

INDUSTRY OVERVIEW

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

SOURCES OF THE INDUSTRY INFORMATION

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

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

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

CHINA’S DAIRY PRODUCTS MARKET OVERVIEW

Definition and Classification of Dairy Products

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

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Market Size of China’s Dairy Products

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

As an important category within dry dairy products, milk powder has relatively broad application scenarios. From 2020 to 2024, the retail sales value of milk powder increased from RMB248.8 billion to RMB320.0 billion, showing a CAGR of 6.5%. As liquid milk, dairy beverages and other related products continue to diversify, dairy consumption is evolving toward greater convenience, which in turn may have a certain impact on the growth of the retail sales value of the milk powder market. Therefore, the retail sales value of milk powder is expected to reach RMB291.5 billion in 2029. However, the infant formula market is driven by different factors from the milk powder market. Consumers of infant formula generally place greater emphasis on product quality and safety. Therefore, the infant formula market is expected to maintain relatively stable development in the future. The structural shift toward more diversified and value-added dairy offerings is in line with changing consumer preferences and the ongoing premiumization of China’s dairy market.

China’s overall milk powder market is moderately concentrated. The Group ranked between the 16th and 20th largest milk powder companies in 2024, with a market share of approximately 1.5% in terms of retail sales value.

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

Definition and Classification of Milk Powder

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

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

Infant formula generally refers to formula products specially designed for infants, with clearly defined nutritional content, age range and regulatory requirements, and is mainly used to meet the nutritional needs of infants at different stages. The new national standards for infant formula, which came into effect in February 2023, imposed more stringent requirements on ingredient additions, labeling and other aspects, thereby raising industry entry barriers and accelerating the exit of smaller brands. Therefore, in 2020, the retail sales value of infant formula in China was RMB212.8 billion, compared with RMB184.0 billion in 2024. In the future, as consumers continue to place greater emphasis on refined feeding, scientific formulations and product safety, together with the increasing penetration of high value-added product categories, the retail sales value of infant formula is expected to increase to RMB195.0 billion by 2029, representing a CAGR of 1.2% from 2024.

China’s general infant formula market is moderately concentrated and continues to evolve amid regulatory tightening and shifting consumer preferences. The Group ranked between the 11th and 15th largest players in China’s general infant formula market in 2024, with a market share of approximately 2.0% in terms of retail sales value.

In general, the infant formula and milk powder market mainly refers to market based on dairy ingredients, and usually includes cow milk and goat/sheep milk-based products. Moreover, the National Health Commission of the People’s Republic of China also distinguishes between

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dairy-based and plant-based products in its classification of infant formula products, with the former mainly based on milk and milk protein products, and the latter mainly based on soybeans and soy protein products. As plant-based products are not based on dairy ingredients, they are generally not included within the scope of milk powder.

Also, the Group does not face direct competition from plant-based formula alternatives, as these products differ substantially from infant formula and food for special medical purposes for infants in terms of ingredient sources, nutritional composition, regulatory standards, and market adoption. Plant-based formulas currently represent a relatively small segment in the PRC market and are therefore generally viewed as complementary to, rather than in direct competition with, the Group’s products.

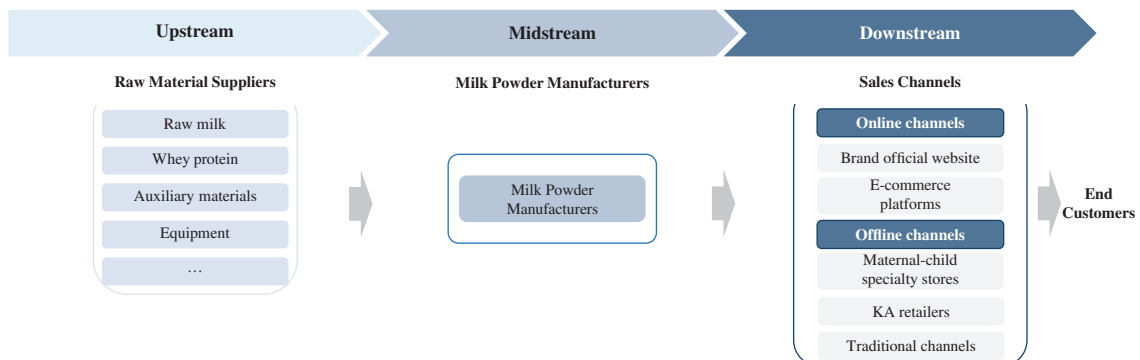
Comparison of Goat and Sheep Milk Powder vs. Cow Milk Powder

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

Source: Frost & Sullivan

Value Chain of Milk Powder

The industrial chain of China’s milk powder market consists of upstream suppliers, midstream producers and operators, and downstream sales channels and consumption. Upstream participants mainly provide raw milk, dairy ingredients, equipment, and auxiliary materials, serving as the foundation for milk powder production. The midstream is represented by milk powder manufacturers, responsible for the processing and production of milk powder. The downstream comprises diversified sales channels, including online platforms (brand official websites and e-commerce platforms) and offline channels (maternal-child specialty stores, key account (“KA”) retailers such as supermarkets and hypermarkets, as well as traditional channels including grocery stores and small independent shops), which ultimately connect products with end consumers.



