You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report as set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. 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 section headed "Risk Factors" in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a nutritional group in China with global perspective, specializing in goat/sheep milk powder and FSMPs. We provide high-nutrition, easily digestible, and low-allergen dietary solutions for consumers of all ages, with a particular focus on individuals with dietary sensitivities such as allergies, lactose intolerance, or impaired digestion. Our product portfolio spans goat/sheep milk infant formula, FSMPs, cow milk infant formula, and formula products for children and adults.

To fulfill our product value proposition of "high whey content, low allergenicity, and enhanced absorption," we have integrated global resources across the industrial chain and established the Yeeper Institute of Low-Allergen Nutrition (宜品低敏營養研究院), dedicated to continuous process innovation and product portfolio optimization. Since 2018, we have been the exclusive goat milk formula partner of the China Space Foundation (中國航天基金會) for eight consecutive years, with our products meeting stringent aerospace-grade quality standards and earning market trust.

For the years ended December 31, 2023, 2024 and 2025, our revenue was RMB1,614.3 million, RMB1,762.2 million, and RMB1,863.6 million, respectively. Gross margins for the same periods were 49.9%, 49.9%, and 50.7%, respectively, demonstrating our steady performance in business expansion and operational efficiency.

BASIS OF PREPARATION

Our Company, Yeeper Nutrition Technology (Qingdao) Group Co., Ltd., is a joint stock company incorporated under the laws of the PRC. The consolidated financial information of the Group for the Track Record Period have been prepared in accordance with the IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**").

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

Differentiated Product Mix

Our financial results are influenced by the composition of our product mix, which includes goat/sheep milk infant formula, FSMP products cow milk infant formula, and adult and children milk powder. Our product strategy is centered on delivering differentiated nutritional solutions across all age groups, with a focus on consumers with heightened sensitivity or special dietary needs. For the years ended December 31, 2023, 2024 and 2025, revenue generated from our goat/sheep milk infant formula products was RMB926.4 million, RMB1,032.7 million, and RMB1,009.4 million, accounting for approximately 57.4% ,58.6%, and 54.2% of our total revenue in the corresponding year, respectively. For the years ended December 31, 2023, 2024 and 2025, revenue generated from our FSMP products was RMB130.4 million, RMB218.6 million, and RMB339.4 million, accounting for approximately 8.1%, 12.4%, and 18.2% of our total revenue in the corresponding year, respectively.

Our core differentiation lies in our commitment to developing low-allergen dairy products, compared to traditional bovine-based formulations. Goat/sheep milk offers smaller fat globules and a lower content of αs1-casein, making it gentler on the digestive system and suitable for consumers prone to allergies. Jersey A2 milk powders provide a naturally high A2 β-casein profile and rich micronutrient content, while our organic-certified product line meets the growing demand for natural and additive-free nutrition. Our FSMP portfolio reflects the same philosophy of precision nutrition, with tailored formulations addressing the needs of consumers across life stages facing lactose intolerances, metabolic disorders, or impaired nutrient absorption.

Regulatory Environment

Our operations, particularly in the infant formula and FSMP segments, are significantly impacted by China's stringent and evolving regulatory landscape, which imposes substantial entry barriers and exerts considerable influence on our financial performance and operational strategies. To market our products, we must secure various product-specific approvals and manufacturing licenses. The infant formula sector underwent substantial changes with the implementation of the New National Standard issued in 2021, which required all milk powder products sold in China to be registered and fully compliant by February 22, 2023. These changes included updated nutritional composition limits, ingredient use requirements, and more stringent labelling rules. A critical aspect of the new standards was the mandatory re-registration of formula recipes, which directly impacted our inventory and product planning. In anticipation of these changes, we undertook substantial pre-2023 inventory preparations, including the early procurement of raw materials and packaging to meet transitional demand and avoid supply chain disruptions. However, the implementation of the new standards led to a short-term disruption in our production and sales schedules, particularly for the year ended December 31, 2023 and the first half of 2024. For instance, our inventory levels surged in 2023 as we accumulated raw materials to align with the anticipated registration requirements. This strategic stockpiling temporarily impacted our cash flow and working capital. Additionally, once the new standards were enforced, we experienced a shift in product lines, leading to changes in our revenue recognition, gross margins, and inventory turnover rates. In particular, sales were strong in the first half of 2024 as the market adjusted to the new products, and the implementation of the new standards helped streamline regulatory compliance, which positively affected our financial metrics. In the FSMP segment, we also face the various regulatory requirements, which are time-consuming and involve high compliance costs, further complicating our product launch timelines.

Any tightening of regulatory policies or unexpected changes in compliance requirements could have a material impact on our operations. We anticipate that future regulatory changes will continue to play a significant role in shaping our operational strategies and financial performance, especially as we move into new product lines and international markets.

Consumer Preferences and Education

Consumer demand for our products, particularly in the infant formula and FSMP categories, is driven by the increasing awareness of food sensitivities, rising demand for personalized and functional nutrition, and greater attention to health and quality of life. However, unlike in more mature international markets, Chinese consumers generally require more education and awareness-building to fully recognize and appreciate the benefits of low-allergen and clinically validated nutrition solutions.

As a company specializing in goat/sheep milk-based and FSMP products, we face both the opportunity and challenge of driving consumer understanding in an underpenetrated and medically oriented market segment. FSMP products are not part of general nutrition routines and are instead used for specific health conditions such as cow milk protein allergy, digestive dysfunction, and malnutrition. Similarly, goat/sheep milk infant formula requires consumer re-education around digestibility, allergenicity, and nutritional performance versus traditional bovine formulas. To address these challenges, we implement targeted education strategies that combine professional medical outreach with consumer-facing marketing. Through pediatrician seminars, clinical nutritionist engagement, and product awareness campaigns, we strengthen the credibility and scientific positioning of our FSMP and infant formula products. In parallel, we deploy resources on major e-commerce and content platforms, to build brand recognition and highlight the functional benefits of our products in everyday language. We also operate dedicated member management, which allows us to tailor marketing messages and retention programs. Our presence in maternal and child specialty stores further supports first-hand product education and guided recommendation, especially in lower-tier cities where awareness of FSMP and low-allergen alternatives remains nascent.

As macroeconomic trends and disposable income levels influence household spending, especially for premium and specialty nutrition products, our continued investment in consumer education is essential for driving trial, building long-term brand loyalty, and accelerating product penetration in a structurally underdeveloped but rapidly evolving segment.

Cost Management and Pricing Strategy

Our profitability is driven by disciplined cost control across raw materials, sourcing and manufacturing, together with margin discipline that ties pricing to product mix. Cost of sales was RMB809.1 million, RMB883.3 million and RMB918.9 million for 2023, 2024 and 2025. Raw materials are the largest component of our cost base, accounting for approximately 67.0%, 66.1% and 67.3% of total cost of sales in 2023, 2024 and 2025.

To stabilize raw-material costs and assure quality, we procure dairy ingredients and packaging from a pre-approved network of domestic and overseas suppliers under framework or batch pricing with clearly defined specifications, inbound testing and documentation standards. Our upstream integration, together with in-house capability to produce infant-grade demineralized whey powder, supports consistent quality, reduces reliance on third parties for critical inputs and mitigates short-term price volatility. Supplier performance is reviewed on a rolling basis and traceability is maintained across procurement and production, enhancing yield management and yield rate.

All core processing is performed in our own facilities, from blending to spray drying and final packaging, using digital controls and in-line checkpoints to optimize yields. Continuous improvements in line balancing and utilization, alongside preventive maintenance and standardized operating procedures, have supported lower unit conversion costs even as depreciation increased with new installations. Fuel and transportation expenses flex with output and route mix, while headcount and shift planning have kept direct labor as a modest, stable share of total costs.

Our pricing is managed through channel governance and aligned with product mix. Together, disciplined sourcing, secured supply, digitally managed manufacturing and mix-aware pricing have underpinned our ability to manage input volatility and sustain profitability across the Track Record Period.

Distribution Network

We adopt a distributor-led model as a cornerstone of our sales strategy, particularly for achieving offline market penetration, as well as driving our international expansion. This model enables us to efficiently scale our geographic reach, reduce operational overhead, and capitalize on the market access and local expertise of our distribution partners. For the years ended December 31, 2023, 2024 and 2025, revenue generated from our distribution partnership amounted to RMB1,139.2 million, RMB1,238.2 million, and RMB1,248.6 million, respectively, accounting for 70.6%, 70.3%, and 67.0% of our total revenue from product sales for the same periods.

Our distributors purchase products on a wholesale basis and sell to offline maternal and child stores, specialty retail outlets, pharmacies, and in some cases directly to institutional channels such as hospitals. To ensure consistency and brand alignment across such a vast network, we have established a multi-layered distributor management system that supports performance-based tiering, inventory monitoring, and unified training on brand positioning and pricing discipline.

Our channel strategy emphasizes precision segmentation and brand protection. We allocate different product series to distinct distributor levels or market segments to avoid channel conflict and price dilution. We also maintain traceability through product-level QR codes for our infant formula and domestically registered FSMPs and implement membership-based end-user engagement, enabling distributors to participate in targeted loyalty programs and data-driven marketing initiatives. This combination of decentralized execution and centralized oversight empowers us to achieve deep penetration while retaining strategic control.

Looking ahead, we plan to continue strengthening our distributor support capabilities, particularly in medical channels and cross-border markets, where regulatory understanding and professional selling capabilities are critical.

