

FINANCIAL INFORMATION

You should read the following discussion and analysis with our historical financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

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, many of which we cannot control or foresee. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

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

OVERVIEW

We are one of the leading pet food manufacturers in China. Our R&D-driven manufacturing capabilities fulfill our dedication to quality, healthy and safe pet food and science-based feeding solutions. We are one of the few pet food manufacturers with both ODM and OBM operations. These highly-integrated and synergistic dual engines create a virtuous cycle. Our brand and product quality benefit from large-scale manufacturing capabilities, while our R&D are guided by market insights. Supported by production technologies for extrusion, baking, freeze-drying and fresh-food processing, we have established a diversified product portfolio, with focus on staple food for cats and dogs.

We offer quality, stable and customized ODM solutions to leading and emerging pet food brands. We ranked second in China’s pet food third-party manufacturing industry, which comprises both ODM and OEM service providers, with a market share of 5.3% in terms of revenue in 2025, according to Frost & Sullivan. We ranked second in China’s pet staple food third-party manufacturing industry, with a market share of 8.5% in terms of revenue in 2025.

Moreover, our solid experience in pet food development and production supported us to operate our own pet food brands. Our core brand, *Bi Le* (比樂), has become a domestic pet food brand with sustained competitive advantages, serving a broad consumer base. *Bi Le* (比樂) was the tenth largest domestic pet food brand, the ninth largest domestic pet staple food brand and the fifth largest domestic dog staple food brand in China, in terms of retail sales in 2025, according to Frost & Sullivan.

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BASIS OF PREPARATION

The Historical Financial Information (as defined in Appendix I to this document) of us has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVTPL”).

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 of Appendix I to this document.

We have consistently adopted new standards, amendments and interpretations to the existing standards that are effective during the Track Record Period throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than the material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policy information has been set out in Note 41 of Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and are expected to continue to be, continuously and materially affected by a number of factors, many of which are beyond our control, including the following:

General Factors

Our business, financial condition and results of operations are affected by general factors in relation to the jurisdiction where we operate, which mainly include:

- overall macroeconomic growth in the jurisdictions where we operate;
- levels of per capita disposable income;
- market demand and the competitive environment of the pet food industry;
- development of the new products in the pet food industry;
- relevant laws and regulatory frameworks, governmental policies and initiatives affecting the pet food industry; and
- occurrence of force majeure events, outbreak of public health incidents, acts of war, social and economic chaos and natural disasters.

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Specific Factors

Our business and results of operations are also affected by a number of key factors specific to our Group, which mainly include:

Our Business Model and Sales Networks

We have established comprehensive sales networks under both our ODM and OBM business models. For our ODM business, we offered solutions for pet food formula design, development and production during the Track Record Period. In 2023, 2024 and 2025, our revenue from our ODM business amounted to RMB613.3 million, RMB624.5 million and RMB630.4 million, respectively, representing 58.6%, 60.4% and 61.7% of our total revenue in the same years. See “Business — Sales, Marketing and Customer Service — Our Sales Channels — ODM Business.”

For our OBM business, we sold our self-branded products through both direct sales and distribution channels to amplify our reach and achieve comprehensive market coverage during the Track Record Period. In 2023, 2024 and 2025, our revenue from OBM business amounted to RMB431.9 million, RMB403.9 million and RMB349.9 million, respectively, representing 41.3%, 39.1% and 34.3% of our total revenue in the same years. See “Business — Sales, Marketing and Customer Service — Our Sales Channels — OBM Business.”

We have adopted a comprehensive marketing strategy to expand and optimize our sales network. Under our ODM business model, we actively participate in international pet industry exhibitions to attract enterprise clients and leading brands worldwide. Under our OBM business model, we build our proprietary brands through a mix of online and offline marketing activities. See “Business — Sales, Marketing and Customer Service — Marketing.” Going forward, we expect to enhance the development of our OBM business to strengthen our brand identity, market presence and increase our competitive edge. See “Future Plans and Use of [REDACTED].”

Our Product Portfolio

Our ability to offer a competitive and diverse product portfolio is crucial for our business performance. We design, produce and sell pet food for dogs, cats and other pets. We have cultivated a comprehensive product portfolio of pet food, primarily comprising (i) pet staple food and (ii) pet treats. See “Business — Our Products.” Consequently, changes in our product portfolio may affect our financial performance.

A majority of our revenue was generated from sales of pet staple food during the Track Record Period. Our revenue generated from sales of pet staple food was RMB1,042.1 million, RMB1,022.6 million and RMB967.2 million in 2023, 2024 and 2025, respectively, accounting for 99.6%, 99.0% and 94.7% of our revenue in the same respective years.

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Under our OBM business model, we had three major proprietary brands, namely, *Bi Le* (比樂), AIBEI (愛倍) and PINZOR (品卓). As of the Latest Practicable Date, our product portfolio encompassed over 590 SKUs under such three major proprietary brands, with each brand meticulously tailored for its targeted consumer groups. Our revenue generated from our brand *Bi Le* (比樂), was RMB409.0 million, RMB386.0 million and RMB333.2 million in 2023, 2024 and 2025, respectively, accounting for 94.7%, 95.5% and 95.2% of our revenue from OBM business model in the same respective years.

We believe that our diverse product portfolio and multi-brand strategy enable us to effectively respond to evolving industry trends and address the needs of diverse market segments.

Our Production Capacity and Procurement Management

Our robust production capabilities are key to our financial performance. We have developed comprehensive production capabilities, enabling us to fulfill large-scale ODM customer orders and support the ongoing expansion of our OBM business. Our large-scale production capability enables us to respond effectively to market demand while benefiting from economies of scale. As of the Latest Practicable Date, we operated six production bases in China, including (i) Shanghai Fubei Production Base (上海福貝生產基地), (ii) Xuancheng Fubei Production Base (宣城福貝生產基地), (iii) Fuzhi Production Base (福智生產基地), (iv) Fuxin Production Base (福新生產基地), (v) Fujia Production Base (福佳生產基地), and (vi) Fuyuan Production Base (福源生產基地). See “Business — Our Production Capacity.”

Efficient procurement management is key to our financial performance. We had costs of raw materials and consumables used of RMB585.9 million, RMB534.6 million and RMB556.0 million in 2023, 2024 and 2025, respectively, representing 56.0%, 51.7% and 54.5% of our total revenue in the same respective years. Our capabilities in procuring raw materials cost-effectively through centralized procurement arrangements are crucial for our overall cost management and sustainable growth. We have taken comprehensive measures to mitigate the risk of raw material price fluctuations such as adopting flexible pricing policies, establishing safety stock reserves for various raw material and forming long-term cooperation with suppliers. See “Business — Our Supply Chain — Procurement.”

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are of critical importance to us. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, actual results may differ from these estimates under different assumptions or conditions. When reviewing our financial statements, you should consider the selection of our accounting policies, the judgments applied in their implementation and the sensitivity of reported results to changes in assumptions and conditions. Our material accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are disclosed in detail in the Accountants’ Report in Appendix I to this Document.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,046,196	1,033,096	1,020,891
Cost of sales	(672,680)	(641,262)	(697,994)
Gross profit	373,516	391,834	322,897
General and administrative expenses	(52,573)	(64,640)	(66,192)
Selling and marketing expenses	(105,926)	(119,332)	(133,090)
Research and development expenses	(24,063)	(15,027)	(11,509)
Net impairment (losses)/gains on financial assets	(461)	36	(286)
Other income	6,166	4,616	9,600
Other (losses)/gains, net	(791)	6,312	5,778
Operating profit	195,868	203,799	127,198
Finance income	13,049	6,502	1,067
Finance costs	(186)	(71)	(448)
Share of profit of investment in associates . .	–	–	3
Profit before income tax	208,731	210,230	127,820
Income tax expenses	(45,155)	(45,870)	(29,585)
Profit for the year	163,576	164,360	98,235
Other comprehensive income for the year .	–	–	–
Total comprehensive income for the year . .	163,576	164,360	98,235
Attributable to:			
– Owners of the Company	161,847	162,307	96,523
– Non-controlling interests	1,729	2,053	1,712
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	0.45	0.45	0.29

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Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items. We also believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, such non-IFRS measure we presented may not be directly comparable to similar measures presented by other companies. The use of this non-IFRS measure should not be considered as substitute for analysis of our results of operations or financial condition as reported under IFRS.