Source: Frost & Sullivan

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Comparisons of Manufacturing Processes of Milk Powder

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

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

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

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

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

Source: Frost & Sullivan

Definition and Classification of Goat and Sheep Milk Powder

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

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

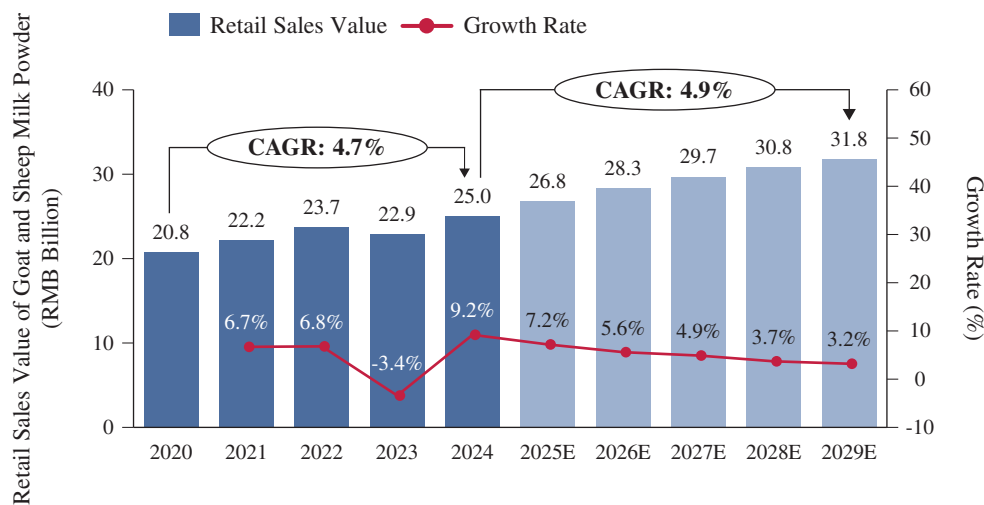
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Market Size of Goat and Sheep Milk Powder

The retail sales value of goat and sheep milk powder in China has continued to grow steadily, outperforming the overall milk powder market. From 2020 to 2024, the retail sales value of goat and sheep milk powder increased from RMB20.8 billion to RMB25.0 billion, representing a CAGR of 4.7%. This sustained growth has been primarily driven by increasing consumer recognition of the gentler and less allergenic properties of goat and sheep milk formula as compared to traditional cow milk products. In response, leading domestic brands are accelerating investment in goat and sheep milk formula innovation, supported by self-owned dairy sources and vertically integrated supply chains, and constantly expanding their product portfolios to meet diverse needs by leveraging the nutritional properties of goat and sheep milk powder, which help reinforce product quality and brand trust.

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

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



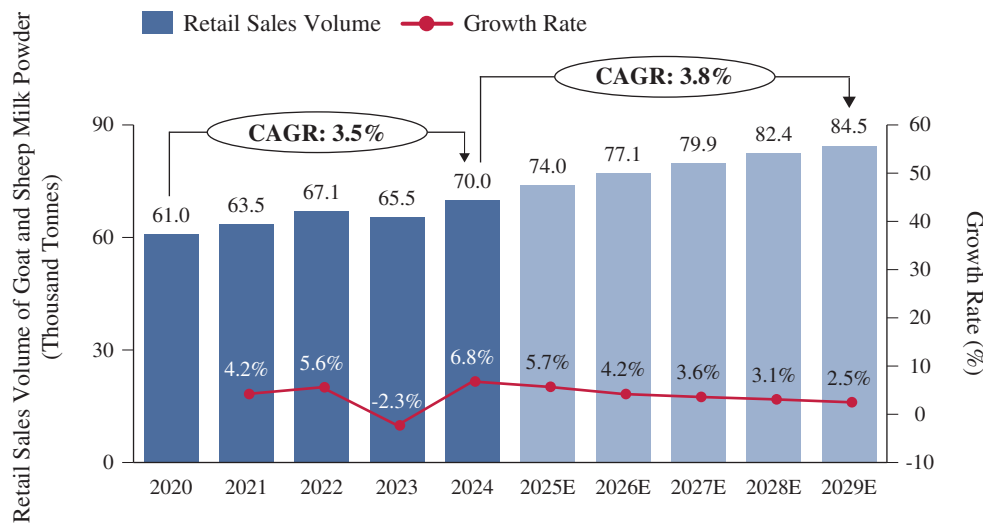
Source: National Bureau of Statistics, China Dairy Statistics, Frost & Sullivan