SEASONALITY

Our overall financial performance does not exhibit significant seasonality.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. For further details of our material accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, please refer to Notes 2.3 and 3 to the Accountants' Report as set out in Appendix I to this document.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years indicated, which are derived from our consolidated statements of profit or loss included in the Accountants' Report as set out in Appendix I to this document.

	For the year ended December 31,											
	2023				2024				2025			
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	
	RMB'000	*RMB'000*	*RMB'000*	*% of revenue*	*RMB'000*	*RMB'000*	*RMB'000*	*% of revenue*	*RMB'000*	*RMB'000*	*RMB'000*	*% of revenue*
Revenue	1,614,258	–	1,614,258	100.0	1,762,229	–	1,762,229	100.0	1,863,555	–	1,863,555	100.0
Cost of sales	(829,341)	20,271	(809,070)	(50.1)	(945,347)	61,999	(883,348)	(50.1)	(962,750)	43,823	(918,927)	(49.3)
Gross profit	784,917	20,271	805,188	49.9	816,882	61,999	878,881	49.9	900,805	43,823	944,628	50.7
Other income and gains	42,959	–	42,959	2.7	26,153	–	26,153	1.5	30,183	–	30,183	1.6
Selling and distribution expenses	(371,415)	–	(371,415)	(23.0)	(432,407)	–	(432,407)	(24.5)	(507,467)	–	(507,467)	(27.2)
Administrative expenses	(168,745)	–	(168,745)	(10.5)	(141,121)	–	(141,121)	(8.0)	(153,527)	–	(153,527)	(8.2)
(Impairment losses)/reversal of impairment losses on financial assets, net	431	–	431	0.0	(7)	–	(7)	(0.0)	(1,738)	–	(1,738)	(0.1)
Other expenses	(14,814)	–	(14,814)	(0.9)	(3,318)	–	(3,318)	(0.2)	(9,673)	–	(9,673)	(0.6)
Changes in fair value less costs to sell of biological assets	–	(33,549)	(33,549)	(2.1)	–	(62,522)	(62,522)	(3.5)	–	(28,567)	(28,567)	(1.5)
Finance costs	(21,821)	–	(21,821)	(1.3)	(24,637)	–	(24,637)	(1.5)	(20,232)	–	(20,232)	(1.1)
Profit before tax	251,512	(13,278)	238,234	14.8	241,545	(523)	241,022	13.7	238,351	15,256	253,607	13.6
Income tax expense	(70,519)	–	(70,519)	(4.4)	(68,930)	–	(68,930)	(3.9)	(70,970)	–	(70,970)	(3.8)
Profit for the year	180,993	(13,278)	167,715	10.4	172,615	(523)	172,092	9.8	167,381	15,256	182,637	9.8

Revenue

The following table sets forth the breakdown of our revenue by product category for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Goat/sheep milk infant formula	926,438	57.4	1,032,745	58.6	1,009,353	54.2
FSMPs	130,365	8.1	218,617	12.4	339,393	18.2
Cow milk infant formula	158,929	9.8	138,771	7.9	125,776	6.7
Adult & children milk powder	96,993	6.0	112,993	6.4	112.275	6.0
OEM and dairy product related materials	290,610	18.0	247,805	14.1	264,483	14.2
Others	10,923	0.7	11,298	0.6	12,275	0.7
Total	**1,614,258**	**100.0**	**1,762,229**	**100.0**	**1,863,555**	**100.0**

For details on fluctuation of our revenue during the Track Record Period, please refer to "– Period to Period Comparison of Results of Operations" below. In addition, in terms of geographical regions, the Chinese Mainland remained our principal market, accounting for approximately 95.4%, 95.6% and 96.1% of our total revenue in 2023, 2024 and 2025, respectively.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	543,192	67.0	583,947	66.1	618,110	67.3
Depreciation and amortization	47,421	5.9	57,326	6.5	60,170	6.5
Labor	49,160	6.1	54,796	6.2	56,936	6.2
Utilities	49,913	6.2	60,339	6.8	60,719	6.6
Transportation costs	42,546	5.3	42,047	4.8	43,404	4.7
Others	76,838	9.5	84,893	9.6	79,588	8.7
Total	**809,070**	**100.0**	**883,348**	**100.0**	**918,927**	**100.0**

Raw materials consistently represented the largest component of our cost of sales during the Track Record Period. Raw material costs mainly comprise dairy raw materials, including goat/sheep milk, whey liquid/powder and related dairy ingredients, as well as packaging materials.

The following table sets forth a breakdown of our cost of sales by product categories for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Goat/sheep milk infant formula	394,371	48.7	432,131	48.9	413,140	45.0
FSMPs	32,164	4.0	52,265	5.9	85,926	9.4
Cow milk infant formula	85,269	10.5	77,049	8.7	69,615	7.6
Adult & children milk powder	71,503	8.8	89,680	10.2	91,666	10.0
OEM and dairy product related materials	216,271	26.7	221,596	25.1	246,635	26.8
Others	9,492	1.2	10,627	1.2	11,945	1.2
Total	**809,070**	**100.0**	**883,348**	**100.0**	**918,927**	**100.0**

Gross Profit and Gross Profit Margin

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

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	**GPM**	**Gross Profit**	**GPM**	**Gross Profit**	**GPM**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Goat/sheep milk infant formula	532,067	57.4	600,614	58.2	596,213	59.1
FSMPs	98,201	75.3	166,352	76.1	253,467	74.7
Cow milk infant formula	73,660	46.3	61,722	44.5	56,161	44.7
Adult & children milk powder	25,490	26.3	23,313	20.6	20,609	18.4
OEM and dairy product related materials	74,339	25.6	26,209	10.6	17,848	6.7
Others	1,431	13.1	671	5.9	330	2.7
Total	**805,188**	**49.9**	**878,881**	**49.9**	**944,628**	**50.7**

For details on fluctuation of our gross profit and gross profit margin during the Track Record Period, please refer to "– Period to Period Comparison of Results of Operations" below.

Selling and Distribution Expenses

The table below sets forth a breakdown of our selling and distribution expenses by nature for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Service fees	115,917	31.3	166,299	38.4	208,588	41.0
Marketing and promotion expenses	126,698	34.1	126,082	29.2	137,856	27.2
Staff costs	91,258	24.6	96,109	22.2	116,631	23.0
Travel expenses	15,405	4.1	18,507	4.3	19,604	3.9
Exhibition expenses	10,101	2.7	9,399	2.2	7,558	1.5

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Share-based payment expenses	1,511	0.4	5,106	1.2	5,096	1.0
Others	10,525	2.8	10,905	2.5	12,134	2.4
Total	**371,415**	**100.0**	**432,407**	**100.0**	**507,467**	**100.0**

Administrative Expenses

The table below sets forth a breakdown of our administrative expenses by nature for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	63,711	37.7	63,855	45.2	62,510	40.7
Depreciation	10,580	6.3	10,144	7.2	13,305	8.7
Office, entertainment and travelling expenses	22,710	13.5	19,837	14.1	19,249	12.5
Share-based payment expenses	31,805	18.8	9,424	6.7	1,572	1.0
Service fees	12,260	7.3	11,630	8.2	13,125	8.5
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Research and development expenses	8,418	5.0	8,014	5.7	11,024	7.2
Others	19,261	11.4	18,217	12.9	17,290	11.3
Total	**168,745**	**100.0**	**141,121**	**100.0**	**153,527**	**100.0**

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets, Net

(Impairment losses)/reversal of impairment losses on financial assets, net primarily represent expected credit losses ("**ECL**") recognized on our trade and other receivables. We assess ECL using a forward-looking expected credit loss model. In making such assessments, we consider historical repayment data as well as current and forecast macroeconomic conditions, regulatory policies, and industry-specific risks. The amount of impairment provisions recognized may differ from actual credit losses, and actual losses may also deviate from past estimates.

Other Income and Gains

The table below sets forth a breakdown of our other income and gains for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income						
Government grants	36,555	85.2	16,374	62.6	22,904	76.0
Bank interest income	3,957	9.2	2,747	10.5	2,786	9.2
Investment income from structured deposits	233	0.5	149	0.6	32	0.1
Distributor compensation income	463	1.1	1,473	5.6	675	2.2
Others	915	2.1	2,373	9.1	3,773	12.5

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gains						
Fair value gains on structured deposits	105	0.2	–	–	13	0.0
Gain on a lease termination	217	0.5	111	0.4	–	–
Foreign exchange gains, net	514	1.2	2,926	11.2	–	–
Total	**42,959**	**100.0**	**26,153**	**100.0**	**30,183**	**100.0**

Our other income and gains primarily consist of government grants, which include subsidies related to agricultural, livestock industry support, and various enterprise support funds. These grants were utilized for specific purposes, including capital expenditures such as the purchase of dairy herds and upgrades to farming facilities, as well as operational expenditures such as the procurement of silage feed and other raw materials, and research and development investments, thereby supporting the stable operation of our business. Government grants represented the largest component of our other income during the Track Record Period. Government grants decreased from RMB36.6 million in 2023 to RMB16.4 million in 2024, mainly due to stricter subsidy policies, including the reduction of certain one-off subsidies such as government incentive grants for enterprises and research and development subsidies. Government grants increased to RMB22.9 million in 2025, mainly due to increased industry support incentives and newly granted livestock and pasture subsidies received from local governments.