We define adjusted net profit (non-IFRS measure) as the net profit adjusted by adding back share-based compensation expenses and [REDACTED] expenses.

The following table reconciles our adjusted net profit (non-IFRS measure), with its most directly comparable financial measure calculated and presented in accordance with IFRS, for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net profit	163,576	164,360	98,235
Add:			
– Share-based compensation expenses . . .	–	2,628	933
– [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit			
(non-IFRS measure)	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Revenue

We had revenue of RMB1,046.2 million, RMB1,033.1 million and RMB1,020.9 million in 2023, 2024 and 2025, respectively.

Revenue by Business Model

During the Track Record Period, we operated a dual business model, combining ODM production capabilities with OBM presence to address diverse market demands. In 2023, 2024 and 2025, our revenue from the ODM business was RMB613.3 million, RMB624.5 million and RMB630.4 million, respectively, representing 58.6%, 60.4% and 61.7% of our total revenue in the same respective years. In 2023, 2024 and 2025, our revenue from the OBM business was RMB431.9 million, RMB403.9 million and RMB349.9 million, respectively, representing 41.3%, 39.1% and 34.3% of our total revenue in the same respective years.

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The following table sets out our revenue breakdown by business model in absolute amount and as percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
ODM business	613,279	58.6	624,499	60.4	630,391	61.7
OBM business	431,892	41.3	403,950	39.1	349,862	34.3
Others ⁽¹⁾	1,025	0.1	4,647	0.5	40,638	4.0
Total	1,046,196	100.0	1,033,096	100.0	1,020,891	100.0

Note:

- (1) Others mainly include sales of (i) raw materials in 2023, (ii) raw materials, by-products, and sample production services in 2024; and (iii) chicken fat in 2025, which is a by-product generated during the production of chicken powder.

Revenue by Sales Channels

For OBM business, during the Track Record Period, we sell our self-branded products through both direct sales and distribution channels to amplify our reach and achieve comprehensive market coverage. Our direct sales are mainly through online e-commerce platforms. Our distribution channels mainly include retailers and distributors. In 2023, 2024 and 2025, our revenue from direct sales was RMB152.4 million, RMB149.0 million and RMB156.9 million, respectively, representing 35.3%, 36.9% and 44.8% of our revenue from OBM business in the same respective years. Revenue from our retailers was RMB25.5 million, RMB27.5 million and RMB26.8 million, respectively, representing 5.9%, 6.8% and 7.7% of our revenue from OBM business in the same respective years. Revenue from our distributors was RMB254.0 million, RMB227.4 million and RMB166.1 million, respectively, representing 58.8%, 56.3% and 47.5% of our revenue from OBM business in the same respective years.

The following table sets forth the breakdown of our revenue from OBM business model by sales channels for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct Sales	152,399	35.3	149,011	36.9	156,878	44.8
Distribution	279,493	64.7	254,939	63.1	192,984	55.2
– Retailers	25,507	5.9	27,540	6.8	26,841	7.7
– Distributors	253,986	58.8	227,399	56.3	166,143	47.5
Total	431,892	100.0	403,950	100.0	349,862	100.0

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Revenue by Product Category

During the Track Record Period, our revenue was mainly from sales of pet food, such as (i) pet staple food; and (ii) pet treats. In 2023, 2024 and 2025, our revenue from sales of pet staple food was RMB1,042.1 million, RMB1,022.6 million and RMB967.2 million, respectively, representing 99.6%, 99.0% and 94.7% of our total revenue in the same respective years. Revenue from our sales of pet treats was RMB0.9 million, RMB3.3 million and RMB8.3 million, respectively, representing 0.1%, 0.3% and 0.8% of our total revenue in the same respective years. Revenue from others was RMB3.2 million, RMB7.2 million and RMB45.4 million, respectively, representing 0.3%, 0.7% and 4.5% of our total revenue in the same respective years.

The following table sets out a breakdown of our revenue by product category in absolute amount and as percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Pet staple food	1,042,059	99.6	1,022,610	99.0	967,170	94.7
Pet treats	907	0.1	3,322	0.3	8,276	0.8
Others ⁽¹⁾	3,230	0.3	7,164	0.7	45,445	4.5
Total	1,046,196	100.0	1,033,096	100.0	1,020,891	100.0

Note:

- (1) Others mainly include (i) raw materials and other pet supplies in 2023; (ii) raw materials, other pet supplies, by-products and sample production services in 2024; and (iii) chicken fat in 2025, which is a by-product generated during the production of chicken powder.

Revenue by Geographic Region

During the Track Record Period, most of our products were sold in Chinese Mainland. Our sales in Chinese Mainland contributed RMB1,046.2 million, RMB1,031.2 million and RMB976.1 million of revenue in 2023, 2024 and 2025, respectively, representing 100.0%, 99.8% and 95.6% of our total revenue in the same respective years.

The following table sets out a breakdown of our revenue by geographical regions in absolute amount and as percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese Mainland	1,046,196	100.0	1,031,155	99.8	976,065	95.6
Other countries or regions ⁽¹⁾	—	—	1,941	0.2	44,826	4.4
Total	1,046,196	100.0	1,033,096	100.0	1,020,891	100.0

Note:

- (1) Other countries or regions mainly refer to Indonesia.

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Cost of Sales

We had cost of sales of RMB672.7 million, RMB641.3 million and RMB698.0 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our cost of sales mainly included (i) raw materials and consumables used; (ii) depreciation and amortization; (iii) employee benefit expenses; (iv) utility costs; (v) transportation costs; and (vi) external processing costs.

The following table sets out a breakdown of our cost of sales by nature in absolute amount and as percentage of our total cost of sales for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Raw materials and consumables used	585,947	87.1	534,563	83.3	555,957	79.7
Depreciation and amortization . .	20,307	3.0	27,303	4.3	37,461	5.4
Employee benefit expenses	16,573	2.5	26,051	4.1	41,315	5.9
Utility costs	16,769	2.5	18,955	3.0	22,396	3.2
Transportation costs	18,827	2.8	17,563	2.7	21,865	3.1
External processing costs	11,034	1.6	7,581	1.2	6,573	0.9
Others ⁽¹⁾	3,223	0.5	9,246	1.4	12,427	1.8
	<u>672,680</u>	<u>100.0</u>	<u>641,262</u>	<u>100.0</u>	<u>697,994</u>	<u>100.0</u>

Note:

(1) Others mainly include tax and surcharges, impairment losses on inventories, testing expenses and office expenses.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2023, 2024 and 2025, we had gross profit of RMB373.5 million, RMB391.8 million and RMB322.9 million, respectively. Our gross profit margin was 35.7%, 37.9% and 31.6% in 2023, 2024 and 2025, respectively.