Goat and sheep milk are naturally less allergenic than cow’s milk. Their lower α 1-casein content – a protein often responsible for allergic reactions in sensitive consumers – ensures that these milk options offer a gentler and more digestible alternative for infants, children, and adults with protein allergies, lactose intolerance, or digestive sensitivities. The small fat globules in goat and sheep milk are more easily absorbed and digested, further enhancing the benefits for sensitive individuals. These attributes make goat and sheep milk products a good choice in low-allergen nutrition.

The retail sales volume of goat and sheep milk powder in China recorded steady growth between 2020 and 2024, increasing from 61.0 thousand tons to 70.0 thousand tons, representing a CAGR of 3.5% during the period. Looking ahead, the retail sales volume of goat and sheep milk powder is projected to reach approximately 84.5 thousand tons by 2029, reflecting a modest CAGR of 3.8% from 2024 to 2029. As goat and sheep milk powder products primarily comprise goat and sheep milk infant formula, the overall retail sales value and volume of goat and sheep milk powder largely aligned with the performance trends of the goat and sheep milk infant formula segment for similar reasons. Accordingly, the category was similarly affected by the regulatory transition, market consolidation, and temporary disruptions in distribution efficiency. For details, please refer to “Industry Overview — China’s Goat and Sheep Milk Infant Formula Market Overview — Market Size of Goat and Sheep Milk Infant Formula” in this document.

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



Source: National Bureau of Statistics, China Dairy Statistics, Frost & Sullivan

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

Rising Disposable Income and Health Awareness. With the continued growth of disposable income and increasing health awareness, Chinese consumers are showing stronger demand for diversified and nutritionally enhanced milk powder products. Also, greater attention to functional benefits, product safety and ingredient quality is driving the market toward more health-oriented and scientifically formulated products.

Refined Consumer Demand. China’s goat and sheep milk powder market is increasingly shaped by more refined and segmented consumer needs. As consumers pay more attention to dietary preferences, functional benefits and age-specific nutrition, goat and sheep milk powder has gained wider acceptance, especially among consumers with lactose intolerance or milk protein sensitivity. In particular, with the aging population, its easy absorption and nutritional benefits have further supported growing demand among elderly consumers.

Digital Transformation and Omnichannel Retail Evolution. Digital consumption is reshaping the distribution of China’s milk powder and goat and sheep milk powder market. Consumers now rely on e-commerce and social platforms for product information and purchases. Live streaming, influencer marketing and online reviews have become important for brand building. In response, companies are accelerating investment in digital infrastructure and omnichannel strategies to enhance responsiveness and reach.

Policy Support and Supply Chain Upgrading. Government initiatives aimed at revitalizing the domestic dairy industry are providing strong policy support for the development of the milk powder sector. Policies such as the “*Opinions on Promoting the Revitalization of the Dairy Industry and Ensuring the Quality and Safety of Dairy Products*” (《關於推進奶業振興保障乳品質量安全的意見》) and the “*14th Five-Year Plan for Enhancing Competitiveness in the Dairy Industry*” (《“十四五”奶業競爭力提升行動方案》) emphasize improving self-sufficiency in high-quality milk sources, optimizing regional production layouts, enhancing local breeding and feed capabilities, and promoting large-scale, standardized, and digital farming. These efforts contribute to a more resilient supply chain, creating a solid foundation for the continued development of China’s milk powder and goat and sheep milk powder market.

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

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

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

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

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

Price Trend of Major Raw Materials

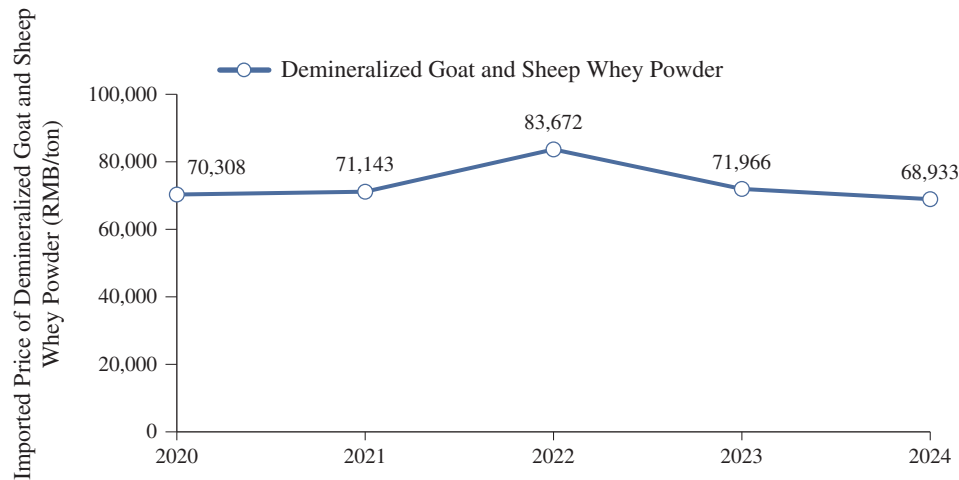
Whey protein is a key nutritional component in infant formula, and demineralized goat and sheep whey powder is a primary raw material form for obtaining whey protein, with imports primarily sourced from European countries. Whey protein offers advantages such as low molecular weight, easy digestion and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