Other Expenses

The table below sets forth a breakdown of our other expenses for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Losses on disposal/write off of items of property, plant and equipment	345	2.3	1,139	34.3	2,330	24.1
Impairment losses on property, plant and equipment	9,084	61.4	–	–	–	–
Donations	4,344	29.3	1,121	33.8	1,088	11.2
Foreign exchange losses, net	–	–	–	–	5,605	57.9
Others	1,041	7.0	1,058	31.9	650	6.7
Total	**14,814**	**100.0**	**3,318**	**100.0**	**9,673**	**100.0**

In 2023, we identified indicators of impairment for certain buildings, boilers and other related facilities and equipments. We recognized an impairment loss of RMB9.1 million, which was recorded in other expenses, due to certain buildings and machineries subject to replacement or demolition. For the year ended December 31, 2025, we recorded foreign exchange losses of RMB5.6 million mainly due to the depreciation of the Renminbi against certain foreign currencies, including the Euro. The Euro-to-Renminbi exchange rate showed an upward trend in 2025, rising from 7.5257 at January 1, 2025, to 8.2355 as of December 31, 2025.

Changes in Fair Value less Costs to Sell of Biological Assets

We measure biological assets at fair value less costs to sell. Our biological assets comprise dairy cow, dairy goat and dairy sheep herds. Depending on the stage and purpose of the animals, fair value is determined by reference to observable market selling prices, or particularly for productive dairy cow herds, by income approach that projects future cash flows from raw milk and sales of culled cattle, and discounts them to present value in line with market-based valuation practices. Key inputs include assumed raw milk prices, milk yields, herd reproduction and culling rates, feed and husbandry costs and a market-based discount rate. The valuation methodology and the principal assumptions are assessed for consistency with our operating data and prevailing market conditions.

For the years ended December 31, 2023, 2024 and 2025, our changes in fair value less costs to sell of biological assets were RMB(33.5) million, RMB(62.5) million and RMB(28.6) million, respectively. The losses recognized in 2023 and 2024 primarily reflected declines in the fair value of dairy cow and dairy goat herds driven by sustained decreases in raw milk prices and weaker market prices for live animals. In 2025, losses narrowed compared with the same period in 2024 due to changes in market conditions, although pricing pressure persisted.

To illustrate sensitivity to market pricing, we modelled changes in the raw milk price for the dairy cow valuation while holding other variables (milk yield, herd profile, feed costs and discount rate) constant. Using a current raw milk price of Jersey cow assumption of RMB5.92/kg and a base valuation of RMB33.65 million, a 10% increase in the raw milk price (to RMB6.51/kg) would increase the valuation to approximately RMB48.36 million, an uplift of RMB14.71 million or 43.71%. Conversely, a 10% decrease (to RMB5.33/kg) would reduce the valuation to approximately RMB18.94 million, a decrease of RMB14.71 million or 43.71%. This analysis is illustrative only, is not a forecast, and shows directional sensitivity assuming all other inputs remain unchanged.

Finance Costs

The table below sets forth a breakdown of our finance costs by nature for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest on bank loans	14,902	68.3	18,939	76.9	15,454	76.4
Interest on other borrowings	6,057	27.7	5,067	20.5	3,785	18.7
Interest on lease liabilities	862	4.0	631	2.6	993	4.9
Total	**21,821**	**100.0**	**24,637**	**100.0**	**20,232**	**100.0**

Income Tax Expense

Our income tax expenses primarily comprise current tax charges and deferred tax expenses in Chinese Mainland and other jurisdictions where we operate.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
Chinese Mainland	58,557	56,934	67,019

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Korea	502	7,139	2,306
Spain	6,905	10,487	4,672
Deferred tax	4,555	(5,630)	(3,027)
Total tax charge for the year	**70,519**	**68,930**	**70,970**

From 2023 to 2025, our tax expenses remained relatively stable. Our effective tax rates for the years ended December 31, 2023, 2024 and 2025 were approximately 30%, 29% and 28%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue and gross profit

Our revenue increased by 5.7% to RMB1,863.6 million for the year ended December 31, 2025 from RMB1,762.2 million for the year ended December 31, 2024, primarily driven by the significant growth in our FSMPs revenue.

- Goat/sheep milk infant formula revenue decreased by 2.3% to RMB1,009.4 million from RMB1,032.7 million, accounting for 54.2% and 58.6% of total revenue for the years ended December 31, 2025 and 2024, respectively. The decrease was primarily attributable to the packaging refresh of our key goat/sheep milk infant formula product lines in the first half of 2025, including the Bekari and Qibo series. During the transition period, distributors adjusted their procurement schedules to avoid concurrent sales of both old and new packaging, which temporarily affected shipment cadence and resulted in lower sales volume for the year as a whole.

- FSMPs revenue increased by 55.2% to RMB339.4 million from RMB218.6 million, representing 18.2% and 12.4% of total revenue for the respective periods. The increase was primarily driven by continued growth in our cross-border e-commerce FSMP business, supported by stronger brand recognition and ongoing promotion efforts, as well as rapid growth in our domestic FSMP business as we expanded market coverage and strengthened channel penetration.

- Cow milk infant formula revenue decreased by 9.4% to RMB125.8 million from RMB138.8 million, representing 6.7% and 7.9% of total revenue for the respective periods, primarily due to intense competition in the cow milk infant formula market and our strategic focus on allocating more sales and marketing resources to goat/sheep milk infant formula products.

- Adult and children milk powder revenue remained stable, with no significant changes during the period.

- OEM and dairy product related materials revenue increased by 6.7% to RMB264.5 million from RMB247.8 million. As this category is ancillary to our core business, its revenue tends to fluctuate with the timing of OEM orders and sales arrangements for dairy ingredients and materials. The increase in 2025 was mainly driven by higher sales of goat/sheep base powder and goat/sheep whey powder.

Our gross profit increased by 7.5% to RMB944.6 million for the year ended December 31, 2025 from RMB878.9 million for the year ended December 31, 2024, broadly in line with the increase in revenue. Our gross profit margin improved slightly to 50.7% in 2025 from 49.9% in

2024, primarily reflecting the increased contribution from FSMPs, which remained our highest-margin major product category, together with a modest improvement in the gross profit margin of goat/sheep milk infant formula. These positive factors were partly offset by lower gross profit margins in certain other product categories, particularly OEM and dairy product related materials (which is ancillary to our core business and mainly reflected the sales mix of various dairy product related materials and OEM processing orders for formula-brand customers) and adult and children milk powder (reflecting the increased fixed cost per unit as its sales volume dropped due to intensified market competition while equipment depreciation and production line maintenance did not decrease proportionally, together with movements in raw material related cost).

Cost of sales

Cost of sales increased by 4.0% to RMB918.9 million for the year ended December 31, 2025 from RMB883.3 million for the year ended December 31, 2024, broadly in line with the increase in revenue. The increase primarily reflected higher raw material costs, as well as moderately higher depreciation and amortization, labor and utilities, in line with changes in product mix and the overall scale of operations.

Selling and distribution expenses

Selling and distribution expenses increased by 17.4% to RMB507.5 million for the year ended December 31, 2025 from RMB432.4 million for the same period in 2024. The increase was mainly driven by higher e-commerce platform service fees, particularly for our cross-border FSMP business.

Administrative expenses

Administrative expenses increased by 8.8% to RMB153.5 million for the year ended December 31, 2025 from RMB141.1 million for the same period in 2024. The increase was mainly due to [**REDACTED**] recognized in 2025 and, to a lesser extent, higher depreciation and amortization.

Impairment losses on financial assets, net

Impairment losses on financial assets, net increased to RMB1.7 million for the year ended December 31, 2025 from RMB7 thousands for the year ended December 31, 2024, mainly attributable to higher expected credit loss provisions as certain receivables aged during the year.

Other income and gains

Other income and gains increased by 15.4% to RMB30.2 million for the year ended December 31, 2025 from RMB26.2 million for the year ended December 31, 2024, primarily due to higher government grants.

Other expenses

Other expenses increased to RMB9.7 million for the year ended December 31, 2025 from RMB3.3 million for the year ended December 31, 2024, mainly due to foreign exchange losses recorded in 2025 and higher losses on disposal/write off of property, plant and equipment.

Changes in fair value less costs to sell of biological assets

The fair value loss on biological assets narrowed to RMB28.6 million for the year ended December 31, 2025 from RMB62.5 million for the year ended December 31, 2024, mainly due to changes in market conditions for raw milk, dairy cow and dairy goat/sheep herds, notwithstanding continued pricing pressure.

Finance costs

Finance costs decreased by 17.9% to RMB20.2 million for the year ended December 31, 2025 from RMB24.6 million for the same period in 2024, primarily due to lower interest on bank loans and other borrowings.

Income tax expenses

Income tax expense increased by 3.0% to RMB71.0 million for the year ended December 31, 2025 from RMB68.9 million for the year ended December 31, 2024, primarily due to the increase in profit before tax, partly offset by a lower effective tax rate of 28% in 2025 compared with 29% in 2024.

Profit for the year

As a result of the foregoing, profit for the year increased by 6.1% to RMB182.6 million for the year ended December 31, 2025 from RMB172.1 million for the year ended December 31, 2024.

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

Revenue and gross profit

Our revenue increased by 9.2% to RMB1,762.2 million for the year ended December 31, 2024 from RMB1,614.3 million for the year ended December 31, 2023, primarily driven by growth in goat/sheep milk infant formula and FSMPs.

- Goat/sheep milk infant formula revenue increased by 11.5% from RMB926.4 million in 2023 to RMB1,032.7 million in 2024, representing 57.4% and 58.6% of total revenue, respectively. This growth was supported by sustained demand for low-allergen formulas, portfolio upgrades, and expanded market demand driven by growing consumer awareness of the product's benefits such as low allergenicity and easy absorption.