Gross Profit and Gross Profit Margin by Business Model

Our gross profit under the ODM business was RMB170.0 million, RMB190.0 million and RMB145.5 million in 2023, 2024 and 2025, respectively. Our gross profit margin under the ODM business increased from 27.7% in 2023 to 30.4% in 2024 and decreased to 23.1% in 2025. Our gross profit under the OBM business was RMB203.4 million, RMB199.5 million and RMB171.7 million in 2023, 2024 and 2025, respectively. Our gross profit margin under the OBM business increased from 47.1% in 2023 to 49.4% in 2024 and decreased to 49.1% in 2025.

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The following table sets out a breakdown of our gross profit and gross profit margin by business model for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
ODM business	169,967	27.7	190,017	30.4	145,470	23.1
OBM business	203,369	47.1	199,484	49.4	171,725	49.1
Others ⁽¹⁾	180	17.5	2,333	50.2	5,702	14.0
Total	373,516	35.7	391,834	37.9	322,897	31.6

Note:

- (1) Others mainly include sales of (i) raw materials in 2023, (ii) raw materials, by-products, and sample production services in 2024; and (iii) chicken fat in 2025, which is a by-product generated during the production of chicken powder.

Gross Profit and Gross Profit Margin by Product Category

Our gross profit of pet staple food was RMB372.0 million, RMB392.8 million and RMB319.7 million in 2023, 2024 and 2025, respectively. Our gross profit margin of pet staple food increased from 35.7% in 2023 to 38.4% in 2024 and decreased to 33.1% in 2025. Our gross profit of pet treats was RMB0.6 million in 2023. Our gross loss of pet treats was RMB3.9 million and RMB5.2 million in 2024 and 2025. Our gross profit margin of pet treats was 63.0% in 2023. Our gross loss margin of pet treats was 117.0% and 62.6% in 2024 and 2025, primarily because we continuously developed new pet treat products in response to market demands, which resulted in higher unit material costs since the sampling and trial-production of these new products consumed a large amount of materials.

The following table sets out a breakdown of our gross profit and gross profit margin by product category for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Pet staple food	372,002	35.7	392,781	38.4	319,706	33.1
Pet treats	571	63.0	(3,885)	(117.0)	(5,183)	(62.6)
Others ⁽¹⁾	943	29.2	2,938	41.0	8,374	18.4
Total	373,516	35.7	391,834	37.9	322,897	31.6

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Note:

- (1) Others mainly include (i) raw materials and other pet supplies in 2023; (ii) raw materials, other pet supplies, by-products and sample production services in 2024; and (iii) chicken fat in 2025, which is a by-product generated during the production of chicken powder.

General and Administrative Expenses

We had general and administrative expenses of RMB52.6 million, RMB64.6 million and RMB66.2 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our general and administrative expenses primarily consisted of (i) employee benefit expenses; (ii) depreciation and amortization; (iii) professional services and other consulting fees; (iv) [REDACTED] expenses; and (v) taxes and surcharges.

The following table sets out a breakdown of our general and administrative expenses in absolute amount and as percentage of our total general and administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	23,553	[REDACTED]	29,096	[REDACTED]	26,627	[REDACTED]
Depreciation and amortization . .	6,380	[REDACTED]	12,185	[REDACTED]	14,645	[REDACTED]
Professional services and other consulting fees	9,981	[REDACTED]	2,295	[REDACTED]	4,192	[REDACTED]
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Taxes and surcharges	3,842	[REDACTED]	7,093	[REDACTED]	8,207	[REDACTED]
Others ⁽¹⁾	8,817	[REDACTED]	13,971	[REDACTED]	7,517	[REDACTED]
Total	<u>[REDACTED]</u>	<u>100.0</u>	<u>[REDACTED]</u>	<u>100.0</u>	<u>[REDACTED]</u>	<u>100.0</u>

Note:

- (1) Others mainly include office expenses and business development expenses.

Selling and Marketing Expenses

We had selling and marketing expenses of RMB105.9 million, RMB119.3 million and RMB133.1 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our selling and marketing expenses primarily consisted of (i) marketing and promoting expenses; (ii) employee benefit expenses; and (iii) storage costs.

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The following table sets out a breakdown of our selling and marketing expenses in absolute amount and as percentage of our total selling and marketing expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Marketing and promoting expenses	60,045	56.7	70,998	59.5	83,157	62.5
Employee benefit expenses	35,768	33.8	35,949	30.1	34,828	26.2
Storage costs	4,559	4.3	5,935	5.0	5,198	3.9
Others ⁽¹⁾	5,554	5.2	6,450	5.4	9,907	7.4
Total	105,926	100.0	119,332	100.0	133,090	100.0

Note:

- (1) Others mainly include service fees in relation to sales and marketing activities, product sample cost, business development expenses and office expenses.

Research and Development Expenses

We had research and development expenses of RMB24.1 million, RMB15.0 million and RMB11.5 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our research and development costs primarily consisted of (i) employee benefit expenses; (ii) raw materials and consumables used; (iii) professional services and other consulting fees; and (iv) depreciation and amortization.

The following table sets out a breakdown of our research and development expenses in absolute amount and as percentage of our total research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	6,848	28.4	6,005	40.0	4,753	41.3
Raw materials and consumables used	11,095	46.1	6,451	42.9	4,660	40.5
Professional services and other consulting fees	3,513	14.6	1,380	9.2	847	7.4
Depreciation and amortization . .	1,462	6.1	571	3.8	135	1.2
Others ⁽¹⁾	1,145	4.8	620	4.1	1,114	9.6
Total	24,063	100.0	15,027	100.0	11,509	100.0

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Note:

(1) Others mainly include lease expenses, amortization of long-term prepaid expenses and utility costs.

Net Impairment (Losses)/Gains on Financial Assets

Our net impairment losses/gains on financial assets are primarily related to our trade receivables. We had net impairment losses on financial assets of RMB0.5 million and RMB0.3 million in 2023 and 2025, respectively. We had net impairment gains on financial assets of RMB0.04 million in 2024.

Other Income

We had other income of RMB6.2 million, RMB4.6 million and RMB9.6 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our other income primarily consisted of government grants mainly representing various subsidies received from the PRC local government authorities as incentives mainly for our R&D activities and investing activities.

The following table sets out a breakdown of our other income for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	6,148	4,588	9,587
Others	18	28	13
Total	<u>6,166</u>	<u>4,616</u>	<u>9,600</u>

Other (Losses)/Gains, Net

We had other net gains of RMB6.3 million and RMB5.8 million in 2024 and 2025. We had other net losses of RMB0.8 million in 2023. Our net other losses/gains during the Track Record Period primarily consisted of (i) net gains on disposal of financial instruments; (ii) fair value changes on financial assets at FVTPL; and (iii) forfeiture of deposits.

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The following table sets out a breakdown of our net other losses/gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net gains on disposal of financial instruments	–	5,542	5,868
Fair value changes on financial assets at FVTPL	–	611	–
Net foreign exchange differences	–	(2)	(11)
Net (losses)/gains on disposal of property, plant and equipment and other non-current assets	(20)	52	55
Forfeiture of deposits	186	368	283
Donation	(30)	(173)	(106)
Others	(927)	(86)	(311)
Total	(791)	6,312	5,778

Finance Income

We had finance income of RMB13.0 million, RMB6.5 million and RMB1.1 million in 2023, 2024 and 2025, respectively. Our finance income mainly consisted of interest income on bank deposits during the Track Record Period.

Finance Costs

We had finance costs of RMB0.2 million, RMB0.1 million and RMB0.4 million in 2023, 2024 and 2025, respectively. Our finance costs mainly consisted of interest expenses on lease liabilities and interest expenses on borrowings during the Track Record Period.