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

In general, liquid whey prices are closely linked to whey powder prices, as liquid whey is an upstream raw material of whey powder and whey powder is typically produced from liquid whey through concentration and drying. As a result, changes in liquid whey prices are usually reflected in whey powder prices.

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

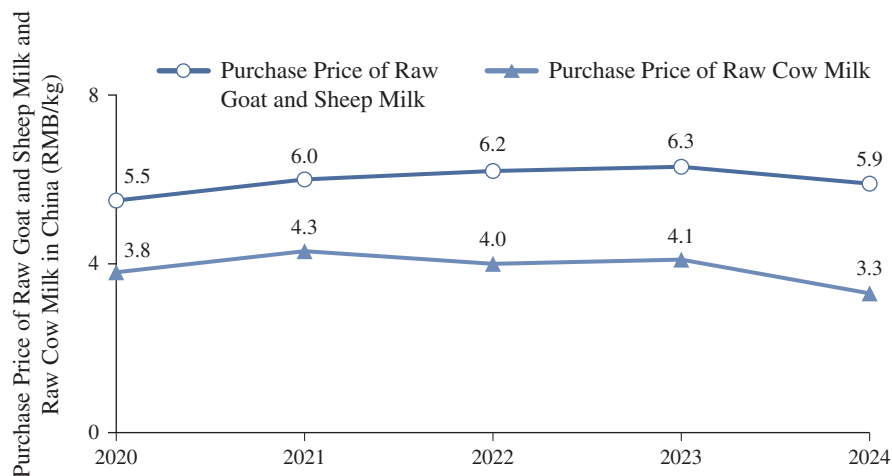


Source: General Administration of Customs, Ministry of Agriculture and Rural Affairs, Frost & Sullivan

As nationwide prices for raw goat and sheep milk are not officially disclosed, reference may be made to data from the Shaanxi Food Association and Dairy Association, as production of goat and sheep milk is primarily concentrated in Shaanxi Province. Overall, purchase price of raw goat and sheep milk remained relatively stable, with minor fluctuations observed each year. The purchase price of raw goat and sheep milk was approximately RMB5.5 per kg and RMB6.0 per kg in 2020 and 2021, respectively, and increased to around RMB6.2 per kg in 2022. In 2023, prices were RMB6.3 per kg and reached RMB5.9 per kg by the end of 2024.

For raw cow milk, the purchase price in 2020 was RMB3.8 per kg. Between 2021 and 2023, prices experienced fluctuations but remained within a RMB1.0 per kg range, and in 2024, the price reached RMB3.3 per kg.

Purchase Price of Raw Goat and Sheep Milk and Raw Cow Milk (China), 2020-2024

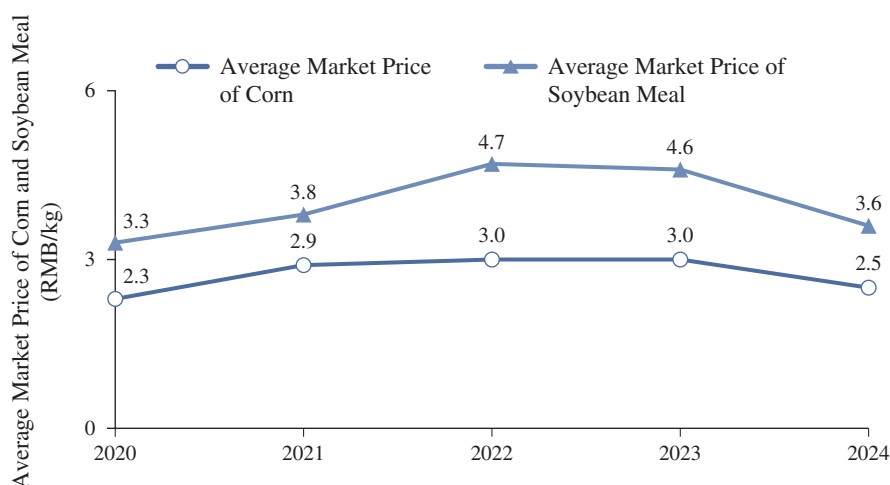


Source: General Administration of Customs, Ministry of Agriculture and Rural Affairs, Shaanxi Food Association and Dairy Association, Frost & Sullivan

