in 2023 to RMB549.5 million in 2024. Our net profit margin increased from 4.0% in 2023 to 5.2% in 2024.

DISCUSSION OF MAJOR BALANCE SHEETS ITEMS

The following table sets forth a summary of our consolidated balance sheets as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Current assets			
Cash at bank and on hand	439,543	396,478	354,913
Financial assets held for trading	52,000	147,606	213,140
Bills receivable	5,818	1,714	3,064
Accounts receivable	604,081	608,107	647,760
Receivables under financing	–	6,554	2,269
Prepayments	82,259	45,997	35,848
Other receivables	101,267	32,916	74,353
Inventories	711,505	741,644	717,252
Non-current assets due within one year	–	3,808	3,956
Other current assets	5,873	13,302	4,006
Total current assets	**2,002,346**	**1,998,126**	**2,056,561**
Non-current assets			
Long-term receivables	–	12,338	8,382
Long-term equity investments	538,267	515,348	505,983
Investments in other equity instruments	480,432	570,293	988,722
Investment properties	19,632	18,480	27,585
Fixed assets	2,882,600	2,912,825	2,794,449
Construction in progress	89,480	35,470	19,415
Productive biological assets	981,432	968,044	993,230
Right-of-use assets	121,663	120,331	108,453
Intangible assets	681,149	661,920	570,360
Goodwill	1,002,796	1,002,796	992,463
Long-term deferred expenses	10,307	13,422	13,710
Deferred tax assets	30,487	21,574	29,801
Other non-current assets	97,419	27,700	25,784
Total non-current assets	**6,935,664**	**6,880,541**	**7,078,337**
Total assets	**8,938,010**	**8,878,667**	**9,134,898**
Current liabilities			
Short-term loans	915,574	371,076	444,277
Bills payable	100	–	8,454
Accounts payable	925,284	990,643	923,458
Contract liabilities	419,640	409,277	437,689
Employee benefits payable	217,039	250,679	258,061
Taxes payable	48,945	62,432	71,758
Other payables	748,543	737,928	862,803
Non-current liabilities due within one year	697,023	864,053	1,367,458
Other current liabilities	46,035	44,611	47,020
Total current liabilities	**4,018,183**	**3,730,699**	**4,420,978**

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current liabilities			
Long-term loans	1,366,677	1,077,260	563,900
Debentures payable	698,911	725,270	–
Lease liabilities	71,178	68,609	60,693
Long-term payables	11,000	11,000	–
Provisions	52	239	–
Deferred income	117,262	109,776	105,122
Deferred tax liabilities	15,349	13,407	11,873
Total non-current liabilities	**2,280,429**	**2,005,561**	**741,588**
Total liabilities	**6,298,612**	**5,736,260**	**5,162,566**
Total equity	**2,639,398**	**3,142,407**	**3,972,332**

Cash at Bank and on Hand

Our cash at bank and on hand primarily consisted of (1) cash on hand, (2) deposits with banks, and (3) other monetary funds, which primarily consisted of guaranteed deposits for bills by our subsidiaries. Our cash at bank and on hand decreased from RMB439.5 million as of December 31, 2023 to RMB396.5 million as of December 31, 2024 and further to RMB354.9 million as of December 31, 2025, primarily due to a decrease in deposits with banks, driven by repayment of borrowings, and also align with our working capital and operational needs.

Financial Assets Held for Trading

Our financial assets held for trading primarily consisted of (1) debt investments, (2) compensation receivables, and (3) equity securities. Our financial assets held for trading increased from RMB52.0 million as of December 31, 2023 to RMB147.6 million as of December 31, 2024, primarily due to an increase in debt investments of wealth management products. Our financial assets further increased to RMB213.1 million as of December 31, 2025, primarily due to an increase in debt investments of certificate of deposits.

Accounts Receivable

Our accounts receivable represented amounts due from customers for goods sold in the ordinary course of our business. Our accounts receivable remained relatively stable at RMB604.1 million and RMB608.1 million as of December 31, 2023 and 2024, respectively. Our accounts receivable increased to RMB647.8 million as of December 31, 2025, generally in line with our revenue growth.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year (inclusive)	629,851	623,527	652,703
Over one year but within two years (inclusive)	31,098	5,466	4,869
Over two years but within three years (inclusive)	1,455	9,728	2,585
Over three years	1,786	2,667	10,730
Less: Provision for bad and doubtful debts	60,109	33,281	23,127
Total	**604,081**	**608,107**	**647,760**

We generally grant a credit period of up to 90 days to supermarkets and e-commerce platforms, and a credit period of up to 60 days to institutional customers, each starting from the date of product acceptance or the invoice date. The following table sets forth our accounts receivable turnover days for the periods indicated.

	For the year ended December 31,		
	2023	**2024**	**2025**
Accounts receivable turnover days[1]	22	22	21

(1) Accounts receivable turnover days are calculated using the average of opening balance and closing balance of accounts receivable for a period divided by revenue for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year).

Our accounts receivable turnover days remained relatively stable at 22, 22 and 21 days in 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB608.6 million, or 90.7% of our accounts receivable as of December 31, 2025, had been settled.

Prepayments

Our prepayments primarily consisted of prepayments for raw milk. Our prepayments decreased from RMB82.3 million as of December 31, 2023 to RMB35.8 million as of December 31, 2025, primarily because we had entered into certain advance payment arrangements to secure a stable supply of high-quality raw milk before 2023 given the tight supply of raw milk and competitive sourcing environment. As the supply of raw milk has subsequently stabilized and competitive pressures in sourcing have eased, we have thus reduced the level of such advance payments.