The following table sets out a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on lease liabilities . . .	170	45	–
Interest expenses on borrowings	–	23	448
Others	16	3	–
Total	186	71	448

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Share of Profit of Investment in Associates

Our share of profit of investment in associates relates to our investments in two associates of us. We recorded share of profit of investment in associates of nil, nil and RMB3.0 thousand in 2023, 2024 and 2025, respectively. One of the invested associates had been deregistered as of the Latest Practicable Date. For details of our investment in the associates, please see Note 19 in Appendix I to this document.

Income Tax Expenses

We recorded income tax expenses of RMB45.2 million, RMB45.9 million and RMB29.6 million in 2023, 2024 and 2025, respectively, mainly representing current income tax provisioned by us under the PRC income tax laws and regulations.

The following table sets forth a breakdown of our income tax expenses for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current Income Tax	51,256	52,093	40,648
Deferred Income Tax	(6,101)	(6,223)	(11,063)
Total	<u>45,155</u>	<u>45,870</u>	<u>29,585</u>

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities and were not aware of any outstanding or potential disputes with such tax authorities.

PRC Corporate Income Tax. In accordance with the relevant regulations of the Enterprise Income Tax laws (the “EIT laws”) of the PRC, the applicable statutory tax rate of the PRC entities is 25% unless those subject to tax exemption as set out below. During the Track Record Period, the Company has obtained High and New Technology Enterprises certification (“HNTE”) and hence entitled to a preferential corporate income tax rate of 15% for a valid period of three years. During the Track Record Period, certain subsidiaries were eligible as Small Low-profit Enterprises (小型微利企業). An entity eligible as a Small Low-profit Enterprise is subject to preferential tax treatments up to December 31, 2027. For the annual taxable income of a Small Low-profit Enterprise which is not more than RMB3,000,000, 75% of its taxable income is not subject to EIT and the remaining 25% of its taxable income is subject to EIT at a tax rate of 20%.

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Super deduction for R&D expenditure. According to the relevant laws and regulations promulgated by Ministry of Finance (“MOF”) and State Taxation Administration (“STA”), enterprises engaging in R&D activities are entitled to claim 200% from January 2021 onwards of their R&D expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction for R&D”).

Net Profit

As a result of the foregoing, we recorded net profit of RMB163.6 million, RMB164.4 million and RMB98.2 million in 2023, 2024 and 2025, respectively.

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

Revenue

Our total revenue remained relatively stable at RMB1,033.1 million in 2024 and RMB1,020.9 million in 2025.

Our revenue from pet staple food decreased by 5.4% from RMB1,022.6 million in 2024 to RMB967.2 million in 2025 mainly due to a decrease in our sales volumes under our OBM business model, which was mainly due to the adjustment of our product portfolio in which we delisted certain legacy products and launched our Tiered Nutrition Series (分階營養系列), which, our Directors believe, led to a transitional phase for customer development and market penetration of the new products. Such decrease was partially offset by (i) an increase in revenue from others, primarily due to the increased sales of chicken fat; and (ii) an increase in revenue from pet treats, following the commencement of operations at our production base for pet treats.

For OBM business, our revenue from distributors decreased from RMB227.4 million in 2024 to RMB166.1 million in 2025, primarily due to the launch of new products, following which our distributors adopted a more cautious approach in placing orders, especially considering that it requires time for new products to gain market recognition. Our revenue from direct sales increased from RMB149.0 million in 2024 to RMB156.9 million 2025, primarily due to the enhanced on-line promotion activities, driving increased sales of our products under the OBM business.

Cost of Sales

Our cost of sales increased by 8.8% from RMB641.3 million in 2024 to RMB698.0 million in 2025, primarily attributable to (i) an increase in cost of raw materials, which was mainly because the development and sampling process required a higher consumption of raw materials when new products were launched or new production bases commenced production; (ii) an increase in depreciation and amortization mainly due to the commencement of operation of our new production bases; and (iii) an increase in employee benefit expenses mainly due to the expansion of our production team resulting from the commencement of operation of our new production bases.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 17.6% from RMB391.8 million in 2024 to RMB322.9 million in 2025. Our gross profit margin decreased from 37.9% in 2024 to 31.6% in 2025, mainly due to a decrease in the gross profit margin of pet staple food, primarily resulting from increased production costs following the commencement of operation of our new production bases.

General and Administrative Expenses

Our general and administrative expenses increased from RMB64.6 million in 2024 to RMB66.2 million in 2025, primarily attributable to (i) an increase in [REDACTED] expenses of RMB5.0 million; (ii) an increase in amortization and depreciation of RMB2.5 million following the commencement of our headquarters operation and newly commissioned factory production, partially offset by (i) a decrease in others of RMB6.5 million, primarily due to purchase of office-related items for the office building of our headquarter in 2024; and (ii) a decrease in employee benefit expenses of RMB2.5 million primarily due to award shares granted to an eligible employee in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 11.5% from RMB119.3 million in 2024 to RMB133.1 million in 2025, primarily due to an increase in marketing and promoting expenses for online traffic campaigns and enhanced brand promotion.

Research and Development Expenses

Our research and development expenses decreased by 23.4% from RMB15.0 million in 2024 to RMB11.5 million in 2025, primarily attributable to decreases in raw materials and consumables used and employee benefit expenses, resulting from the improved research and development efficiency attributable to the integration and optimization of our research and development management.

Other Income

Our other income increased significantly from RMB4.6 million in 2024 to RMB9.6 million in 2025, primarily attributable to an increase in government grants resulting from one-off subsidies received from the PRC local government authorities for our new production bases and the technological upgrade of our existing production bases.

Other (Losses)/Gains, Net

Our other gains decreased by 8.5% from RMB6.3 million in 2024 to RMB5.8 million in 2025, primarily due to a decrease in fair value changes on financial assets resulting from the redemption of certain wealth management products upon maturity.

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Finance Income

Our finance income decreased by 83.6% from RMB6.5 million in 2024 to RMB1.1 million in 2025, due to a decrease in interest income from bank deposits mainly because we used part of our bank deposits to (i) repurchase shares for capital reduction (See “History, Development and Corporate Structure”), and (ii) purchase wealth management products.

Finance Costs

Our finance costs increased from RMB0.1 million in 2024 to RMB0.4 million in 2025, primarily due to an increase in interest expenses on bank borrowings since our bank borrowings took place at the end of 2024, causing our interest generation period in 2024 to be shorter than one year.

Share of Profit of Investment in Associates

Our share of profit of investment in associates increased from nil in 2024 to RMB3.0 thousand in 2025, primarily due to our investment in associates of us in 2025.

Income Tax Expenses

Our income tax expenses decreased by 35.5% from RMB45.9 million in 2024 to RMB29.6 million in 2025, primarily due to a decrease of our current income tax, which was generally in line with the decrease in our profit before tax.

Net Profit

As a result of the foregoing, our net profit decreased by 40.2% from RMB164.4 million in 2024 to RMB98.2 million in 2025.

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

Revenue

Our total revenue remained relatively stable at RMB1,046.2 million in 2023 and RMB1,033.1 million in 2024.