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Animal feeds for dairy goats and sheep typically include silage corn (produced by corn) and soybean meal. The average market prices of corn and soybean meal are affected by various factors, including supply and demand, weather conditions, government policies, pests and diseases, and other natural factors. From 2020 to 2022, the average market prices of corn and soybean meal increased from RMB2.3 per kg and RMB3.3 per kg to RMB3.0 per kg and RMB4.7 per kg, respectively. Mainly due to certain restrictions on supply chains and logistics caused by the COVID-19 outbreak, as well as delays in soybean imports arriving in China as a result of geopolitical risks. In 2024, the average market prices of corn and soybean meal gradually returned to RMB2.5 per kg and RMB3.6 per kg, respectively. Looking ahead, as supply and demand gradually become more stable, the average market prices of corn and soybean meal are expected to remain stable.

Average Market Price of Corn and Soybean Meal (China), 2020-2024



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

China’s overall milk powder market is moderately concentrated. The Group ranked between the 16th and 20th largest milk powder companies in 2024, with a market share of approximately 1.5% in terms of retail sales value.

China’s general infant formula market is moderately concentrated and continues to evolve amid regulatory tightening and shifting consumer preferences. The Group ranked between the 11th and 15th largest players in China’s general infant formula market in 2024, with a market share of approximately 2.0% in terms of retail sales value.

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

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

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

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

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

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

Notes:

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

Source: Frost & Sullivan

Comparison of Goat and Sheep Milk Powder Companies

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

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

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CHINA’S GOAT AND SHEEP MILK INFANT FORMULA MARKET OVERVIEW

Market Size of Goat and Sheep Milk Infant Formula

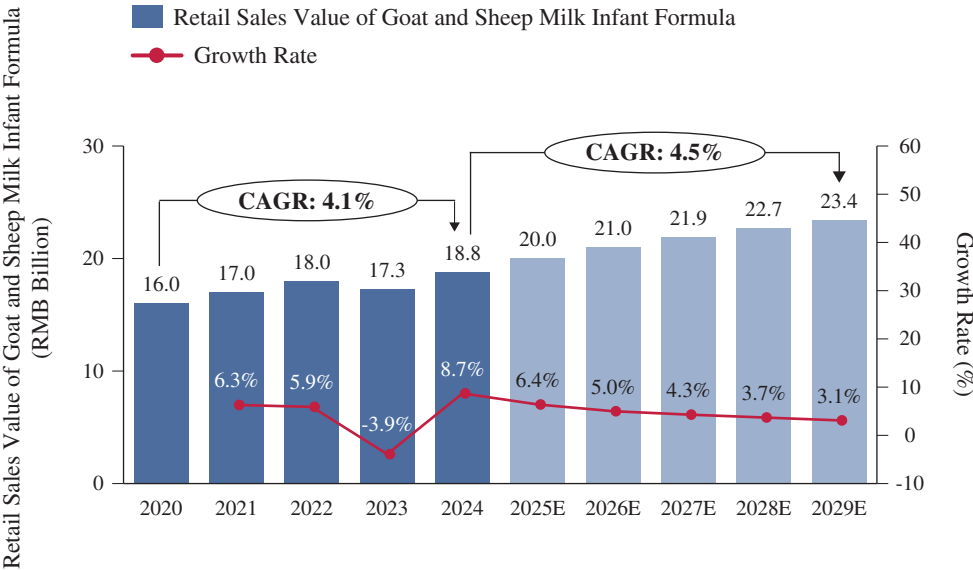
Goat and Sheep Milk Infant Formula refers to formulas designed for children aged 0–36 months (Stage 1 to 3), in which goat and sheep milk is used as the primary dairy ingredient. The retail sales value of goat and sheep milk infant formula in China increased from RMB16.0 billion in 2020 to RMB18.8 billion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

Given that infants have underdeveloped intestinal barriers and limited ability to digest lactose and certain proteins, goat and sheep milk, offer a gentler and scientifically supported nutritional alternative. Common allergic conditions in infants and young children include food allergies, pollen allergies, allergic asthma, etc.