Other Receivables

Our other receivables primarily consisted of (1) consideration receivables, (2) land transfer receivables, (3) security deposit, and (4) petty cash. Our other receivables decreased from RMB101.3 million as of December 31, 2023 to RMB32.9 million as of December 31, 2024, primarily due to consideration receivables of RMB74.3 million of December 31, 2023 as a result of the partial disposal of our equity interest in Chongqing Hanhong. See Note IV.7 to the Accountant's Report in Appendix I to this document. Our other receivables then increased to RMB74.4 million as of December 31, 2025, as a result of an increase in land transfer receivables in connection with the disposal of a land use right in 2025.

Inventories

Our inventories primarily consisted of (1) raw materials, (2) finished goods, and (3) consumable biological assets, mainly consisting of bull calves. The following table sets forth a summary of the balances of our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Raw materials	545,676	552,144	537,172
Finished goods	148,615	179,098	167,642
Consumable biological assets	5,256	971	925
Others[1]	11,958	9,431	11,513
Total	**711,505**	**741,644**	**717,252**

(1) Others primarily included veterinary medicines and frozen semen and embryos used for cow breeding.

We recorded inventories of RMB741.6 million as of December 31, 2024, higher than those as of December 31, 2023 and 2025, primarily due to our build-up of stock in preparation for the 2025 Chinese New Year, which had an earlier timing compared to 2024 and 2026.

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within 180 days	674,206	703,172	678,595
Over 180 days but within 360 days (inclusive)	23,011	12,893	13,185
Over one year	14,315	25,581	25,472
Total	**711,532**	**741,646**	**717,252**

The following table sets forth our inventory turnover days for the periods indicated.

	For the year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days[(1)]	34	35	33

(1) Inventory turnover days are calculated as the average of the beginning and ending inventory balances divided by operating costs for that period and multiplied by the number of days in the relevant period (i.e., 365 days for a fiscal year).

Our inventory turnover days remained relatively stable at 34, 35 and 33 days in 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB416.5 million, or 58.1% of our inventories as of December 31, 2025, had been used, consumed or sold.

Other Current Assets

Our other current assets primarily consisted of (1) deductible input VAT, and (2) prepaid enterprise income tax. Our other current assets increased from RMB5.9 million as of December 31, 2023 to RMB13.3 million as of December 31, 2024, and decreased to RMB4.0 million as of December 31, 2025, primarily due to the changes in deductible input VAT, driven by the changes in the input VAT expected to be utilized within one year.

Long-term Equity Investments

Our long-term equity investments primarily consisted of investments in associates. Our long-term equity investment decreased from RMB538.3 million as of December 31, 2023 to RMB515.3 million as of December 31, 2024, and further to RMB506.0 million as of December 31, 2025, primarily due to the combined effects of the fluctuations of operating performance and dividend declaration of our associates.

Investments in Other Equity Instruments

Our investments in other equity instruments primarily consisted of our strategic investments in dairy farming enterprises to secure a stable raw milk supply. Our investment in other equity instruments increased from RMB480.4 million as of December 31, 2023 to RMB570.3 million as of December 31, 2024, and further to RMB988.7 million as of December 31, 2025, primarily due to the changes in the fair value of our investments in two dairy companies listed in Hong Kong during the Track Record Period.

Investment Properties

Our investment properties primarily consisted of certain self-owned land and buildings intended for external leasing or future sale. Our investment properties remained relatively stable at RMB19.6 million as of December 31, 2023 and RMB18.5 million as of December 31, 2024. Our investment properties further increased to RMB27.6 million as of December 31, 2025, primarily due to the transfer of certain assets from fixed assets to investment properties as these properties were then rented out.

Fixed Assets

Our fixed assets primarily consisted of plants and buildings, machinery and equipment, and motor vehicles. Our fixed assets remained relatively stable at RMB2,882.6 million and RMB2,912.8 million as of December 31, 2023 and 2024, respectively. Our fixed assets decreased to RMB2,794.4 million as of December 31, 2025, primarily due to depreciation and amortization.

Construction in Progress

Our construction in progress primarily consisted of (1) the construction of new production facilities, and (2) upgrades and improvement of production equipment. Our construction in progress decreased from RMB89.5 million as of December 31, 2023 to RMB35.5 million as of December 31, 2024, primarily due to the completion of our buildings and upgrades which were subsequently transferred to fixed assets. Our construction in progress further decreased to RMB19.4 million as of December 31, 2025, primarily due to the termination of a plant construction.

Productive Biological Assets

Our productive biological assets primarily consisted of cows. Our productive biological assets decreased from RMB981.4 million as of December 31, 2023 to RMB968.0 million as of December 31, 2024, and increased to RMB993.2 million as of December 31, 2025, primarily due to (1) the changes in production cycles and herd structure, and (2) the changes in impairment, primarily due to the recoverable amount being lower than the carrying amount in 2024, which was mainly caused by the decrease in market prices of cows and raw milk.

Right-of-use Assets

Our right-of-use assets primarily consisted of land and building lease. Our right-of-use assets remained relatively stable at RMB121.7 million and RMB120.3 million as of December 31, 2023 and 2024, respectively, and then decreased to RMB108.5 million as of December 31, 2025, primarily due to the relatively lower number of new leases entered into in and the normal depreciation recognized in 2025.