Our revenue from pet treats increased significantly from RMB0.9 million in 2023 to RMB3.3 million in 2024, primarily due to an increase in pet treats sales following the commencement of operations at our production base for pet treats. Our revenue from others increased significantly from RMB3.2 million in 2023 to RMB7.2 million in 2024, primarily due to the sales of chicken fat. Our revenue from pet staple food decreased by 1.9% from RMB1,042.1 million in 2023 to RMB1,022.6 million in 2024, mainly due to a decrease in our sales volume under our OBM business model, which was mainly due to the adjustment of our product portfolio in which we delisted certain legacy products and launched our Oriental Nutrition Series (東方營養系列), which, our Directors believe, led to a transitional phase of for customer development and market penetration of the new products.

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For OBM business, our revenue from distributors decreased from RMB254.0 million in 2023 to RMB227.4 million in 2024, primarily due to the launch of new products, following which our distributors adopted a more cautious approach in placing orders, especially considering that it requires time for new products to gain market recognition. Our revenue from direct sales remained relatively stable at RMB152.4 million in 2023 and RMB149.0 million in 2024.

Cost of Sales

Our cost of sales decreased by 4.7% from RMB672.7 million in 2023 to RMB641.3 million in 2024, primarily attributable to a decrease in cost of raw materials, mainly due to a decrease in the unit purchase price of raw materials, partially offset by (i) an increase in depreciation and amortization, mainly due to the commencement of operation of our new production bases; and (ii) an increase in employee benefit expenses, mainly due to the expansion of our production team resulting from the commencement of operation of our new production bases.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 4.9% from RMB373.5 million in 2023 to RMB391.8 million in 2024. Our gross profit margin increased from 35.7% in 2023 to 37.9% in 2024, mainly due to an increase in the gross profit margin of pet staple food, resulting from the reduced cost of raw materials.

General and Administrative Expenses

Our general and administrative expenses increased by 23.0% from RMB52.6 million in 2023 to RMB64.6 million in 2024, primarily attributable to (i) an increase in depreciation expenses following the commencement of our headquarters operation and newly commissioned factory production; and (ii) an increase in employee benefit expenses, mainly due to the commencement of operation of our new production bases and the adjustment of our internal organization.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 12.7% from RMB105.9 million in 2023 to RMB119.3 million in 2024, primarily attributable to an increase in marketing and promoting expenses for online traffic campaigns and enhanced brand promotion.

Research and Development Expenses

Our research and development expenses decreased by 37.6% from RMB24.1 million in 2023 to RMB15.0 million in 2024, primarily attributable to (i) a decrease in raw materials and consumables used and employee benefit expenses, mainly due to the improved research and development efficiency attributable to the integration and optimization of research and development management; and (ii) a decrease in professional services and other consulting fees, primarily due to the strategic adjustment of research development testing from third-party service providers to our in-house operations.

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Other Income

Our other income decreased by 25.1% from RMB6.2 million in 2023 to RMB4.6 million in 2024, primarily attributable to a decrease in government grants, resulting from a decreased number of applied government grant programs.

Other (Losses)/Gains, Net

Our other net (losses)/gains changed from losses of RMB0.8 million in 2023 to gains of RMB6.3 million in 2024, primarily due to gains generated from wealth management products newly purchased and continuously held by us in 2024.

Finance Income

Our finance income decreased by 50.2% from RMB13.0 million in 2023 to RMB6.5 million in 2024, primarily because we allocated funds from our time deposits to purchase wealth management products in 2024, which resulted in a corresponding decrease in interest income from our bank deposits in the same year.

Finance Costs

Our finance costs decreased by 61.8% from RMB0.2 million in 2023 to RMB0.1 million in 2024, primarily attributable to a decrease in interest expenses on lease liabilities, resulting from the termination of the lease contracts for certain previously leased office premises.

Income Tax Expenses

Our income tax expenses increased by 1.6% from RMB45.2 million in 2023 to RMB45.9 million in 2024, primarily attributable to an increase in our current income tax, which was generally in line with the increase of our net profit before tax.

Net Profit

As a result of the foregoing, our net profit increased by 0.5% from RMB163.6 million in 2023 to RMB164.4 million in 2024.

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	425,170	566,936	533,864
Right-of-use assets	118,981	112,740	108,614
Intangible assets	4,237	3,155	2,073
Deferred tax assets	9,226	15,449	26,512
Financial assets at fair value through other comprehensive income	—	—	15,100
Investment in associates	—	150	17,003
Other non-current assets	163	7,568	7,123
Total non-current assets	557,777	705,998	710,289
Current assets			
Inventories	82,075	128,824	117,810
Prepayments and other receivables	3,324	7,126	6,327
Trade receivables	23,656	18,372	41,553
Financial assets at fair value through profit or loss	—	152,611	27,000
Restricted cash	5,041	7,338	83,757
Cash and cash equivalents	626,302	494,720	308,546
Other current assets	15,352	33,313	31,936
Total current assets	755,750	842,304	616,929
Current liabilities			
Borrowings	—	23	63,865
Trade payables	83,857	122,085	103,467
Contract liabilities	46,372	66,715	32,231
Lease liabilities	1,573	—	—
Current income tax liabilities	21,040	14,489	11,012
Accruals and other payables	17,888	18,046	15,689
Other current liabilities	4,174	6,003	2,901
Total current liabilities	174,904	227,361	229,165
Net current assets	580,846	614,943	387,764
Non-current liabilities			
Borrowings	—	10,000	—
Deferred income	32,373	37,703	39,476
Total non-current liabilities	32,373	47,703	39,476
Net assets	1,106,250	1,273,238	1,058,577

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Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of (i) buildings, (ii) general equipment; (iii) specialized equipment; (iv) motor vehicles; (v) leasehold improvements; and (vi) construction in progress. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings	104,834	347,007	329,333
Motor vehicles	1,587	2,372	1,458
General equipment	1,777	2,637	2,423
Specialized equipment	111,771	209,917	195,792
Construction in progress	205,114	5,003	4,858
Leasehold improvement	87	—	—
Total	425,170	566,936	533,864

Our property, plant and equipment increased by 33.3% from RMB425.2 million as of December 31, 2023 to RMB566.9 million as of December 31, 2024, primarily attributable to (i) an increase in buildings, mainly driven by the investments in our new headquarters operation and production base expansion, including Fuxin Production Base, Fuyuan Production Base and Fujia Production Base; and (ii) increases in general equipment and specialized equipment, mainly due to our new purchases to support our production and operation needs. Our property, plant and equipment decreased by 5.8% from RMB566.9 million as of December 31, 2024 to RMB533.9 million as of December 31, 2025, primarily due to depreciation of buildings and specialized equipment.

Right-of-use Assets

During the Track Record Period, our right-of-use assets primarily consisted of (i) land-use rights; and (ii) leased properties. Our right-of-use assets decreased by 5.2% from RMB119.0 million as of December 31, 2023 to RMB112.7 million as of December 31, 2024, attributable to (i) a decrease in land-use rights, resulting from the amortization of the same assets; and (ii) a decrease in leased properties, resulting from the termination of the lease contracts for certain previously leased office premises. Our right-of-use assets remained relatively stable at RMB112.7 million as of December 31, 2024 and RMB108.6 million as of December 31, 2025.

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land-use rights	116,995	112,740	108,614
Leased properties	1,986	—	—
Total	<u>118,981</u>	<u>112,740</u>	<u>108,614</u>

Other Non-current Assets

During the Track Record Period, our other non-current assets mainly represented prepayment for long-term assets acquisitions mainly in relation to equipment. The following table sets forth the details of our other non-current assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for long-term assets			
acquisition	163	6,790	6,611
Others	—	778	512
Total	<u>163</u>	<u>7,568</u>	<u>7,123</u>

Our other non-current assets increased significantly from RMB0.2 million as of December 31, 2023 to RMB7.6 million as of December 31, 2024, primarily attributable to an increase in prepayments for long-term assets acquisition for our new production lines. Our other non-current assets remained relatively stable at RMB7.6 million as of December 31, 2024 and RMB7.1 million as of December 31, 2025.