- FSMPs revenue increased by 67.7% from RMB130.4 million in 2023 to RMB218.6 million in 2024, representing 8.1% and 12.4% of total revenue, respectively. This was primarily due to the additional registration approvals in late 2023, which contributed to the new product portfolio, as well as enhanced sales through cross-border e-commerce channels and a multi-product strategy that caters to diverse nutritional needs.

- Cow milk infant formula revenue decreased by 12.7% from RMB158.9 million in 2023 to RMB138.8 million in 2024, accounting for 9.8% and 7.9% of total revenue, respectively. This decline reflected our prudent resource allocation to cow milk infant formula amid intense market competition and a strategic focus on goat/sheep milk products.

- Adult & children milk powder revenue increased by 16.5% from RMB97.0 million in 2023 to RMB113.0 million in 2024, representing 6.0% and 6.4% of total revenue, respectively. The growth was primarily due to new product launches and portfolio upgrades, coupled with rising consumer health awareness and demand for specialized nutritional products.

- OEM and dairy product related materials revenue decreased by 14.7% from RMB290.6 million in 2023 to RMB247.8 million in 2024, mainly attributable to lower sales of base powder.

The growth rates of our total revenue in 2023 and 2024 exceeded the growth in the physical output tonnage of our manufacturing facilities. The revenue growth is driven by a combination of sales volume, product mix, and pricing, with the significant contribution from portfolio upgrades towards higher-value products, for example our goat/sheep milk infant formula and FSMPs, being a key factor. Meanwhile, the production output tonnage refers to the production of base powder and finished goods, and as part of our normal operational cycle, we maintain a strategic inventory of base powder for further processing. The relationship between base powder production and final revenue is therefore not linear. The production-to-sales ratio for our key powder products (including infant formula, FSMPs, adult & children milk powder) remained at a healthy level of over 95% during the Track Record Period, indicating efficient alignment between production and sales.

Our gross profit increased to RMB878.9 million in 2024 from RMB805.2 million in 2023, while the gross profit margin remained broadly stable at 49.9%. By product category, gross profit from goat/sheep milk infant formula rose to RMB600.6 million from RMB532.1 million and its gross profit margin improved to 58.2% from 57.4%, in line with revenue growth. Gross profit from FSMPs increased to RMB166.4 million from RMB98.2 million and gross profit margin edged up to 76.1% from 75.3%, consistent with revenue growth as newly registered products were launched in 2024. Gross profit from cow milk infant formula decreased to RMB61.7 million from RMB73.7 million and its gross profit margin declined to 44.5% from 46.3%, broadly in line with revenue as we prudently allocated resources to cow milk infant formula amid competitive conditions. For adult and children milk powder, gross profit decreased to RMB23.3 million from RMB25.5 million and the gross profit margin contracted to 20.6% from 26.3%, mainly due to intensified competition in the adult milk powder subcategory that lead us to strengthen promotional offers to attract customers, thereby dragging down the gross profit margin. Gross profit from OEM and dairy product related materials decreased to RMB26.2 million from RMB74.3 million with the gross profit margin down to 10.6% from 25.6%, consistent with revenue declines. This was due to a decline in the sales proportion of high-margin OEM and dairy product related materials as this category is ancillary to our core business and the change in its gross profit margin mainly reflected the sales adjustment of various dairy product related materials and OEM processing orders for formula-brand customers.

Cost of sales

Our cost of sales increased by 9.2% to RMB883.3 million for the year ended December 31, 2024, compared to RMB809.1 million for the year ended December 31, 2023. The increase was primarily driven by the expanded sales volumes of our products, which resulted in higher associated production costs.

Other income and gains

Other income and gains decreased by 39.1% to RMB26.2 million for the year ended December 31, 2024, compared to RMB43.0 million for the year ended December 31, 2023. This decline was primarily due to a reduction in government grants.

Selling and distribution expenses

Selling and distribution expenses increased by 16.4% to RMB432.4 million for the year ended December 31, 2024, compared to RMB371.4 million for the year ended December 31, 2023. The increase was primarily attributable to a rise in service fees, mainly driven by the continued growth of our cross-border e-commerce business for FSMPs.

Administrative expenses

Administrative expenses decreased by 16.4% to RMB141.1 million for the year ended December 31, 2024, compared to RMB168.7 million for the year ended December 31, 2023. This decrease was primarily driven by a reduction of RMB22.4 million in share-based payment expenses, as the large, one-time grant in 2023 was non-recurring. The decrease was further supported by a reduction of RMB2.9 million in office, entertainment and travel expenses, primarily due to the non-recurrence of certain one-off activities in 2023.

Impairment losses on financial assets, net

We recorded impairment losses on financial assets, net of RMB7 thousand for the year ended December 31, 2024, compared to a reversal of impairment losses of RMB0.4 million for the year ended December 31, 2023.

Other expenses

Other expenses decreased by 77.6% to RMB3.3 million for the year ended December 31, 2024, compared to RMB14.8 million for the year ended December 31, 2023. The decrease was primarily due to a RMB9.1 million impairment of property, plant and equipment in 2023, which included the idling of the coal boiler at the Bei'an facility and the retirement of old equipment at one of our goat farms. The decrease was also due to a decreased charitable donations, from RMB4.3 million in the year ended December 31, 2023 to RMB1.1 million in the year ended December 31, 2024.

Changes in fair value less costs to sell of biological assets

We recorded a loss of RMB62.5 million for the year ended December 31, 2024, compared to a loss of RMB33.5 million for the year ended December 31, 2023, representing an 86.4% increase in loss.

Finance costs

Our finance costs increased by 12.9% to RMB24.6 million for the year ended December 31, 2024, compared to RMB21.8 million for the year ended December 31, 2023. The increase was primarily due to higher interest expenses associated with higher bank and other borrowings, mainly attributable to the increase in letter of credit financing interest and interest on borrowings related to the acquisition of a new office building.

Income tax expenses

Our income tax expense decreased by 2.3% to RMB68.9 million for the year ended December 31, 2024, compared to RMB70.5 million for the year ended December 31, 2023.

Profit for the year

As a result of the foregoing, our profit for the year increased by 2.6% to RMB172.1 million for the year ended December 31, 2024, compared to RMB167.7 million for the year ended December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

We finance our operations primarily through cash generated from operating activities. During the Track Record Period, our principal source of funds was net cash from operations, supplemented by bank borrowings as necessary. We maintain a prudent approach to capital management and regularly monitor our liquidity position to ensure operational flexibility and financial stability.

Working Capital Statement

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources and the estimated [**REDACTED**] of the [**REDACTED**], our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document. Our Directors confirm that there were no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the date of this document.

Cash Flows

The following table sets forth our cash flows for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	243,290	201,496	360,625
Net cash flows used in investing activities	(223,802)	(114,872)	(167,458)
Net cash flows used in financing activities	(71,872)	(97,831)	(58,840)
Cash and cash equivalents at beginning of the year	387,613	346,790	337,100
Cash and cash equivalents at end of the year	346,790	337,100	471,829

Net cash flows generated from operating activities

For the year ended December 31, 2025, net cash generated from operating activities amounted to RMB360.6 million. Starting from profit before tax of RMB253.6 million, such operating cash inflow was mainly attributable to the following positive adjustments: (i) depreciation of property, plant and equipment of RMB72.8 million; (ii) changes in fair value less costs to sell of biological assets of RMB28.6 million; (iii) write-down of inventories to net realisable value of RMB23.5 million; (iv) finance costs of RMB20.2 million; and (v) increases in other payables and accruals of RMB21.4 million. Such positive effects were partially offset by the following principal negative items: (i) income tax paid of RMB69.8 million; (ii) an increase in inventories of RMB14.3 million; and (iii) an increase in restricted cash of RMB9.1 million.

For the year ended December 31, 2024, net cash generated from operating activities amounted to RMB201.5 million. This was mainly derived from (i) profit before tax of RMB241.0 million; (ii) non-cash and other reconciling items, including depreciation of property, plant and equipment of RMB65.5 million, changes in fair value less costs to sell of biological assets of RMB62.5 million, finance costs of RMB24.6 million, write-down of inventories to net realisable value of RMB19.6 million, equity-settled share-based payment expenses of RMB14.7 million, depreciation of right-of-use assets of RMB8.9 million and losses on disposal/write off of items of property, plant and equipment of RMB1.1 million, offset by items that reduced operating cash such as the effect of foreign exchange rate changes of RMB5.0 million, assets-related government grants released of RMB3.7 million and interest income of RMB2.7 million; (iii) changes in working capital primarily comprising an increase in inventories of RMB88.6 million and a decrease in contract liabilities of RMB69.4 million, partly offset by an increase in other payables and accruals of RMB14.6 million and a decrease in trade and bills receivables of RMB3.2 million; (iv) interest received of RMB2.0 million; and (v) income tax paid of RMB70.9 million, resulting in the aforesaid operating cash inflow.

For the year ended December 31, 2023, net cash generated from operating activities amounted to RMB243.3 million. This was mainly derived from (i) profit before tax of RMB238.2 million; (ii) non-cash and other reconciling items, including depreciation of property, plant and equipment of RMB53.0 million, equity-settled share-based payment expenses of RMB33.5 million, changes in fair value less costs to sell of biological assets of RMB33.5 million, finance costs of RMB21.8 million, depreciation of right-of-use assets of RMB8.6 million, write-down of inventories to net realisable value of RMB9.7 million and impairment losses on property, plant and equipment of RMB9.1 million, offset by items reducing operating cash such as interest income of RMB4.0 million and the net effect of foreign exchange rate changes of RMB5.2 million; (iii) changes in working capital comprising an increase in inventories of RMB118.4 million, a decrease in prepayments, other receivables and other assets that provided RMB24.7 million of cash, an increase in trade and bills payables that provided RMB18.1 million of cash, and a decrease in contract liabilities of RMB12.6 million; (iv) interest received of RMB3.7 million; and (v) income tax paid of RMB85.7 million, resulting in the aforesaid operating cash inflow.