Intangible Assets

Our intangible assets primarily consisted of land use rights, trademark and software and others. Our intangible assets remained relatively stable at RMB681.1 million and RMB661.9 million as of December 31, 2023 and 2024, respectively. Our intangible assets further decreased to RMB570.4 million as of December 31, 2025, primarily due to the disposal of a land use right following the termination of a plant construction in 2025.

Goodwill

Our goodwill primarily arose from acquisition activities prior to the Track Record Period. Our goodwill remained relatively stable at RMB1,002.8 million, RMB1,002.8 million and RMB992.5 million as of December 31, 2023, 2024 and 2025, respectively.

Deferred Tax Assets

Our deferred tax assets primarily consisted of (1) provision for impairment of assets, (2) deductible tax losses, and (3) lease liabilities. Our deferred tax assets decreased from RMB30.5 million as of December 31, 2023 to RMB21.6 million as of December 31, 2024, primarily due to the reversal of deferred tax assets related to impairment provisions, which resulted from a reduction in bad debt provisions for accounts receivable and other receivables. Our deferred tax assets increased to RMB29.8 million as of December 31, 2025, primarily due to recognition of deductible tax losses, which created potential tax assets and resulting in deferred tax assets being recognized based on applicable tax rate.

Other Non-current Assets

Our non-current assets primarily consisted of (1) prepayments for construction and equipment, (2) prepayments to certain dairy farms, representing funds provided to our cooperative dairy farms for operational support, and (3) deductible input VAT. Our non-current assets decreased from RMB97.4 million as of December 31, 2023 to RMB27.7 million as of December 31, 2024 primarily due to (i) a reduction in prepayment for construction and equipment following the scaling down of our fixed asset investments and construction activities, and (ii) the settlement of prepayments to dairy farms. Our non-current assets further decreased to RMB25.8 million as of December 31, 2025, primarily due to the combined effects of (1) the settlement of prepayments to dairy farms, and (2) an increase in the deductible input VAT, primarily in relation to the purchase of machinery which will not be utilized within one year.

Accounts Payable

Our accounts payable primarily consisted of payables for goods, advertising expenses, transportation expenses and construction and equipment. The following table sets forth a breakdown of our accounts payable as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Payables for goods	765,132	849,575	799,374
Payables for advertising expenses	3,159	1,839	3,566
Payables for transportation expenses	36,046	55,950	60,244
Payables for construction and equipment	70,860	38,534	25,070
Others[(1)]	50,087	44,745	35,204
Total	**925,284**	**990,643**	**923,458**

(1) Others primarily included miscellaneous items arising in the ordinary course of our production and operating activities.

Our accounts payable increased from RMB925.3 million as of December 31, 2023 to RMB990.6 million as of December 31, 2024 and then decreased to RMB923.5 million as of December 2025. The increase in accounts payable as of December 31, 2024 was primarily due to movements in inventory levels, reflecting our build-up of stock in preparation for the 2025 Chinese New Year, which had an earlier timing compared to 2024 and 2026.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year (inclusive)	903,513	984,683	921,673
Over one year but within two years (inclusive)	7,050	3,362	917
Over two years but within three years (inclusive)	675	413	603
Over three years	14,046	2,185	265
Total	**925,284**	**990,643**	**923,458**

Our suppliers generally grant us a credit period of up to 90 days. The following table sets forth our accounts payables turnover days for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
Accounts payable turnover days(1)	43	46	44

(1) Accounts payable turnover days are calculated using the average of opening balance and closing balance of accounts payables for a period divided by operating costs used for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year)

Our accounts payable turnover days remained relatively stable at 43, 46 and 44 days in 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB736.2 million, or 79.7% of our accounts payable as of December 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities primarily consisted of receipts in advance. Our contract liabilities remained relatively stable at RMB419.6 million as of December 31, 2023 and RMB409.3 million as of December 31, 2024. Our contract liabilities further increased to RMB437.7 million as of December 31, 2025, which was in line with the growth in our product sales.

Employee Benefits Payable

Our employee benefits payable primarily consisted of employee benefits, including salaries, bonuses, allowances and benefits, including payments of social insurance and housing provident fund contributions. Our employee benefits payable increased from RMB217.0 million as of December 31, 2023 to RMB250.7 million as of December 31, 2024, primarily due to higher accrued year-end bonuses payable to employees as of December 31, 2024. Our employee benefits payable remained relatively stable at RMB250.7 million and RMB258.1 million as of December 31, 2024 and 2025, respectively.

Tax Payables

Our taxes payable primarily consisted of (1) VAT, (2) enterprise income tax, (3) individual income tax, (4) urban construction and maintenance tax, (5) land use tax, (6) real estate tax, (7) stamp duty, (8) educational surcharges, and (9) others tax payables. Our tax payables increased from RMB48.9 million as of December 31, 2023 to RMB62.4 million as of December 31, 2024 and further to RMB71.8 million as of December 31, 2025, primarily due to higher enterprise income tax expenses, resulting from an increase in our taxable income during the Track Record Period.

Other Payables

Our other payables primarily consisted of dividend payables and other payables. Our other payables decreased from RMB748.5 million as of December 31, 2023 to RMB737.9 million as of December 31, 2024, primarily due to the refund of subscription amounts previously paid by participants under our incentive plan, as the vesting conditions were not fully satisfied. Our other payables then increased to RMB862.8 million as of December 31, 2025, primarily due to (1) an increase in accrued expenses related to operating and sales activities, and (2) an increase in the provision for dividends payable.