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Inventories

During the Track Record Period, our inventories primarily consisted of (i) raw materials, mainly representing meat, fats, fruits and vegetables and additives; and (ii) finished goods. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	41,067	70,788	56,873
Finished goods	28,006	51,005	53,769
Goods in transit	2,888	3,416	5,148
Outsourced processing materials	5,660	5,734	6,281
Packaging	4,552	2,001	2,342
Less: provision for impairment	(98)	(4,120)	(6,603)
Total	82,075	128,824	117,810

Our inventories increased by 57.0% from RMB82.1 million as of December 31, 2023 to RMB128.8 million as of December 31, 2024, primarily because (i) the Chinese New Year holiday in 2025 fell relatively early, and to mitigate adverse impact on production and product delivery, we established safety stock for raw materials and finished goods at the end of 2024; and (ii) upon the addition of new production lines in 2024, the variety of our products expanded, resulting in increased raw material inventories and safety stock levels for the newly added product categories, contributing to the overall increase in our raw materials and finished goods in 2024. Our inventories decreased by 8.5% from RMB128.8 million as of December 31, 2024 to RMB117.8 million as of December 31, 2025, mainly due to a decrease in raw materials, resulting from deferred pace of procuring raw materials for Chinese New Year holiday in 2026.

The following table sets forth the aging analysis of our inventory before deduction of provision as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	78,893	132,735	123,441
1-2 years	1,698	198	952
Over 2 years	1,582	11	20
Total	82,173	132,944	124,413

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The following table sets out the turnover days of our inventories for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Inventories turnover days ⁽¹⁾	50.7	59.2	63.6

Note:

- (1) Inventory turnover days for a year equal the average of the gross value of the opening and closing inventory balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year ended December 31, 2023, 2024 and 2025.

Our inventory turnover days increased from 50.7 days in 2023 to 59.2 days in 2024, and further increased to 63.6 days in 2025, primarily because we launched new products under our OBM business model and the sales of such new products were at an early stage.

As of April 30, 2026, approximately RMB115.2 million or 92.6% of our inventories as of December 31, 2025 had been consumed.

Prepayments and Other Receivables

During the Track Record Period, our prepayments and other receivables primarily consisted of prepayments for goods, deposits and others. The following table sets out a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments:			
Prepayments for goods	2,408	5,543	4,237
Other receivables:			
Deposits	834	1,150	2,060
Others	475	489	95
	3,717	7,182	6,392
Less: credit loss allowance	(393)	(56)	(65)
Total	3,324	7,126	6,327

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Our prepayments and other receivables increased significantly from RMB3.3 million as of December 31, 2023 to RMB7.1 million as of December 31, 2024, primarily attributable to an increase in prepayments for goods paid to suppliers mainly resulting from the commencement of operation of our new production lines. Our prepayments and other receivables decreased by 11.2% from RMB7.1 million as of December 31, 2024 to RMB6.3 million as of December 31, 2025, primarily attributable to a decrease in prepayments for goods paid to suppliers, resulting from the reduced stock in relation to production orders.

As of April 30, 2026, approximately RMB3.6 million or 57.0% of our prepayments and other receivables as of December 31, 2025 had been settled.

Trade Receivables

Our trade receivables during the Track Record Period primarily consisted of trade receivables representing receivables from third-party customers for our products. The following table sets out the breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	23,936	18,591	42,049
Less: credit loss allowance	(280)	(219)	(496)
Total	<u>23,656</u>	<u>18,372</u>	<u>41,553</u>

Our trade receivables decreased by 22.3% from RMB23.7 million as of December 31, 2023 to RMB18.4 million as of December 31, 2024, primarily attributed to a decrease in receivables from several key customers resulting from collection of the relevant receivables.

Our trade receivables increased significantly from RMB18.4 million as of December 31, 2024 to RMB41.6 million as of December 31, 2025, primarily attributed to an increase in receivables from several key customers mainly because certain orders placed by our key customers remained within the granted credit terms and had not been paid as of December 31, 2025.

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We generally require prepayment by our customers. The credit terms we grant to some of our customers were generally around 30 days. The following table sets out the aging analysis of our trade receivables based on the invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 30 days	23,936	11,913	27,833
30-60 days	–	5,979	12,280
60-90 days	–	699	1,936
Total	23,936	18,591	42,049

We seek to maintain strict control over our outstanding trade receivables and have dedicated credit risk management staff to control and mitigate credit risk. Substantially all of our trade receivables as of December 31, 2023 and 2024 and 2025 were aged within 90 days. Our senior management strengthens the follow-up on customer receivables to ensure timely collection and control the risks of bad debt.

The following table sets out our trade receivables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	4.7	7.3	10.6

Note:

- (1) Trade receivables turnover days for a year equal the average of the ending balance of trade receivables (net of credit loss allowance) divided by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year ended December 31, 2023, 2024 and 2025.

Our trade receivables turnover days increased from 4.7 days in 2023 to 7.3 days in 2024, primarily attributable to the adjustment of credit terms granted to certain customers. Our trade receivables turnover days increased from 7.3 days in 2024 to 10.6 days in 2025, primarily because certain orders placed by our key customers remained within the granted credit term and had not been paid as of December 31, 2025, resulting in the increased outstanding trade receivables balance.

As of April 30, 2026, approximately RMB42.0 million or 99.9% of our trade receivables as of December 31, 2025 had been settled.

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Financial Assets at Fair Value Through Profit or Loss

During the Track Record Period, our financial assets at fair value through profit or loss consisted of wealth management products.

Our financial assets at fair value through profit or loss increased from nil as of December 31, 2023 to RMB152.6 million as of December 31, 2024, primarily due to our new investment into wealth management products. Our financial assets at fair value through profit or loss decreased by 82.3% from RMB152.6 million as of December 31, 2024 to RMB27.0 million as of December 31, 2025, primarily due to the redemption of certain wealth management products upon maturity.

Other Current Assets

During the Track Record Period, our other current assets consisted of (i) deductible input VAT, and (ii) prepaid corporate income tax. The following table sets forth a breakdown of our other current assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deductible input VAT	14,840	32,396	30,543
Prepaid corporate income tax	512	917	71
[REDACTED] expenses to be capitalized	[REDACTED]	[REDACTED]	[REDACTED]
Others	—	—	210
Total	15,352	33,313	31,936

Our other current assets increased significantly from RMB15.4 million as of December 31, 2023 to RMB33.3 million as of December 31, 2024, primarily attributable to an increase in deductible input VAT mainly due to changes in our capital expenditure on properties and equipment. Our other current assets remained relatively stable at RMB33.3 million as of December 31, 2024 and RMB31.9 million as of December 31, 2025.

Trade Payables

During the Track Record Period, our trade payables during the Track Record Period consisted of payables for raw materials, constructions and equipment. Our trade payables increased by 45.6% from RMB83.9 million as of December 31, 2023 to RMB122.1 million as of December 31, 2024, primarily attributable to (i) an increase of payables for raw materials due to our early arrangement for inventory replenishment at the end of 2024 in preparation for new production lines; and (ii) an increase of payables for constructions and equipment due to the construction of new production lines. Our trade payables decreased by 15.3% from RMB122.1 million as of December 31, 2024 to RMB103.5 million as of December 31, 2025, primarily attributable to our settlement of certain portions of payables for constructions and equipment.