Net cash flows used in investing activities

For the year ended December 31, 2025, net cash used in investing activities amounted to RMB167.5 million. This was mainly attributable to cash outflows from (i) purchases of items of property, plant and equipment of RMB126.9 million; (ii) purchases of structured deposits of RMB73.0 million; (iii) additions to biological assets of RMB42.0 million; and (iv) placement of time deposits with original maturity over three months of RMB30.0 million, partially offset by cash inflows from (i) proceeds from redemption of structured deposits of RMB68.0 million; and (ii) proceeds from maturity of time deposits with original maturity over three months of RMB25.6 million.

For the year ended December 31, 2024, net cash used in investing activities amounted to RMB 114.9 million. This was mainly derived from (i) purchases of items of property, plant and equipment of RMB 92.8 million; (ii) additions to biological assets of RMB58.2 million; (iii) purchases of structured deposits of RMB 38.0 million; and (iv) placement of time deposits with original maturity over three months of RMB 25.0 million and purchase of debt investments of RMB 1.0 million; partially offset by (v) proceeds from redemption of structured deposits of RMB 53.1 million; (vi) receipt of government grants for property, plant and equipment of RMB 22.7 million; (vii) proceeds from disposal of biological assets of RMB 9.8 million; (viii) proceeds from maturity of time deposits of RMB 8.2 million and from disposal of items of property, plant and equipment of RMB 1.9 million; and (ix) interest received of RMB 172 thousand and structural deposit income of RMB 149 thousand.

For the year ended December 31, 2023, net cash used in investing activities amounted to RMB223.8 million. This was mainly derived from (i) purchases of items of property, plant and equipment of RMB187.0 million; (ii) additions to biological assets of RMB65.6 million; (iii) purchases of structured deposits of RMB106.2 million; and (iv) placement of time deposits with original maturity over three months of RMB8.1 million; partially offset by (v) proceeds from redemption of structured deposits of RMB106.2 million; (vi) receipt of government grants for property, plant and equipment of RMB23.9 million; (vii) proceeds from maturity of time deposits of RMB10.6 million; (viii) proceeds from disposal of biological assets of RMB1.5 million and from disposal of items of property, plant and equipment of RMB873 thousand; and (ix) interest received of RMB147 thousand and structural deposit income of RMB233 thousand.

Net cash flows used in financing activities

For the year ended December 31, 2025, net cash used in financing activities amounted to RMB58.8 million. This was mainly attributable to cash outflows from (i) repayments of bank borrowings of RMB608.4 million; (ii) repayments of other borrowings of RMB181.2 million; (iii) dividends paid of RMB44.9 million; and (iv) a net increase in restricted cash of RMB25.1 million, partially offset by cash inflows from (i) new bank borrowings of RMB594.2 million; (ii) new other borrowings of RMB185.0 million; and (iii) capital contributions in relation to the share award scheme of RMB56.8 million.

For the year ended December 31, 2024, net cash used in financing activities amounted to RMB97.8 million. This was mainly derived from (i) inflows including new bank borrowings of RMB536.6 million, new other borrowings of RMB180.4 million, and capital contributions in relation to the share award scheme of RMB19.1 million; and (ii) outflows including repayments of bank borrowings of RMB545.0 million, repayments of other borrowings of RMB128.8 million, dividends paid of RMB67.7 million, acquisition of non-controlling interests of RMB37.4 million and dividends paid to non-controlling shareholders of RMB30.0 million, resulting in the aforesaid net outflow.

For the year ended December 31, 2023, net cash used in financing activities amounted to RMB71.9 million. This was mainly derived from (i) inflows including new bank borrowings of RMB532.0 million, new other borrowings of RMB145.4 million, capital contribution in relation to the share award scheme of RMB83.0 million and capital contribution from shareholders of RMB25.0 million; and (ii) outflows including repayments of bank borrowings of RMB386.5 million, dividends paid of RMB172.7 million, repayments of other borrowings of RMB162.0 million and dividends paid to non-controlling shareholders of RMB64.8 million, resulting in the aforesaid net outflow.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current assets				
Inventories	718,854	787,912	778,689	791,189
Trade and bills receivables	59,529	56,269	57,244	55,132
Prepayments, other receivables and other assets	93,542	108,876	115,113	134,113
Financial investments	20,164	995	5,013	5,013
Time deposits	8,160	5,595	11,120	11,120
Restricted cash	67,204	57,772	91,984	134,370
Cash and cash equivalents	346,790	337,100	471,829	192,734
Total current assets	**1,314,243**	**1,354,519**	**1,530,992**	**1,323,671**
Current liabilities				
Trade and bills payables	263,836	263,552	268,539	195,448
Other payables and accruals	396,703	258,634	271,818	232,537
Contract liabilities	264,106	194,725	212,122	208,465
Interest-bearing bank and other borrowings	412,272	508,774	502,004	486,910
Lease liabilities	4,462	2,895	5,672	5,685
Tax payable	28,007	29,629	36,664	4,242
Total current liabilities	**1,369,386**	**1,258,209**	**1,296,819**	**1,133,287**
Net current assets/ (liabilities)	**(55,143)**	**96,310**	**234,173**	**190,384**

As of December 31, 2023, the temporary net current liabilities position was driven by current liabilities outpacing current assets, primarily due to: (i) an increase in other payables and accruals to RMB396.7 million, largely reflecting a spike in dividends payable (settled mainly in 2024) alongside higher payroll and welfare payables and amounts related to capital expenditure and deposits received; (ii) higher current interest-bearing bank and other borrowings of RMB412.3 million to support working capital; and (iii) only modest current-asset growth despite an inventory build-up to RMB718.9 million.

As of December 31, 2024, net current assets recovered as (i) other payables and accruals decreased to RMB 258.6 million following the settlement of dividends payable and lower balances in certain sub-items; and (ii) contract liabilities fell to RMB194.7 million as advances from customers were recognized after fulfilment of related obligations. These improvements were partly offset by a rise in current borrowings to RMB508.8 million. On the asset side, total current assets increased to RMB1,354.5 million, led by inventories of RMB787.9 million and stable cash and deposits.

As of December 31, 2025, our net current assets increased to RMB234.2 million, primarily because the increase in our current assets outpaced the increase in our current liabilities. Our total current assets increased to RMB1,531.0 million, mainly driven by higher cash and cash equivalents, restricted cash, and time deposits in line with our business growth.

Property, Plant and Equipment

Our property, plant and equipment ("**PPE**") primarily comprise buildings, machinery, office equipment and electronic devices, motor vehicles, freehold land and construction in progress. The table below sets forth the breakdown of our PPE as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount			
Buildings	386,328	403,835	423,394
Machinery	349,115	341,229	347,249
Office equipment and electronic devices	15,018	14,452	16,948
Motor vehicles	8,168	15,689	13,968
Freehold land	8,639	8,272	9,051
Construction in progress	28,820	72,096	96,718
Total	**796,088**	**855,573**	**907,328**

The net carrying amount of our property, plant, and equipment increased from RMB796.1 million as of December 31, 2023, to RMB855.6 million as of December 31, 2024. As of December 31, 2025, the net carrying amount reached RMB907.3 million, mainly due to the following reasons:

- The increase in building from RMB386.3 million in 2023 to RMB403.8 million in 2024 was mainly attributed to the acquisition of a new office property in China. As of December 31, 2025, the net value of buildings reached RMB423.4 million, reflecting ongoing capitalizations and additions.

- The decrease in value of our machinery from RMB349.1 million in 2023 to RMB341.2 million in 2024 was primarily due to depreciation of newly acquired equipment and disposals of outdated machinery. As of December 31, 2025, machinery had increased to RMB347.2 million, driven by new purchases and installations.

- Construction in progress rose from RMB28.8 million in 2023 to RMB72.1 million in 2024, mainly due to the commencement of renovation works for a newly acquired plant in Spain and the expansion of production lines. By December 31, 2025, the balance in construction in progress had reached RMB96.7 million, reflecting new production lines and expansion of one of our existing farms.

Right-of-Use Assets

Our right-of-use assets primarily comprise leasehold lands and leased plant and office properties. The table below sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount			
Leasehold lands	75,498	73,959	70,731
Plant and properties	8,207	4,675	14,203
Total	**83,705**	**78,634**	**84,934**

The carrying amount of our right-of-use assets decreased from RMB83.7 million as of December 31, 2023 to RMB78.6 million as of December 31, 2024 mainly due to the combined effect of depreciation on existing leases and early terminations of certain lease contracts. As of December 31, 2025, the carrying amount reached RMB84.9 million, mainly due to leasing of additional plants and properties.

Intangible Assets

Our intangible assets primarily comprise software, trademarks and licenses. The table below sets forth the breakdown of our intangible assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Software	804	1,179	1,475
Trademarks	197	174	154
Total	**1,001**	**1,353**	**1,629**

Financial Investments

Our financial investments primarily consist of equity investments, structured deposits, bank acceptance bills and debt investments, classified as either non-current or current based on their expected maturities. As of December 31, 2023, 2024, and 2025, our total non-current financial investments amounted to RMB7.1 million, RMB9.4 million and RMB8.9 million; our total current financial investments amounts to RMB20.2 million, RMB1.0 million and RMB5.0 million.