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

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

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



Source: National Bureau of Statistics, China Dairy Statistics, Frost & Sullivan

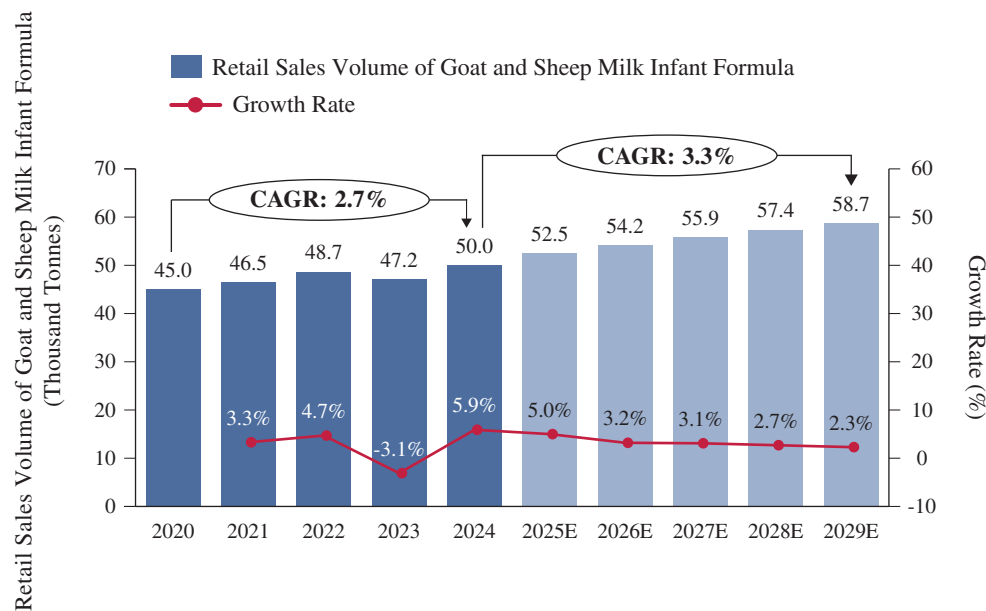
Similar to cow milk-based formulas, goat and sheep milk infant formula is also subject to strict regulatory and nutritional standards. However, different formula categories vary in protein composition, lactose tolerance and digestibility. With gentler protein structure and easier digestibility, goat and sheep milk formula is more suitable for infants with sensitive digestion or protein intolerance.

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

The forecast decline in the growth rate of the markets in which the Group operates since 2025 is mainly due to the following reasons: a) The forecast moderation in growth from 2025 reflects a higher base in 2024. Following earlier market education and channel expansion, the goat and sheep milk powder, goat and sheep milk infant formula and FSMP for infants markets have already reached a certain scale. Generally, as the market size continues to grow, the growth rate tends to moderation in the following year. b) The industry has gradually shifted from demographic-driven and quantitative growth to qualitative growth. As the market matures, future growth is expected to be driven more by premiumization, refined feeding and functional segmentation, etc. These factors are expected to continue supporting market expansion, although the growth is expected to moderate.

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



Source: National Bureau of Statistics, China Dairy Statistics, Frost & Sullivan

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

Demand for Easily Digestible and Low-allergen Nutrition. With increasing consumer awareness of digestive health and allergy prevention, demand for easily digestible and low-allergen dairy products has continued to grow. Goat and sheep milk, characterized by higher levels of medium-chain fatty acids (“MCFA”), and smaller fat globules, is inherently easier to digest and less likely to trigger allergic responses compared to cow milk. These benefits have led to increased consumer preference for goat and sheep milk infant formula, which are tailored to meet the nutritional needs of sensitive populations across all life stages.

Nutritional Differentiation and Product Diversification. As China’s dairy market becomes more diversified, goat and sheep milk infant formula has gradually gained market acceptance as a differentiated product for infants. It is generally regarded as easier to digest and better suited to infants’ early nutritional needs. With growing demand for more targeted nutrition, manufacturers have continued to optimize formula composition, driving the specialization and diversification of the goat and sheep milk infant formula market.

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Regulatory Reforms Enhance Product Traceability and Boost Demands. The continued refinement of China’s regulatory framework has played a pivotal role in shaping the goat and sheep milk infant formula market. Under the “*Administrative Measures for the Registration of Infant Formula Milk Powder Products*” (《*嬰幼兒配方乳粉產品配方註冊管理辦法*》), formulas that reference a specific animal origin must ensure that all key ingredients, including raw milk, milk powder, and whey powder are derived entirely from that species. This policy reinforces traceability, mitigates misleading claims, and promotes greater compliance in both sourcing and formulation. Regulatory clarity has not only enhanced consumer trust in goat and sheep milk-based formulas but also created a more disciplined and sustainable environment for long-term industry growth.