Other Current Liabilities

Our other current liabilities primarily consisted of output VAT to be paid relating to advanced receipts. Our other current liabilities decreased from RMB46.0 million as of December 31, 2023 to RMB44.6 million as of December 31, 2024, and then increased to RMB47.0 million as of December 31, 2025, generally in line with the balance of contract liabilities during the Track Record Period.

Deferred Income

Our deferred income primarily consisted of government grants. Our deferred income decreased from RMB117.3 million as of December 31, 2023 to RMB109.8 million as of December 31, 2024, primarily due to the recognition of previously deferred government grants into profit or loss for the year. Our deferred income further decreased to RMB105.1 million as of December 31, 2025, primarily due to government grants received and recognized in deferred income during 2025 which was less than the amount amortized and recognized in profit or loss for the year.

LIQUIDITY AND CAPITAL RESOURCES

Current Assets and Current Liabilities

The following table sets forth our current assets, current liabilities and net current liabilities as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
				(Unaudited)
Current assets				
Cash at bank and on hand	439,543	396,478	354,913	354,734
Financial assets held for trading	52,000	147,606	213,140	212,790
Bills receivable	5,818	1,714	3,064	475
Accounts receivable	604,081	608,107	647,760	735,427
Receivables under financing	–	6,554	2,269	1,952
Prepayments	82,259	45,997	35,848	45,737
Other receivables	101,267	32,916	74,353	78,894
Inventories	711,505	741,644	717,252	644,998
Non-current assets due within one year	–	3,808	3,956	3,956
Other current assets	5,873	13,302	4,006	2,323
Total current assets	**2,002,346**	**1,998,126**	**2,056,561**	**2,081,286**
Current liabilities				
Short-term loans	915,574	371,076	444,277	444,746
Bills payable	100	–	8,454	5,640
Accounts payable	925,284	990,643	923,458	1,037,787

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
				(Unaudited)
Contract liabilities	419,640	409,277	437,689	281,528
Employee benefits payable	217,039	250,679	258,061	202,782
Taxes payable	48,945	62,432	71,758	76,436
Other payables	748,543	737,928	862,803	840,919
Non-current liabilities due within one year	697,023	864,053	1,367,458	1,412,992
Other current liabilities	46,035	44,611	47,020	30,799
Total current liabilities	**4,018,183**	**3,730,699**	**4,420,978**	**4,333,629**
Net current liabilities	**2,015,837**	**1,732,573**	**2,364,417**	**2,252,343**

Our net current liabilities decreased from RMB2,015.8 million as of December 31, 2023 to RMB1,732.6 million as of December 31, 2024, primarily due to a decrease of RMB544.5 million in our short-term loans, partially offset by an increase of RMB167.0 million in non-current liabilities due within one year. Our net current liabilities increased to RMB2,364.4 million as of December 31, 2025, primarily due to (1) an increase of RMB503.4 million in non-current liabilities due within one year, and (2) an increase of RMB124.9 million in other payables, and (3) an increase of RMB73.2 million in short-term loans, partially offset by a decrease of RMB67.2 million in accounts payable. Our net current liabilities decreased to RMB2,252.3 million as of February 28, 2026, primarily due to (i) a decrease of RMB156.2 million in contract liabilities and (ii) an increase of RMB87.7 million in accounts receivable, partially offset by (1) an increase of RMB114.3 million in accounts payable and (2) a decrease of RMB72.3 million in inventories.

Sources of Liquidity and Working Capital

Our uses of cash primarily related to operating expenditures arising from our core business, capital expenditures for fixed assets and construction projects and repayment of borrowings and related financing costs. During the Track Record Period, we funded our cash requirements principally from cash generated from our operating activities and bank borrowings. After the **[REDACTED]**, we believe that our liquidity requirements will continue to be satisfied with a combination of these sources and net **[REDACTED]** from the **[REDACTED]**. As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had cash and cash equivalents of RMB438.9 million, RMB391.6 million, RMB325.9 million and RMB326.3 million, respectively. As of the Latest Practicable Date, we had banking facilities amounted to RMB6,543.0 million, of which RMB5,050.7 million remained unutilized. Taking into account the estimated net **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, including our cash and cash equivalents, future cash flow from operating activities and bank borrowings, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow data from our consolidated cash flow statement for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash inflow from operating activities	1,557,113	1,491,249	1,510,108
Net cash outflow from investing activities	(587,042)	(568,168)	(485,265)
Net cash outflow from financing activities	(946,046)	(970,546)	(1,090,173)
Effect of foreign exchange rate changes on cash and cash equivalents	(9,151)	207	(394)
Net increase/(decrease) in cash and cash equivalents	**14,874**	**(47,258)**	**(65,724)**
Cash and cash equivalents at the beginning of the period	**423,991**	**438,865**	**391,607**
Cash and cash equivalents at the end of the period	**438,865**	**391,607**	**325,883**

Net cash inflow from operating activities

In 2025, we had net cash inflow from operating activities of RMB1,510.1 million, which represents our cash inflow from operations of RMB12,562.3 million, as adjusted by (1) payment for goods and services of RMB9,496.5 million, (2) payment to and for employees of RMB983.0 million, (3) payment of various taxes of RMB449.2 million, and (4) payment for other operating activities of RMB123.5 million.