Our investments are predominantly in low-risk instruments, including structured deposits which are principal-protected, short-term call wealth management products, and bank acceptance bills. These investments are made in strict compliance with the Group's internal Idle Fund Management Policy, which governs our internal control procedures. This framework is built around three core stages: (i) pre-investment approval, involving stringent eligibility checks, defined investment scope, a multi-tier authorization mechanism based on transaction amount, and review of product prospectuses; (ii) investment execution management, featuring real-time monitoring, a dual-person verification system for transaction execution, and maintenance of a detailed investment ledger; and (iii) post-investment review, including regular reconciliation of investment returns, quarterly internal self-inspections, and annual audits. Following our [**REDACTED**], all future transactions involving financial assets will be conducted in compliance with the requirements under Chapter 14 of the Listing Rules.

Biological Assets

Our biological assets include (i) dairy cows (milkable cows, heifers and calves), and (ii) dairy goats and sheep (lambs, young goats and sheep, breeding goats and sheep, and milkable goats and sheep). Biological assets are measured at fair value less costs of disposals. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which they arise. The feeding costs and other related costs including staff costs, depreciation and amortization charge, utility costs and consumables incurred for raising of heifers and calves as well as lambs, young goats and sheep are capitalized, until such time as the heifers and calves, lambs, young goats and sheep begin to produce milk.

As of December 31, 2023, 2024, and 2025, we owned biological assets primarily related to dairy cows, dairy goats and sheep.

The following table provides a breakdown of the number of our biological assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
Dairy cows			
Milkable cows	1,729	1,854	2,302
Heifers and calves	2,318	1,949	2,348
Total dairy cows	**4,047**	**3,803**	**4,650**
Dairy goats and sheep			
Lambs, young goats and sheep	7,000	2,230	2,329
Breeding goats and sheep	130	112	100
Milkable goats and sheep	1,865	5,428	6,867
Total dairy goats and sheep	**8,995**	**7,770**	**9,296**

Over the years, the number of dairy cows has increased steadily, with milkable cows showing a consistent rise as they reach maturity. The lactation cycle for a milkable cow typically lasts 305-325 days, followed by a 70-day dry period. We closely monitor the number of dairy cows as they directly impact our raw milk production. For the past few years, the fair value of milkable cows has fluctuated based on market conditions and production trends.

Similarly, we also monitor our dairy goats and sheep. Lambs, young goats and sheep are those that have not yet started milk production. Over time, we have seen changes in the composition of our goat and sheep herd, with an increase in milkable goats and a reduction in others, reflecting operational changes and market demand. The fair value of our dairy goats and sheep is determined by market prices for animals of similar age and breed, with prices showing slight fluctuations over the track record period.

The following table shows the value of our biological assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Dairy cows			
Milkable cows	42,840	34,790	47,261
Heifers and calves	50,339	34,249	40,619
Total dairy cows	**93,179**	**69,039**	**87,880**

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Dairy goats and sheep			
Lambs, young goats and sheep	13,582	4,235	2,981
Breeding goats and sheep	637	1,040	840
Milkable goats and sheep	5,968	18,193	21,522
Total dairy goats and sheep	**20,187**	**23,468**	**25,343**
Total dairy cows	93,179	69,039	87,880
Total dairy goats and sheep	20,187	23,468	25,343
Total biological assets	**113,366**	**92,507**	**113,223**

The fair value of our biological assets decreased by 18.4% from RMB113.4 million as of December 31, 2023 to RMB92.5 million as of December 31, 2024, primarily due to a decrease in the market prices of dairy cows and decrease in the stock volume of dairy cows. The fair value of our biological assets increased by 22.4% from RMB92.5 million as of December 31, 2024 to RMB113.2 million as of December 31, 2025, primarily due to an increase in the stock volume of both dairy cows and dairy goats and sheep. We are exposed to fair value risks arising from changes in the price of dairy products. We have not entered into derivative contracts to manage the risk of these price fluctuations.

To manage risks associated with our biological assets, we have implemented comprehensive systems for monitoring and controlling factors such as climate, disease, and other natural risks. We conduct regular inspections, disease prevention measures, and have insurance in place for critical biological assets. Additionally, the fair value of our biological assets is determined of fair value within Level 3 of the hierarchy. For milkable cows, we use the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows. For heifers and calves, dairy goats and sheep, the fair value is determined by referencing market prices for similar animals, adjusted for factors like age, breed and genetic merit.

Valuation

Our biological assets were independently valued by JLL, a firm of independent qualified professional valuers not connected with us, which has appropriate qualifications and experiences in valuation of biological assets. Having considered the market reputation of JLL and relevant background research, our Directors and the Joint Sponsors are satisfied that JLL is independent from the Company and is competent in conducting the valuation of the biological assets. For valuation of our biological assets (including the valuation technique, material inputs and assumptions), see Notes 2.3 and 18 to the Accountants' Report in Appendix I to this document.

Information about the independent valuer of our biological assets

We have engaged JLL, an independent valuer, to determine the fair value of our biological assets as at 31 December 2023, 31 December 2024 and 31 December 2025 respectively. The key valuers of the JLL team include Mr. Simon M.K. Chan and Professor T.Y. Gao. 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), 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, is the director-general of livestock ecology branch of the Chinese Association of Animal Husbandry and Veterinary Medicine, an expert of China Agriculture (Dairy Cattle) Research System, and the leader of the expert group and expert service team for the Henan Province Cow Yield Improvement Plan. His main research field is nutrition and environment of dairy cow and beef cattle. There is a higher academic level on the research of intensive dairy production system, nutrition regulation and environmental management of cattle in high temperature season. He has won one Second Prize of National Teaching Achievements, two Second Prizes of National Science and Technology Progress Awards, two First Prizes and two Second Prizes for Provincial Scientific and Technological Progress Awards, and multiple other scientific and technological awards. Professor Gao has published over 300 academic papers and compiled over 20 books. Among these, he acted as Associate Editor for different 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.

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. Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. 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 income approach technique known as multi-period excess earnings method (MEEM). MEEM is a derivative of the discounted cash flow ("DCF") method. Using this technique, Valuer estimate 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.

Dairy Goats and Sheep

As purchase-based prices are available for dairy goats and sheep, the fair value of dairy goats and sheep are developed through the application of market approach with reasonable adjustments to reflect the age differences.

Key assumptions and inputs

The key inputs and assumptions include the following:

Quantity

The valuation has relied on the figures and information provided by the Company for the biological assets as at the Valuation Dates.

Market price

The valuation has relied on the figures and information of the market price for heifer at an average age of 14 months and young goats and sheep as at the Valuation Dates.

Assumptions for Milkable cows

Culling rate; population sizes of milkable cows, culled cows and salable calves; production of raw milk; prices of raw milk, calves and culled cows; cost information, which includes feed costs, operating expenses, and administrative expenses for lactating cows, calves, and heifers.

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 confirmed that they have conducted their valuation in accordance with International Financial Reporting Standards 13 ("IFRS 13") and International Accounting Standards 41 ("IAS 41") issued by the International Accounting Standards Board and with reference to the International Valuation Standards issued by the International Valuation Standards Council.

The Reporting Accountants have performed their work on the historical financial information of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "**Historical Financial Information**") in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circular. As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole. Please see Appendix I to this document for further details.

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 and the Reporting Accountants 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. In addition, the Joint Sponsors have discussed with the Reporting Accountants regarding the valuation of biological assets compiled by JLL and noted that the Reporting Accountants had considered the audited procedures performed in accordance with the relevant auditing standards. Given the above, the Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation technique 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 at the Valuation Dates, we conducted the following sensitivity test for Jersey cows and Holstein cow.

Sensitivity for Jersey cow

	Years ended December 31,		
	2023	**2024**	**2025**
Hypothetical increase/(decrease) in Milk Price		Change in Valuation	
10%	45.30%	57.24%	43.71%
(10%)	-45.25%	-57.20%	-43.71%
Hypothetical increase/(decrease) in Feed Cost		Change in Valuation	
10%	-25.29%	-34.75%	-24.96%
(10%)	25.33%	34.78%	24.93%
Hypothetical increase/(decrease) in Heifer Price at an average age of 14 months		Change in Valuation	
10%	6.22%	8.48%	6.21%
(10%)	-6.17%	-8.44%	-6.89%

Sensitivity for Holstein cow

	Year ended December 31,		
	2023	**2024**	**2025**
Hypothetical increase/(decrease) in Milk Price		Change in Valuation	
10%	45.12%	42.91%	47.02%
(10%)	-45.12%	-42.91%	-47.10%
Hypothetical increase/(decrease) in Feed Cost		Change in Valuation	
10%	-25.74%	-23.95%	-26.75%
(10%)	25.74%	23.84%	26.75%
Hypothetical increase/(decrease) in Heifer Price at an average age of 14 months		Change in Valuation	
10%	5.79%	5.70%	5.88%
(10%)	-5.84%	-5.70%	-8.08%

Inventories

Our inventories primarily comprise raw materials, work in progress, finished goods, packaging materials, and consumables. Inventory write-downs are recognized when the net realizable value is below the carrying cost. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	405,698	460,801	479,459
Work in progress	183,292	160,857	155,516
Finished goods	106,856	136,874	108,125
Other materials	23,008	29,380	35,589
Total	**718,854**	**787,912**	**778,689**

Our inventories increased from RMB718.9 million as of December 31, 2023 to RMB787.9 million as of December 31, 2024 and further to RMB778.7 million, primarily due to the increase in raw materials, primarily driven by proactive strategic procurement to ensure production continuity and maintain a competitive advantage amid market volatility. The expansion of production at our Laixi Facility, along with the strategic stocking of milk powder and whey powder in anticipation of market growth, contributed to the increase in raw material inventory from the year-end of 2023 to the year-end of 2024. As of December 31, 2025, raw materials continued to be stocked at higher levels due to the ongoing production expansion and market forecasts. During the Track Record Period, we have made appropriate inventory provision on a consistent basis, which remains sufficient to cover potential losses.