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Our trade payables are non-interest-bearing and are normally settled on terms within 30 days after invoice issuance. The following table sets out the aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	80,237	114,238	89,436
1 to 2 years	3,443	6,382	7,334
2 to 3 years	29	1,288	5,442
Over 3 years	148	177	1,255
Total	83,857	122,085	103,467

The following table sets out our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	56.7	57.8	58.2

Note:

- (1) Trade payables turnover days for a year equal the average of the gross value of the opening and closing trade payables balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year ended December 31, 2023, 2024, and 2025.

Our trade payables turnover days remained relatively stable at 56.7 days in 2023, 57.8 days in 2024, and 58.2 days in 2025.

As of April 30, 2026, approximately RMB85.9 million or 83.0% of our trade payables as of December 31, 2025 had been settled.

Contract Liabilities

During the Track Record Period, our contract liabilities during the Track Record Period primarily consisted of (i) advances from customers; and (ii) sales rebates.

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The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	24,869	44,497	22,505
Sales rebates	<u>21,503</u>	<u>22,218</u>	<u>9,726</u>
Total	<u><u>46,372</u></u>	<u><u>66,715</u></u>	<u><u>32,231</u></u>

Our contract liabilities increased by 43.9% from RMB46.4 million as of December 31, 2023 to RMB66.7 million as of December 31, 2024, primarily attributable to an increase in advances from customers mainly representing the prepayment from our distributors as the distributors placed advance orders in light of the relatively early Chinese New Year holiday in 2025. Our contract liabilities decreased by 51.7% from RMB66.7 million as of December 31, 2024 to RMB32.2 million as of December 31, 2025, mainly attributable to decreases in prepayment from our distributors and sales rebates with our distributors, under OBM business generally in line with the revenue and sales volume fluctuation of our OBM businesses in 2024 and 2025.

As of April 30, 2026, RMB31.6 million or 97.9% of our contract liabilities as of December 31, 2025, had been settled.

Accruals and Other Payables

During the Track Record Period, our accruals and other payables primarily consisted of (i) salaries, wages and benefits, (ii) taxes other than income tax payables, (iii) deposits, and (iv) others. The following table sets out a breakdown of our accruals and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and benefits	9,935	11,824	8,665
Taxes other than income tax payables . .	2,984	3,252	3,600
Deposits	4,623	2,465	2,761
Others	<u>346</u>	<u>505</u>	<u>663</u>
Total	<u><u>17,888</u></u>	<u><u>18,046</u></u>	<u><u>15,689</u></u>

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Our accruals and other payables remained relatively stable at RMB17.9 million in 2023 and RMB18.0 million in 2024. Our accruals and other payables decreased by 13.1% from RMB18.0 million in 2024 to RMB15.7 million in 2025, primarily due to a decrease in salaries, wages and benefits in relation to the decreased performance of our sales team.

As of April 30, 2026, RMB15.0 million or 95.6% of our accruals and other payables as of December 31, 2025, had been settled.

Deferred Income

During the Track Record Period, our deferred income mainly represented the amortization of government subsidies that are received by us from local government in the PRC as an incentive for our purchase of certain property, plant and equipment and land-use rights. The government subsidies were included in the consolidated statement of financial position as deferred income, and credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected useful life of the relevant depreciable assets.

Our deferred income increased by 16.5% from RMB32.4 million as of December 31, 2023 to RMB37.7 million as of December 31, 2024, primarily attributable to the receipt of subsidies under certain government granting programs. Our deferred income remained relatively stable at RMB37.7 million as of December 31, 2024 and RMB39.5 million as of December 31, 2025.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Gross profit margin (%) ⁽¹⁾	35.7	37.9	31.6
Net profit margin (%) ⁽²⁾	15.6	15.9	9.6
Current ratio ⁽³⁾	4.3	3.7	2.7
Quick ratio ⁽⁴⁾	3.9	3.1	2.2
Adjusted net profit margin (non-IFRS measure) (%) ⁽⁵⁾	15.6	16.2	10.2

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.
- (2) Net profit margin equals net profit divided by revenue for the year and multiplied by 100%.
- (3) Current ratio equals total current assets divided by total current liabilities as of the relevant dates.
- (4) Quick ratio equals total current assets less inventories divided by total current liabilities as of the relevant dates.
- (5) Adjusted net profit margin (non-IFRS measure) equals adjusted profit for the year (as a non-IFRS measure) divided by revenue and multiplied by 100%. See “— Non-IFRS Measure.”

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations principally from cash generated from operating activities. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB626.3 million, RMB494.7 million and RMB308.5 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, equity and debt financing and net [REDACTED] received from the [REDACTED].

Cash Flow

The following table sets out our cash flow for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	174,860	187,199	82,878
Net cash generated from/(used in) investing activities	(182,252)	(319,943)	67,043
Net cash generated from/(used in) financing activities	(6,950)	1,162	(336,080)
Net decrease in cash and cash equivalents	(14,342)	(131,582)	(186,159)
Cash and cash equivalents at the end of each year	626,302	494,720	308,546

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily comprises our profit before income tax for the year adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In 2025, our net cash generated from operating activities was RMB82.9 million, which was primarily attributed to our profit before income tax of RMB127.8 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising (a) depreciation and amortization of RMB52.5 million; and (b) impairment losses on inventories of RMB6.0 million; partially offset by (c) net gains on financial instruments of RMB5.9 million; and (d) interest income of RMB1.1 million; and (ii) changes in working capital, which primarily comprised (a) a decrease in payables of RMB35.4 million; and (b) an increase in receivables of RMB25.5 million.

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In 2024, our net cash generated from operating activities was RMB187.2 million, which was primarily attributed to our profit before income tax of RMB210.2 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising (a) depreciation and amortization of RMB40.4 million; (b) impairment losses on inventories of RMB4.1 million; partially offset by (c) interest income of RMB6.5 million; and (d) net gains on financial instruments of RMB6.2 million, and (ii) changes in working capital, which primarily comprised (a) increase in inventories of RMB50.9 million; and (b) an increase in receivables of RMB11.4 million; partially offset by (c) and increase in payables of RMB57.3 million.

In 2023, our net cash generated from operating activities was RMB174.9 million, which was primarily attributed to our profit before income tax of RMB208.7 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising (a) depreciation and amortization of RMB28.5 million; partially offset by (b) interest income of RMB13.0 million; and (ii) changes in working capital, which primarily comprised (a) an increase in receivables of RMB19.3 million; and (b) a decrease in payables of RMB17.9 million; which was partially offset by (c) a decrease in inventories of RMB25.1 million.

Net Cash Used in or Generated from Investing Activities

In 2025, our net cash generated from investing activities was RMB67.0 million, which was primarily attributed to withdraw of wealth management products of RMB4,193.7 million, which was partially offset by placement of wealth management products of RMB4,068.7 million.

In 2024, our net cash used in investing activities was RMB319.9 million, which was primarily attributed to placement of wealth management products of RMB1,613.7, which was partially offset by withdraw of wealth management products of RMB1,461.7 million.

In 2023, our net cash used in investing activities was RMB182.3 million, which was primarily attributed to payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB206.0 million, which was partially offset by government grants received in relation to assets of RMB23.6 million.

Net Cash Generated from or Used in Financing Activities

In 2025, our net cash used in financing activities was RMB336.1 million, which was primarily attributed to repurchase of shares of RMB309.3 million, which was partially offset by proceeds from borrowings of RMB65.6 million.

In 2024, our net cash generated from financing activities was RMB1.2 million, which was primarily attributed to proceeds from borrowings of RMB10.0 million, which was partially offset by principal elements of lease payments of RMB1.5 million.