In 2024, we had net cash inflow from operating activities of RMB1,491.2 million, which represents our cash inflow from operations of RMB11,913.1 million, as adjusted by (1) payment for goods and services of RMB8,969.1 million, (2) payment to and for employees of RMB974.9 million, (3) payment to various taxes of RMB385.9 million, and (4) payment for other operating activities of RMB92.0 million.

In 2023, we had net cash inflow from operating activities of RMB1,557.1 million, which represents our cash inflow from operations of RMB12,286.0 million, as adjusted by (1) payment for goods and services of RMB9,235.7 million, (2) payment to and for employees of RMB1,028.1 million, (3) payment of various taxes of RMB386.9 million and (4) payment for other operating activities of RMB78.2 million.

Net cash outflow from investing activities

In 2025, we had net cash outflow from investing activities of RMB485.3 million, primarily attributable to payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB605.0 million and payment for acquisition of investment of RMB455.4 million, partially offset by proceeds from disposal of investment RMB350.0 million and net proceeds from disposal of fixed assets, intangible assets and other long-term assets of RMB139.7 million.

In 2024, we had net cash outflow from investing activities of RMB568.2 million, primarily attributable to payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB665.8 million and payment for acquisition of investment of RMB520.0 million, partially offset by proceeds from disposal of investment of RMB450.0 million.

In 2023, we had net cash outflow from investing activities of RMB587.0 million, primarily attributable to payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB775.6 million and payment for acquisition of investment of RMB117.0 million, partially offset by net proceeds from disposal of fixed assets, intangible assets and other long-term assets of RMB131.7 million.

Net cash outflow from financing activities

In 2025, we had net cash outflow from financing activities of RMB1,090.2 million, primarily attributable to repayments of borrowings of RMB1,867.6 million and partially offset by proceeds from borrowings of RMB1,169.1 million.

In 2024, we had net cash outflow from financing activities of RMB970.5 million, primarily attributable to repayments of borrowings of RMB2,498.5 million and partially offset by proceeds from borrowings of RMB1,832.1 million.

In 2023, we had net cash outflow from financing activities of RMB946.0 million, primarily attributable to repayments of borrowings of RMB3,260.4 million and partially offset by proceeds from borrowings of RMB2,575.6 million.

INDEBTEDNESS

Our indebtedness primarily consisted of bank borrowings. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
		(RMB in thousands)		
				(Unaudited)
Current				
Short-term loans	915,574	371,076	444,277	444,746
Non-current liabilities due within one year	697,023	864,053	1,367,458	1,412,992
Total current	**1,612,597**	**1,235,129**	**1,811,735**	**1,857,738**
Non-current				
Long-term loans	1,366,677	1,077,260	563,900	529,000
Debentures payable	698,911	725,270	–	–
Lease liabilities	71,178	68,609	60,693	61,438
Long-term payables	11,000	11,000	–	–
Total non-current	**2,147,766**	**1,882,139**	**624,593**	**590,438**
Total	**3,760,363**	**3,117,268**	**2,436,328**	**2,448,176**

Short-term Loans

Our short-term loans decreased from RMB915.6 million as of December 31, 2023 to RMB371.1 million as of December 31, 2024 as we made loan repayment. Our short-term loans further increased from RMB371.1 million as of December 31, 2024 to RMB444.3 million as of December 31, 2025, primarily due to the restructuring of our debt portfolio. As of February 28, 2026, our short-term loans remained relatively stable at RMB444.7 million. Our short-term loans are primarily denominated in Renminbi with effective interest rates ranging from 0.8% to 3.4% during the Track Record Period.

The following table sets forth a breakdown of short-term loans by category as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
				(Unaudited)
Unsecured and guaranteed loans	80,000	–	–	–
Unsecured and unguaranteed loans	835,000	370,910	444,120	443,759
Interest payable	574	166	157	987
Total	**915,574**	**371,076**	**444,277**	**444,746**

Non-current Liabilities Due within One Year

Our non-current liabilities due within one year primarily consisted of (1) long-term loans due within one year, (2) debentures due within one year, (3) long-term payables due within one year, (4) lease liabilities due within one year, and (5) interest payable due within one year. Our non-current liabilities due within one year increased from RMB697.0 million as of December 31, 2023 to RMB864.1 million as of December 31, 2024, primarily due to the reclassification of certain long-term borrowings to current liabilities due within one year as they approached maturity. Our non-current liabilities due within one year further increased to RMB1,367.5 million as of December 31, 2025 and RMB1,413.0 million as of February 28, 2026, primarily due to the reclassification of debentures payable and long-term payables to current liabilities as a result of their remaining maturities falling within one year.

Long-term Loans

Our long-term loans generally decreased from RMB1,366.7 million as of December 31, 2023 to RMB529.0 million as of February 28, 2026, primarily due to the reclassification of those long-term loans due within one year to non-current liabilities due within one year. During the Track Record Period, our long-term loans were primarily denominated in Renminbi, with effective interest rates ranging from 2.34% to 3.55%. The following table sets forth a breakdown of long-term loans by category as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
				(Unaudited)
Secured and guaranteed loans	33,277	74,000	–	–
Unsecured and unguaranteed loans	1,998,400	1,848,300	1,149,660	1,152,260
Subtotal	**2,031,677**	**1,922,300**	**1,149,660**	**1,152,260**
Less: Long-term loans due within one year	665,000	845,040	585,760	623,260
Total	**1,366,677**	**1,077,260**	**563,900**	**529,000**

Debentures Payable

Our debentures payable consisted of convertible bonds. Our debentures payable increased from RMB698.9 million as of December 31, 2023 to RMB725.3 million as of December 31, 2024, primary due to the accrual of interest and the increase in amortized cost over time under the effective interest method for the outstanding convertible bonds. Our debentures payable further decreased to nil as of December 31, 2025 and February 28, 2026, due to the reclassification to non-current liabilities due within one year, which will be redeemed in 2026.