As of February 28, 2026, RMB100.1 million or 12.9% of our inventories as of December 31, 2025 were subsequently utilized.

Turnover days

The following table sets forth our inventory turnover days during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
		days	
Inventory turnover days	296	307	304

Note:

(1) Inventory turnover days is calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year, then multiplied by 360.

Our inventory turnover days were approximately 296 days, 307 days, and 304 days for the years ended December 31, 2023, 2024 and 2025 respectively. The fluctuation in inventory turnover days during the Track Record Period was primarily driven by our strategic decision in 2023 to stockpile raw materials in response to the implementation of the New National Standard issued in 2021, requiring all milk powder products sold in China to be registered and fully compliant by February 22, 2023. Specifically, the New National Standard raised the content requirements for key indicators of milk powder products such as whey protein. This prompted us to temporarily stockpile raw materials that fulfil the latest specifications, including goat/sheep whey powder and goat/sheep milk powder acquired through our Spanish facilities, to ensure that our products could swiftly align with the new requirements and effectively mitigate policy compliance risks. Additionally, the New National Standard introduced stricter requirements for product labeling. As a result, the packaging materials purchased prior to the implementation of such new standard cannot be used for production, leading to a temporary build-up of inventory. These older versions of packaging materials were subsequently written off, giving rise to a write-off loss of packaging materials amounting to approximately RMB1.9 million in 2023, which accounted for approximately 0.12% of the revenue for the year. As most raw materials used in our core offerings are either produced by our own farming and manufacturing facilities or sourced from our Spanish facilities, the introduction of the New National Standard has affected our procurement timing and inventory stocking pace, with minimal impact on our raw material costs. The fluctuations in raw material prices are largely due to normal market prices changes.

Our turnover days for work in progress goods and finished goods are much shorter, typically around one to two months. This indicates that the longer inventory turnover period mainly reflects the holding of raw materials rather than a slow-moving finished goods inventory. The shelf lives of our raw materials and finished goods typically range from 12 to 36 months, and our inventory management measures ensure our stocks are utilized well within the expiration date.

Aging analysis

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Within 12 months	658,189	663,117	282,767
13th to 24th months	57,940	124,095	338,822
25th to 36th months	2,510	409	139,793
Over 36 months	215	291	17,307
Total	**718,854**	**787,912**	**778,689**

We assess inventories for impairment at each reporting date and recognize write-downs when the carrying amount exceeds the net realizable value. For raw materials, work in progress and finished goods, impairment is determined based on expiry status, shelf life, turnover rate, and realizable market value. Expired or unsellable items are fully written down, while slow-moving or near-expiry items are partially written down by comparing cost and net realizable value. Write-downs are reversed if the underlying conditions improve, subject to the original impairment amount.

Trade and Bills Receivables

Our trade and bills receivables primarily represent outstanding payments from the sale of our products. We generally require upfront payment for infant formula products, while credit terms within 180 days.

The table below sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	53,864	47,480	53,474
Bills receivables	5,665	8,789	3,770
Total	**59,529**	**56,269**	**57,244**

Our total trade and bills receivables decreased from RMB59.5 million as of December 31, 2023 to RMB56.3 million as of December 31, 2024. As of December 31, 2025, total receivables stood at RMB57.2 million. As of February 28, 2026, RMB33.0 million or 57.6% of our gross trade and bills receivables as of December 31, 2025 were subsequently settled.

Turnover days

The following table sets forth our trade and bills receivables turnover days during the Track Record Period.

	For the year ended December 31,		
	2023	2024	2025
		days	
Trade and bills receivables turnover days	12	12	11

Note:

(2) Trade and bills receivables turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables divided by cost of sales for the year, then multiplied by 360.

Our trade and bills receivables turnover days were approximately 12 days, 12 days, and 11 days for the years ended December 31, 2023, 2024, and 2025, respectively.

Aging analysis

The table below sets forth the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Within 12 months	53,040	45,915	48,528
13th to 24th months	764	1,563	4,437
25th to 36th months	60	2	509
Total	**53,864**	**47,480**	**53,474**

In terms of impairment, we apply a provision matrix to estimate expected credit losses, considering factors such as overdue status, customer category, historical default rates, and economic forecasts. Our monitoring system for overdue balances remains effective, and we have implemented tailored collection actions, including reminders, in-person follow-ups, and legal measures when necessary.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily comprise prepayments to suppliers, recoverable VAT, deposits, balances with payment platforms, and various receivables from third parties. The table below sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	28,903	27,089	27,363
Value-added tax recoverable and prepaid other tax	24,917	38,627	38,391
Deposits	22,212	21,815	20,587
Prepaid [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	20,766	24,560	28,537
	96,798	112,091	118,325
Impairment allowance	(3,256)	(3,215)	(3,212)
Total	**93,542**	**108,876**	**115,113**

The prepayments decreased slightly from RMB28.9 million in 2023 to RMB27.1 million in 2024. These changes were primarily due to a stable procurement strategy, with no significant shifts in supplier contracts or purchasing tactics. Our other receivables increased substantially from RMB24.6 million in 2024 to RMB28.5 million as of December 31, 2025. This increase was primarily attributed to the fluctuation in payments from e-commerce platforms as a result of a rise in sales of our FSMP products, leading to an increase of RMB5.4 million in other receivables. The impairment allowance for prepayments, deposits, and other receivables remained minimal. It decreased from RMB3.3 million in 2023 to RMB3.2 million in 2024, and remained at RMB3.2 million in 2025, reflecting minor adjustments based on the ongoing assessment of counterparty risk. As of February 28, 2026, RMB42.7 million or 37.1% of our prepayments, other receivables and other assets as of December 31, 2025 were subsequently settled.

Trade and Bills Payables

Our trade and bills payables primarily comprise amounts payable for raw materials such as whey powder, base powder, food additives, silage, and packaging materials. These payables are generally settled through bank transfers or bank acceptance bills, with credit terms typically within 180 days depending on supplier agreements.

The table below sets forth our trade and bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	257,716	262,277	254,569
Bills payables	6,120	1,275	13,970
Total	**263,836**	**263,552**	**268,539**

Turnover days

The following table sets forth our trade and bills payables turnover days during the Track Record Period.

	For the year ended December 31,		
	2023	2024	2025
		days	
Trade and bills payables turnover days	113	107	104

Note:

(3) Trade and bills payables turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables divided by cost of sales for the year, then multiplied by 360.

Our trade and bills payables turnover days were approximately 113 days, 107 days, and 104 days for the years ended December 31, 2023, 2024 and 2025 respectively. The relatively longer turnover days was primarily attributable to a historically large amount of trade payables due to

Supplier D, a supplier controlled by our controlling shareholder. The slow settlement of this specific payable was a result of the supplier not actively pursuing payment, which led to our decision to postpone the payment. It is a commercial decision made based on the long-standing cooperative relationship and mutual understanding between the parties. This payable is scheduled to be settled in full prior to the [**REDACTED**]. For more details regarding the transaction between us and Supplier D, please refer to "Business — Suppliers and Procurement — Major Suppliers — Transactions with Supplier D" in this document.

Aging analysis

The table below sets forth the aging analysis of trade payables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 12 months	189,284	182,830	175,784
13th to 24th months	2,966	12,511	2,525
25th to 36th months	1,166	2,315	10,622
Over 36 months	64,300	64,621	65,638
Total	**257,716**	**262,277**	**254,569**

We closely monitor and manage trade payables through real-time tracking systems, periodic reconciliations with suppliers, and strategically planned payment schedules aligned with our cash flow management and contractual obligations, ensuring timely settlements and maintaining strong supplier relationships. As of February 28, 2026, RMB153.2 million or 57.0% of our trade payables as of December 31, 2025 were subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of payroll and welfare payables, tax payables, deposits received, accrued expenses, amounts payable for property, plant, and equipment, payables for the acquisition of equity interests, related party loans, dividends payable, and other miscellaneous items. The table below sets forth our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Deferred Income	1,963	5,264	8,067
Payroll and welfare payable	36,469	44,959	44,224
Other tax payables	30,061	29,947	46,501
Deposits received	18,491	27,707	29,935
Accrued expenses	25,317	37,988	39,958
Payables for purchase of long-term assets	84,636	71,291	80,742
Loans from related parties	22,376	14,165	9,165
Payables for acquisition of non-controlling interests	42,878	5,480	4,980
Dividends payables	113,934	16,261	1,332
Other payables	20,578	5,572	6,914
Total	**396,703**	**258,634**	**271,818**

The total balance of other payables and accruals decreased from RMB396.7 million as of December 31, 2023 to RMB258.6 million as of December 31, 2024. By December 31, 2025, the balance stood at RMB271.8 million, primarily due to the following factors:

- Deposits received grew from RMB18.5 million in 2023 to RMB27.7 million in 2024. This increase was driven by additional customer deposits for future orders, particularly in new contracts and expanded business activities. As of December 31, 2025, this balance further increased to RMB29.9 million, reflecting the ongoing business growth.