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In 2023, our net cash used in financing activities was RMB7.0 million, which was primarily attributed to (i) dividends paid to the non-controlling interests of RMB4.5 million; and (ii) principal elements of lease payments of RMB2.9 million, which was partially offset by capital contributions from the non-controlling interests of RMB0.6 million.

Net Current Assets

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets				
Inventories	82,075	128,824	117,810	135,283
Prepayments and other receivables	3,324	7,126	6,327	18,945
Trade receivables	23,656	18,372	41,553	64,027
Financial assets at fair value through profit or loss	–	152,611	27,000	135,397
Restricted cash	5,041	7,338	83,757	79,883
Cash and cash equivalents	626,302	494,720	308,546	103,876
Other current assets	15,352	33,313	31,936	36,294
Total current assets	755,750	842,304	616,929	573,705
Current liabilities				
Borrowings	–	23	63,865	41,255
Trade payables	83,857	122,085	103,467	104,959
Contract liabilities	46,372	66,715	32,231	15,735
Lease liabilities	1,573	–	–	–
Current income tax liabilities . .	21,040	14,489	11,012	5,042
Accruals and other payables . .	17,888	18,046	15,689	14,233
Other current liabilities	4,174	6,003	2,901	1,408
Total current liabilities	174,904	227,361	229,165	182,632
Net current assets	580,846	614,943	387,764	391,073

Our net current assets increased from RMB387.8 million as of December 31, 2025 to RMB391.1 million as of April 30, 2026, primarily due to (i) an increase in financial assets at fair value through profit or loss, (ii) an increase in trade receivables, and (iii) a decrease in borrowings, which partially offset the decrease in cash and cash equivalents.

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Our net current assets decreased from RMB614.9 million as of December 31, 2024 to RMB387.8 million as of December 31, 2025, primarily attributable to a decrease in cash and cash equivalents resulting from net cash used in financing activities, see “— Liquidity and Capital Resources — Cash Flow.”

Our net current assets increased from RMB580.8 million as of December 31, 2023 to RMB614.9 million as of December 31, 2024, primarily attributable to (i) an increase in inventories, see “— Discussion of Certain Key Balance Sheet Items — Inventories,” (ii) an increase in financial assets at fair value through profit or loss, see “— Discussion of Certain Key Balance Sheet Items — Financial Assets at Fair Value Through Profit or Loss,” and (iii) an increase in other current assets, see “— Discussion of Certain Key Balance Sheet Items — Other Current Assets.”

INDEBTEDNESS

As of December 31, 2023, 2024, and 2025, our indebtedness consisted of borrowings and lease liabilities. As of April 30, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB41.3 million.

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
				(Unaudited)
Current				
Borrowings	—	23	63,865	41,255
Lease liabilities	1,573	—	—	—
Non-current				
Borrowings	—	10,000	—	—
Total	<u>1,573</u>	<u>10,023</u>	<u>63,865</u>	<u>41,255</u>

Except as disclosed above, during the Track Record Period and up to April 30, 2026, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

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Borrowings

During the Track Record Period, our borrowings included (i) secured bank borrowings; and (ii) interest payables. As of December 31, 2023, 2024, 2025 and April 30, 2026, we had total borrowings of nil, RMB10.0 million, RMB63.9 million and RMB41.3 million, respectively.

The following table sets forth our borrowings in absolute amounts as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)
Secured bank borrowings	—	10,000	63,847	41,227
Interest payables	—	23	18	28
Total	—	10,023	63,865	41,255

Our total borrowings increased from nil as of December 31, 2023 to RMB10.0 million as of December 31, 2024, primarily representing secured bank loans primarily for production base expansion. Our total borrowings increased from RMB10.0 million as of December 31, 2024 to RMB63.9 million as of December 31, 2025, primarily due to the increase of banking acceptance notes. Our total borrowings decreased from RMB63.9 million as of December 31, 2025 to RMB41.3 million as of April 30, 2026, primarily due to our repayment of bank loans.

The following table sets forth the maturity profile of our borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)
Within one year	—	23	63,865	41,255
Between one and two years . .	—	10,000	—	—
Total	—	10,023	63,865	41,255

During the Track Record Period, the annual interest rates of long-term borrowings was 2.70%. During the Track Record Period, the annual interest rates of short-term borrowings ranged from 0.65% to 2.60%. As of December 31, 2024, the bank loans were secured by our pledged buildings and land-use rights. As of December 31, 2025, the secured bank loans mainly

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included (i) borrowings with a principal amount of approximately RMB5,600,000 pledged by our buildings and land-use rights and guaranteed by us; and (ii) borrowings with a principal amount of approximately RMB58,247,000, pledged by our Group’s certain notes receivables and guaranteed by security deposits. For details of the securities and guarantees for our borrowings, see Note 28 in Appendix I to this document. As of April 30, 2026, we had committed and unrestricted available banking facilities of RMB80.0 million.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants.

Lease Liabilities

During the Track Record Period, our total lease liabilities were primarily related to office premises. As of December 31, 2023, 2024, 2025 and April 30, 2026, our total lease liabilities were RMB1.6 million, nil, nil and nil, respectively.

Our total lease liabilities decreased from RMB1.6 million as of December 31, 2023 to nil as of December 31, 2024, primarily due to the termination of leases. Our total lease liabilities remained relatively stable at nil as of December 31, 2025 and nil as of April 30, 2026.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditure consisted of purchase of property, plant and equipment, intangible assets and other non-current assets. In 2023, 2024 and 2025, our capital expenditures amounted to RMB206.0 million, RMB179.1 million and RMB36.4 million, respectively. We funded these expenditures primarily with cash generated from our operations.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments were related to contracted but unprovided commitments for property, plant and equipment and investments in associates. See Note 38.2 in Appendix I to this document. In 2023, 2024 and 2025, our capital commitments amounted to RMB136.7 million, RMB64.5 million and RMB64.7 million, respectively.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 39 of Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

Our overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return, and minimizes the adverse impact of risk on our financial performance. Based on this risk management objective, the basic strategy of our risk management is to identify and analyze the various risks faced by us, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range. See Note 3 of Appendix I to this document for details.

DIVIDEND

No dividends have been paid by our Company in respect of the Track Record Period. On May 18, 2026, an annual dividend in respect of the year ended December 31, 2025, of RMB100.0 million (tax inclusive) was proposed by the Board of Directors. On May 25, 2026, the proposed dividend was approved by the shareholders at 2025 Annual General Meeting. We expect to pay the dividend in June, 2026. See Note 40 of Appendix I to this document for details.

Any future declarations and payments of dividends will be subject to the approval of the Shareholders in the Shareholder’s meeting and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

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WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us including our cash and cash equivalents on hand, the available banking facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2023, 2024 and 2025, we had distributable reserves of RMB646.8 million, RMB803.9 million and RMB722.9 million, respectively, which were available for distribution to our equity shareholders.

[REDACTED] EXPENSE

[REDACTED] expenses consist of professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] expenses to consist of approximately HK\$[REDACTED] in [REDACTED] fees and HK\$[REDACTED] in [REDACTED] fees. Among of the total [REDACTED] expenses, approximately HK\$[REDACTED] will be directly attributed to the [REDACTED], which will be deducted from equity upon the completion of the [REDACTED], and HK\$[REDACTED] had been charged to our consolidated statements of comprehensive income in 2025 and the remaining HK\$[REDACTED] will be expensed in our consolidated statements of comprehensive income in 2026. Our Directors do not expect such expenses to materially impact our results of operations in 2026.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.