Lease Liabilities

Our lease liabilities were primarily related to land and building leases. Our lease liabilities remained relatively stable at RMB71.2 million and RMB68.6 million as of December 31, 2023 and 2024, respectively. Our lease liabilities subsequently decreased to RMB60.7 million as of December 31, 2025 and RMB61.4 million as of February 28, 2026, primarily due to lease payments made.

Long-term Payables

Our long-term payables consisted of a loan we received from a financial institution. Our long-term payables decreased from RMB11.0 million as of December 31, 2023 and December 31, 2024 to nil as of December 31, 2025 and February 28, 2026, primarily due to the reclassification of the remaining balance to current liabilities as part of the funding is scheduled to mature within one year.

Indebtedness Statement

Except as disclosed above, as of February 28, 2026, being our indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there was no material change in our indebtedness since February 28, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURE

Capital Commitments

Our capital commitments were RMB89.8 million, RMB22.6 million and RMB37.6 million as of December 31, 2023, 2024 and 2025, respectively. The following table sets forth our capital commitments as of dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Approved but not contracted	23,987	628	5,000
Contracted	65,763	21,958	32,616
Total	**89,750**	**22,586**	**37,616**

Capital Expenditures

Our capital expenditures primarily consisted of our cash payment for acquisition of fixed assets, intangible assets and other long-term assets. In 2023, 2024 and 2025, our capital expenditures were RMB775.6 million, RMB665.8 million and RMB605.0 million, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our related party transactions during the Track Record Period, see "X. Related Parties and Related-Party Transactions" in the Accountants' Report in Appendix I to this document.

Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm's length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		
	2023	2024	2025
Gross profit margin(1) (%)	26.9	28.4	29.2
Net profit margin(2) (%)	4.0	5.2	6.7
Current ratio(3) (times)	0.5	0.5	0.5
Gearing ratio(4) (times)	0.7	0.6	0.6
Weighted average return on equity(5) (%)	16.8	19.1	20.9

(1) Gross profit margin is calculated based on gross profit divided by revenue.
(2) Net profit margin is calculated based on net profit divided by revenue.
(3) Current ratio is calculated based on total current assets divided by total current liabilities.
(4) Gearing ratio is calculated based on total liabilities divided by total assets.
(5) Weighted average return on equity is calculated based on the profit attributable to shareholders of the Company for the year divided by the weighted average of equity attributable to shareholders of the Company, which is determined based on the opening equity balance and adjusted for the time-weighted effects of increases and decreases in equity during the period.

Gross Profit Margin and Net Profit Margin

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Current Ratio

Our current ratio remained relatively stable at 0.5, 0.5 and 0.5 in 2023, 2024 and 2025, respectively.

Gearing Ratio

Our gearing ratio remained relatively stable at 0.7, 0.6 and 0.6 in 2023, 2024 and 2025, respectively.

Weighted Average Return on Equity

Our return weighted average on equity increased from 16.8% in 2023 to 19.1% in 2024 and further increased to 20.9%, primarily due to an increase in the net profit we recorded during the Track Record Period.

VALUATION OF BIOLOGICAL ASSETS

Under CASBEs, our biological assets primarily consisted of productive biological assets, which were measured at cost. Productive biological assets are biological assets held for the production of agricultural produce, provision of services or rental, including immature productive biological assets and mature productive biological assets. Immature productive biological assets primarily include calves and heifers. Mature productive biological assets primarily include milkable cows. Such productive biological assets are presented as costs less accumulated depreciation and impairment provision. See Note III.16(2) to the Accountant's Report in Appendix I to this document for the basis of determining the cost, the depreciation method and impairment provision.

Biological Assets and Valuation

Pursuant to Chapter 4.10 under the Guide for New Listing Applicants published by the Stock Exchange, the following table sets forth the fair value of our biological assets as measured by the Valuer as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Productive biological assets			
Mature productive biological Assets			
Milking cows	585,480	676,074	828,362
Immature productive biological assets			
Calves	35,978	23,875	27,652
Heifers	378,152	323,200	304,324
Total	**999,610**	**1,023,148**	**1,160,338**

The fair value of our productive biological assets increased from RMB999.6 million as of December 31, 2023 to RMB1,023.1 million as of December 31, 2024, and further increased to RMB1,160.3 million as of December 31, 2025, primarily due to a decrease of feed costs and the improved herd structure and quality.

The following table sets forth the volume of our biological assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(heads)		
Productive biological assets			
Mature productive biological Assets			
Milking cows	25,774	29,073	30,943
Immature productive biological assets			
Calves	6,272	6,473	5,861
Heifers	16,246	16,082	15,732
Total	**48,292**	**51,628**	**52,536**

Information About the Independent Valuer of Our Biological Assets

We have engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL" or the "Valuer"), an independent valuer, to determine the fair value of our dairy cows as of December 31, 2023, 2024 and 2025 (the "Valuation Dates") respectively. The key valuer of JLL's valuer includes Mr. Simon M.K. Chan.