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

Brand Building and Consumer Education. As goat and sheep milk infant formula remains less familiar to some consumer segments compared to cow milk products, education and trust-building is expected to play a crucial role in market development. Companies are investing in brand storytelling, and scientific communication, emphasizing approaches such as adjusting the whey-to-casein protein ratio or employing partial hydrolysis techniques to reduce allergy risks. Clear and credible consumer communication is expected to accelerate market acceptance.

Ongoing Product Improvement and Nutritional Innovation. Manufacturers are continuously improving product composition to align with evolving health preferences. Research and development are increasingly focused on more precisely mimicking the composition of human breast milk by adjusting the proportions of lactose, fatty acids and vitamins, as well as developing specialized formulas tailored to different growth stages and specific needs.

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

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

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

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

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

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

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

Notes:

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

Source: Frost & Sullivan

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

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

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

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

Product Registration and Approval. According to the Measures for the Administration of the Registration of Infant Formula Milk Powder Product Formulas, all infant milk formula powder (including goat and sheep milk powder) sold in China must be registered individually, and each factory is generally limited to registering a maximum of three series and nine formulas. The registration process is highly rigorous, encompassing processes such as formula design, scientific rationale, process validation, stability testing, and clinical or empirical data. In comparison, goat

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and sheep milk infant formula companies with R&D capabilities and familiar with the registration and approval process are often better positioned to effectively shorten product launch cycle and increase the successful rate of market entry.

CHINA’S FSMP FOR INFANTS MARKET OVERVIEW

Definition and Classification of Foods for Special Medical Purposes

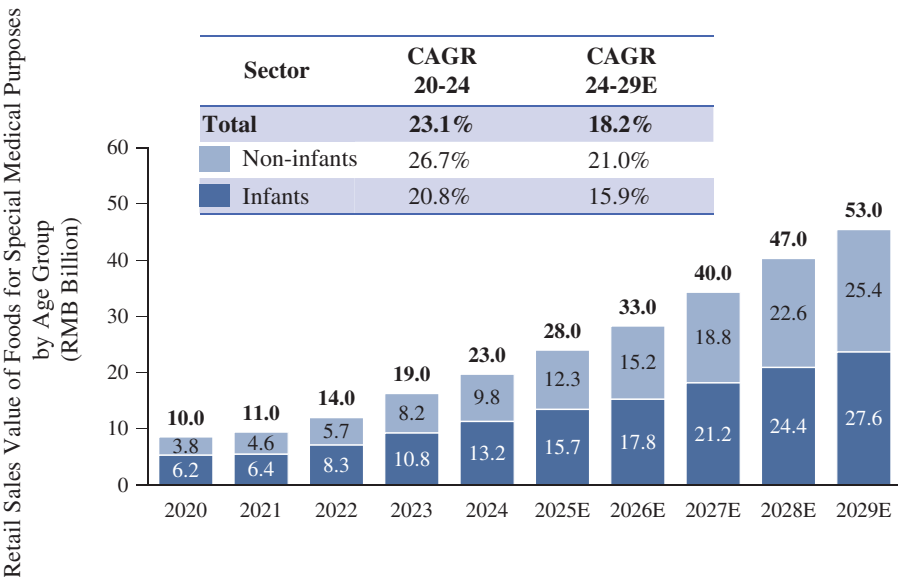
Foods for Special Medical Purposes (“FSMP”) refer to formula products that are specially processed and formulated to meet the specific nutritional or dietary needs of individuals with restricted food intake, impaired digestion and absorption, metabolic disorders, or specific disease conditions. According to the General Standards for Foods for Special Medical Purposes (《特殊醫學用途配方食品通則》), FSMP should be used under the guidance of physicians or clinical dietitians. FSMP manufacturers in the PRC typically ensured so by prominently labeling such requirement of guidance of physicians or clinical dietitians, following the requirement of the Guidelines for Labeling of Foods for Special Medical Purposes (《特殊醫學用途配方食品標識指南》). FSMP are mainly divided into three categories: complete nutrition formula foods, specific complete nutrition formula foods, and incomplete nutrition formula foods. Based on age groups, FSMP can be categorized into FSMP for infants (ages 0 – 12 months) and FSMP for individuals (over 1 year old).