- Payables for the purchase of long-term assets decreased from RMB84.6 million in 2023 to RMB71.3 million in 2024, primarily due to the completion of major capital expenditures. By December 31, 2025, this balance stood at RMB80.7 million, reflecting ongoing capital projects.

- Loans from related parties decreased from RMB22.4 million in 2023 to RMB14.2 million in 2024 due to additional financing in 2023 and subsequent repayment in 2024. By December 31, 2025, the balance stood at RMB9.2 million, reflecting the ongoing financing arrangements.

- Payables for the acquisition of non-controlling interests amounted to RMB42.9 million in 2023, due to acquisitions made during the year. This balance decreased significantly to RMB5.5 million in 2024, as payments for these acquisitions were made. By December 31, 2025, it further decreased to RMB5.0 million.

- Dividends payable was RMB113.9 million in 2023 due to the declaration of dividends based on strong 2022 performance. The balance decreased significantly in 2024 to RMB16.3 million as the dividends were paid out. By December 31, 2025, the balance had decreased to RMB1.3 million. Our dividend payables will be settled prior to [**REDACTED**].

As of February 28, 2026, RMB99.8 million or 36.7% of our other payables and accruals as of December 31, 2025 were subsequently settled.

Contract Liabilities

Our contract liabilities primarily comprise advances from customers for sale of dairy products and deferred sales incentives. These balances are recognized when consideration is received from customers prior to the transfer of goods or fulfilment of related obligations, and are settled in the normal course of business within one year. Revenue is recognized when the performance obligations are satisfied. The table below sets forth the breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sale of dairy products	176,565	148,389	162,105
Deferred sales incentives	87,541	46,336	50,017
Total	**264,106**	**194,725**	**212,122**

Deferred sales incentives mainly comprise unredeemed distributor and customer reward points and unfulfilled volume rebates or discounts granted under our sales incentive programs. The portion of consideration allocated to these incentives is recorded as contract liabilities and recognized as revenue when the obligations to supply products are fulfilled. The balance decreased from RMB87.5 million as of December 31, 2023 to RMB50.0 million as of December 31, 2025, primarily reflecting our strategic adjustment of sales incentive policies and promotion structure.

As of February 28, 2026, RMB73.0 million or 34.4% of our contract liabilities as of December 31, 2025 were subsequently recognized as revenue.

INDEBTEDNESS

As of February 28, 2026, save as disclosed in this paragraph headed "Indebtedness" in this section, we did not have any outstanding or unutilized bank borrowings, loan capital issued or agreed to be issued, bank overdrafts, liabilities under acceptances (other than normal trade payables), acceptance credits, debt securities, term loans, or indebtedness in the nature of borrowings, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees. We had not been subject to any material covenants associated with debt obligations, nor had we breached any financial or operational covenants during the Track Record Period and up to the Latest Practicable Date. There has been no difficulty in obtaining or repaying any bank facilities or borrowings, and no default or delay in any scheduled repayment occurred. Our Directors further confirmed that there has been no material change in our indebtedness or contingent liabilities since December 31, 2025 and up to the date of this document.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Interest-bearing bank and other borrowings-Short	412,272	508,774	502,004	486,910
Lease liabilities-current	4,462	2,895	5,672	5,691
Total current liabilities	**416,734**	**511,669**	**507,676**	**492,601**
Interest-bearing bank loans	247,688	200,018	198,349	176,981
Lease liabilities	7,903	8,475	12,977	12,863
Total non-current liabilities	**255,591**	**208,493**	**211,326**	**189,844**
Total indebtedness	**672,325**	**720,162**	**719,002**	**682,445**

We also recorded non-trade related party payables of RMB62.9 million, RMB36.9 million, RMB16.0 million and RMB6.2 million as of December 2023, 2024 and 2025 and February 28, 2026, respectively. See Note 36 to the Accountants' Report set out in Appendix I to this document for details of non-trade related party payables during the Track Record Period.

Interest-Bearing Bank and Other Borrowings

The following table sets forth our interest-bearing bank and other borrowings as at the dates indicated. See Note 27 to the Accountants' Report set out in Appendix I to this document.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current				
Bank loans – secured	169,004	202,479	195,611	192,118
Bank loans – unsecured	–	30,000	30,000	30,000
Other borrowings – secured	138,617	166,193	191,204	176,430
Other borrowings – unsecured[(1)]	21,300	36,606	21,079	20,679
Current portion of long – term bank loans – secured	73,341	66,909	62,099	57,963
Current portion of long – term other borrowings – secured	10,010	6,587	2,011	–
Non-current				
Bank loans – secured	239,090	198,007	198,349	176,981
Other borrowings – secured	8,598	2,011	–	–

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Total	**659,960**	**708,792**	**700,353**	**654,171**

Note:

(1) Refers to our interest-bearing borrowing due to Kangwang Investment.

CAPITAL EXPENDITURE

Our Group incurred capital expenditures of approximately RMB253.1 million, RMB151.8 million, and RMB169.8 million for the years ended December 31, 2023, 2024, and 2025, respectively. Our capital expenditure primarily related to additions to property, plant and equipment, and biological assets.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our principal related party transactions comprised: (i) sales of goods; (ii) purchases of biological assets; (iii) purchases of goods; (iv) rental payments; and (v) interest expense. These transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved. As of December 31, 2025, our interest-bearing borrowing due to Kangwang Investment was RMB21.1 million. These loans are unsecured and bear interest at approximately 3.45% and 3.35% per annum, respectively. Our Directors confirmed that the outstanding balance due to Kangwang as well as other non-trade balances with related parties will be settled prior to the [**REDACTED**]. In addition, certain of our historical bank loans were secured by Mr. Mu, or jointly by him and us. In September 2025, the guarantees granted by Mr. Mu to us were fully released.

For more detailed information, please refer to Note 36 to the Accountants' Report set out in Appendix I to and the section headed "Relationship with our Controlling Shareholders" in this document.

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties, plant and equipment	75,445	22,562	14,363
Equity investment designated at fair value through other comprehensive income	600	600	600
Total	76,045	23,162	14,963

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

	As of December 31/For the year ended December 31,		
	2023	2024	2025
Return on equity[(1)]	20%	19%	17%
Return on total assets[(2)]	7%	7%	7%
Current ratio[(3)]	1.0	1.1	1.2
Gearing ratio[(4)]	54%	46%	36%

Notes:

(1) Return on equity equals profit for the year divided by the average balance of total equity at the beginning and the end of that year, multiplied by 100%.

(2) Return on total assets equals profit for the year divided by the average balance of total assets at the beginning and the end of that year, multiplied by 100%.

(3) Current ratio equals current assets divided by current liabilities as of the respective dates.

(4) Gearing ratio equals net debt divided by (net debt plus equity attributable to owners of the parent) and multiplied by 100%.

FINANCIAL RISK MANAGEMENT

In the ordinary course of our business, we are exposed to various financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. We have adopted financial risk management policies to identify, assess and mitigate such risks. We do not engage in speculative trading of financial instruments. For further details, please refer to Note 39 to the Accountant's Report included in Appendix I to this document.

DIVIDEND

On February 20, 2023, we declared dividends of RMB211.0 million to our shareholders. The dividend was paid in three installments: RMB141.2 million was paid in 2023, RMB60.7 million in 2024, and RMB9.1 million in 2025. On March 29, 2023, we declared an additional dividend of RMB38.1 million, which was paid in three installments as well: RMB23.9 million in 2023, RMB6.9 million in 2024, and RMB7.2 million in 2025. Furthermore, on January 20, 2025, we declared dividends of RMB30.0 million to our shareholders, of which RMB28.7 million was paid during the year ending December 31, 2025. We do not currently have a formal dividend policy. The declaration and payment of dividends are at the discretion of our Board of Directors and require approval by our shareholders. In determining whether to propose a dividend distribution, our Board will consider, among other factors, our financial results, cash flow position, future funding needs, capital expenditure plans, and general business and economic conditions. Subject to these considerations, we intend to distribute dividends primarily in cash and will review the dividend distribution ratio dynamically based on our actual operating circumstances.

As of the Latest Practicable Date, we had no plan to declare or pay any dividends prior to the [**REDACTED**]. We do not anticipate any material changes to our dividend considerations in the foreseeable future.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had no distributable reserves.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

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

[REDACTED] EXPENSES

The total estimated [**REDACTED**] expenses in connection with the [**REDACTED**] are approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]), representing approximately [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and the [**REDACTED**] is not exercised, and of which approximately RMB[**REDACTED**] is directly attributable to the [**REDACTED**] of the [**REDACTED**] which is expected to be accounted for as a deduction from equity upon the [**REDACTED**] in accordance with relevant accounting standards. The remaining estimated [**REDACTED**] expenses amount to approximately RMB[**REDACTED**], of which (i) [**REDACTED**], [**REDACTED**] and approximately RMB[**REDACTED**] was recognized for the years ended December 31, 2023, 2024 and 2025, respectively; and (ii) approximately RMB[**REDACTED**] is expected to be recognized as expenses from December 31, 2025 and up to the [**REDACTED**]. Such total estimated [**REDACTED**] expenses include (i) [**REDACTED**] expenses of RMB[**REDACTED**]; (ii) fees and expenses of legal advisers and reporting accountant of RMB[**REDACTED**]; and (iii) other fees and expenses of RMB[**REDACTED**]. The [**REDACTED**] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2025, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 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.