Mr. Simon M.K. Chan, executive director at JLL, is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow of CPA Australia. He is also a Certified Valuation Analyst (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of China Modern Dairy Holdings Ltd (stock code: 1117.HK), China Youran Dairy Group Ltd(stock code: 9858.HK), AustAsia Group Ltd. (stock code: 2425.HK), YuanShengTai Dairy Farm Limited (stock code: 1431.HK), Shandong Fengxiang Co., Ltd. (stock code: 9977.HK), WH Group Limited (stock code: 288.HK) and Dekon Food and Agriculture Group (stock code: 2419.HK). He also led the valuation of other biological assets, such as market hogs, trees, rabbits and chickens, for financial reporting purpose of

Hong Kong listed companies including Chenming Paper (stock code: 1812.HK), China Mengniu Dairy Company Limited (stock code: 2319.HK) and China Kangda Food Company Limited (stock code: 834.HK), as well as numerous private companies.

Appointment of Expert

The Valuer appointed an expert consultant, Professor T.Y. Gao, to assist in the valuation. Professor T.Y. Gao, Doctoral Supervisor at Henan Agricultural University, Position Scientist of the National Dairy Industry Technology System, Leader of the Expert Group of Henan Provincial Dairy Industry System, Chairman of the Livestock Ecology Branch of the Chinese Association of Animal Science and Veterinary Medicine, and Vice Chairman of Henan Dairy Association. His main research field is intensive cattle farming, with high-level research expertise in modern production systems for dairy and beef cattle, nutritional regulation technology during high-temperature seasons, and environmental management. He has won one Second Prize of National Teaching Achievements, two Second Prizes of National Science and Technology Progress Awards (ranking 2nd and 4th respectively), and multiple other provincial and ministerial-level scientific and technological awards. Professor Gao has published over 200 academic papers and compiled 21 books. Among these, he acted as Associate Editor for 4 national planned textbooks, including Livestock Ecology（家畜生態學）and Animal Protection and Welfare（動物保護與福利）. JLL determined Professor Gao to be suitably qualified given his expertise and past experience. JLL is satisfied that the basis of advice presented by Professor T.Y. Gao and believes it is reasonable.

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

Valuation Methodology

In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and the income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to selling 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.

JLL understands from the Company that generally there is no reliable market-based price for dairy cow at maturity stage, therefore the fair value of the milkable cows is developed through the application of income approach technique known as multi-period excess earnings method ("MEEM"). MEEM is a derivative of the discounted cash flow ("DCF") method. Our Directors and Joint Sponsors confirmed that the components of the material cash flows used in the fair value measurement are consistent with market factors and assumptions used in the measurement.

The following valuation methods were adopted:

Calves and heifers

Market approach is adopted to value the calves and heifers. The most recent negotiated selling price for heifers at about 14-month age exists as at the Valuation Dates, therefore the fair value of the calves and heifers is developed through the application of market approach with reasonable adjustments to reflect the age differences.

Milkable cows

Income approach is adopted to value the milkable cows. There is no reliable market-based price for milkable cow at this stage, therefore the fair value of the milkable cows is developed through the application of MEEM method. Using this technique, JLL estimates the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are net off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Examples of such assets include fixed asset, assembled workforce and working capital.

Key Assumptions and Inputs

Dairy cows

Key inputs for valuing our dairy cows are the number and classification of dairy cows. Based on maturity stages, our dairy cows are classified into calves and heifers and milkable cows. Different valuation approaches are adopted for calves and heifers and milkable cows.

Calves and heifers

The key inputs and assumptions for valuing our calves and heifers are the market price per head for 14 months old heifers, which was RMB21,000, RMB17,000 and RMB17,000 as of December 31, 2023, 2024 and 2025 respectively.

Milkable cows

The key assumptions and inputs include the revenues from milking the dairy cows and the costs associated with the milkable cows. JLL also assumes that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which may adversely affect our business. In deriving the residual cash flow of the milkable cows, JLL has deducted returns on contributory assets, which represent charges for the use of contributory assets employed to support the milkable cows and help generate revenue.

The following table sets forth a summary of key assumptions and inputs to the valuation of biological assets as of December 31, 2023, 2024 and 2025.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Heifers and calves	The fair value of 14 months old heifers and calves is determined by reference to the local market selling prices.	Estimated local market selling prices of 14 months old heifers were RMB21,000, RMB17,000 and RMB17,000 per head as of December 31, 2023, 2024 and 2025, respectively.	An increase in the estimated local market selling prices used would result in increase in the fair value measurement of the heifers and calves, and vice versa.
Milkable cows	The fair values of milkable cows are determined using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	The estimated feed costs per kg of raw milk used in the valuation process were ranged from RMB2.86 to RMB3.08, RMB2.48 to RMB2.74, RMB2.22 to RMB2.45 as of December 31, 2023, 2024 and 2025, respectively.	An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.
		Estimated average prices of raw milk per kg used in the valuation process were ranged from RMB4.59 to RMB5.07, RMB4.45 to RMB4.92, RMB4.35 to RMB4.80, as of December 31, 2023, 2024 and 2025, respectively.	An increase in the estimated average price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield per head at each lactation cycle ranges from 29.35kg to 34.86kg, from 29.60kg to 35.69kg, from 30.69kg to 36.38kg as of December 31, 2023, 2024 and 2025, respectively.	An increase in the estimated average daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa.
		Discount rate for estimated future cash flows used was 11.80%, 12.98% and 13.00% as of December 31, 2023, 2024 and 2025, respectively.	An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.