Market Size of China’s FSMP

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

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

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



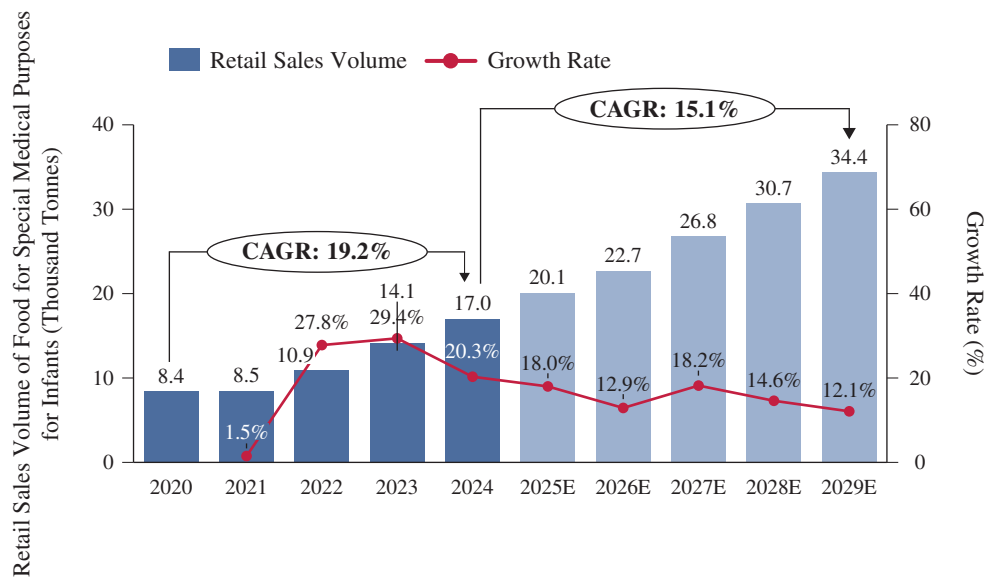
Source: Frost & Sullivan

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The retail sales volume of food for special medical purposes for infants increased from 8.4 thousand tonnes in 2020 to 17.0 thousand tonnes in 2024, rising at a CAGR of 19.2% from 2020. In April 2025, the Ministry of Commerce, the National Health Commission, ten other departments jointly issued the *Special Action Plan for Promoting Health Consumption* (《促進健康消費專項行動方案》). The plan highlights the need to optimize the supply of special foods in the market. It calls for deepening the reform of the registration and filing system for special food products, improving both pre-market evaluation and post-market review mechanisms for health foods. The plan also encourages enterprises to strengthen process development, product innovation, and quality control, with a strong emphasis on promoting the development of FSMP.

In 2029, the retail sales volume of food for special medical purposes for infants is expected to reach 34.4 thousand tonnes, representing a CAGR of 15.1% from 2024.

Retail Sales Volume of Food for Special Medical Purposes for Infants (China), 2020-2029E



Source: Frost & Sullivan

Market Drivers of China’s FSMP for Infants Market

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

More effective clinical outcomes: The FSMP for infants often demonstrate positive application value in clinical practice when addressing specific health issues. As milk powder serves as the primary source of daily nutrition for infants, doctors and parents commonly observe a degree of symptom improvement when infants and toddlers with conditions such as gastrointestinal discomfort or allergies switch to more suitable milk formulas for special medical purposes. Such positive feedback helps increase product acceptance and supports market growth.

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Increasing Consumer Awareness. In recent years, infant clinical nutrition issues such as lactose intolerance, prematurity and certain medical conditions have received increasing attention. As traditional infant formula cannot fully meet these specific needs, parents are increasingly choosing more targeted products for infants with allergies or gastrointestinal problems. This has supported the continued growth of the FSMP for infants market.

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

Future Trends of China’s FSMP for Infants Market

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

Integrated Multi-Channel Development. As sales channels continue to diversify, the distribution of infant FSMP is gradually expanding beyond traditional medical channels such as hospitals and specialized clinics. While maintaining professional medical recommendations as the core, companies are actively expanding into non-medical sales channels such as retail pharmacies, maternal-child specialty stores to enhance market reach of products. In particular, the development of online platforms has improved product accessibility and purchasing convenience, thereby supporting the continued growth of the market.

Product Upgrading and Advances in R&D Technology. Product development increasingly focuses on precise ingredient selection, nutrient composition and key technologies such as protein hydrolysis and bioactive ingredient fortification, supporting applications such as human milk oligosaccharides (“HMOs”), prebiotics, probiotics and targeted micronutrient enhancement to better meet the personalized nutritional needs of specific infant groups. In addition, personalized nutrition solutions based on data analysis are expected to gradually emerge, helping companies enhance their market competitiveness through more differentiated offerings.

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COMPETITIVE LANDSCAPE OF CHINA’S FSMP FOR INFANTS MARKET

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

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

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

Notes:

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

Source: Frost & Sullivan

Entry Barriers of China’s FSMP for Infants Market

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

Barrier of Technical and Professional Capability. The production and R&D of infant FSMP in China demand exceptionally stringent technical and professional capabilities. Certain products require special processes such as hydrolysis and enzymatic digestion to break down macromolecular proteins into smaller molecules, so as to meet the needs of infants with digestion and absorption disorders. New entrants lacking technical accumulation and professional talents often find it difficult to meet stringent process and regulatory requirements, thereby facing barriers of market entry.