Other assumptions

The Valuer assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. The Valuer also assumed that the historical trend and data will be maintained and there will be no material change in the existing political, legal, technological, fiscal or economic condition that may adversely affect the business of the Company.

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.

The Joint Sponsors held various discussions with JLL in relation to the valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process and reviewed the qualification and relevant valuation experience of JLL and its professional valuers. In addition, the Joint Sponsors discussed with our management with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. Given the above, the Joint Sponsors are satisfied that the valuation technique chosen, and the major inputs used in the valuation are appropriate and reasonable.

Sensitivity Analysis

A significant increase/decrease in the estimated selling price and replacement cost in isolation would result in a significant increase/decrease in the fair value of the biological assets. As of the Valuation Dates, we conducted the following sensitivity test for biological assets.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Hypothetical increase/(decrease) in Milk Price		Change in valuation	
10%	217,459	238,419	231,635
(10%)	(217,459)	(238,419)	(231,635)
Hypothetical increase/(decrease) in Feed Cost		Change in valuation	
10%	(142,445)	(140,844)	(125,327)
(10%)	142,445	140,844	125,327
Hypothetical increase/(decrease) in Heifer Price at an average age of 14 months		Change in valuation	
10%	75,184	64,429	63,427
(10%)	(75,184)	(64,429)	(63,427)
Hypothetical increase/(decrease) in discount rate		Change in valuation	
1%	(8,214)	(8,799)	(10,179)
(1%)	8,478	9,073	10,488

Stock Take and Internal Control

We have established a standard internal protocol in relation to stock taking for stock taking across all our dairy farms, including scheduled and ad hoc counts, to ensure the physical existence and accuracy of data and information of our biological assets. A full count based on ear tag numbers is performed at each of our dairy farms on a monthly basis. Our production personnel are responsible for conducting the headcount, while our financial personal oversee and review the data, prepare inventory reports and maintain related records.

We have also formulated a comprehensive policy for biological asset management, covering relevant accounting policies, transfer between age groups, the purchase and disposal of biological assets, breeding and record keeping. For our dairy farms, the inflow and outflow of livestock are recorded electronically in our farm management system by our production personnel, which are reviewed on periodic or ad hoc basis by our financial personnel.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had no off-balance sheet arrangements.

[REDACTED] EXPENSES

We did not record **[REDACTED]** expenses during the Track Record Period. We expect to incur a total of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of **[REDACTED]** expenses in connection with the **[REDACTED]**, representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]** (assuming the maximum **[REDACTED]** at HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised), including (1) **[REDACTED]**, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all **[REDACTED]** of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (2) **[REDACTED]** related expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), which consist of (i) fees and expenses of legal advisors and reporting accountants of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (ii) sponsor fee and other fees and expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million). Approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) is expected to be charged to our consolidated income statements, and approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) is expected to be deducted from equity upon **[REDACTED]**. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

Our major financial instruments include financial assets held for trading, accounts receivables, bills receivable, receivables under financing and other receivables. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risks We aim to achieve an appropriate balance between the risks and benefits from our use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on our financial performance. Our risk management policies are reviewed regularly to reflect changes in the market conditions and our activities. Our internal audit department also conducts periodic and random checks on the implementation of the internal control system to ensure compliance with risk management policies.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our credit risk is primarily attributable to cash at bank, accounts receivable and other receivables. Exposure to these credit risks is monitored by management on an ongoing basis.

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. Our policy is to regularly monitor liquidity requirements and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest Rate Risk

Interest-bearing financial instruments at fixed rates and at variable rates expose us to fair value interest rate risk and cash flow interest risk, respectively. We determine the appropriate weightings for fixed and floating rate interest-bearing instruments based on current market conditions and perform regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

Foreign Currency Risk

In respect of cash at bank and on hand denominated in foreign currencies other than the functional currency, we ensure that our net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Other Price Risks

Other price risks of equity instrument investments are mainly arising from the risk that the decrease of fair value of equity securities due to changes in stock market. As of December 31, 2023, 2024 and 2025, we were exposed to price risk of equity instrument investments. Certain listed equity instrument investments held by us are listed on the Stock Exchange and measured at market quoted prices at the balance sheet date. Certain other equity instrument investments are interests in unlisted companies, and their fair values are determined by valuation techniques.

DIVIDENDS

Interim or final dividends approved in respect of 2023 and 2024 were RMB129.1 million and RMB245.3 million, respectively. Interim dividends approved in respect of 2025 was RMB60.2 million in 2025. As of the Latest Practicable Date, we had paid these dividends in full. Our Board proposed to declare final dividends in the amount of RMB327.1 million in 2025, subject to the approval of our general meeting of Shareholders.

Pursuant to the Articles of Association, our Board may declare dividends after taking into account our development stage, profitability, operating performance and capital expenditure requirement, subject to the approval of our Shareholders. We do not currently have any fixed dividend pay-out ratio. Any future declaration and payment, as well as the number of dividends, will be subject to our Articles of Association and the relevant PRC laws. 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, our Group's retained earnings were RMB2,397.0 million, which represented our distributable reserves as of the same date.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2025 (being the date on which our latest audited consolidated financial information was prepared) and there is no event since December 31, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II—Unaudited **[REDACTED]** Adjusted Consolidated Net Tangible Asset" to this document for details.