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The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountants’ Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards (“IFRS”).

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make 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 this document, including “Risk Factors,” “Business” and “Forward-Looking Statements.”

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only. For the purpose of this section, unless the context otherwise requires or unless otherwise indicated, references to 2023, 2024 and 2025 refer to the financial years ended December 31 of such years.

OVERVIEW

We are a leading buffalo dairy company in China, strategically focusing on the buffalo dairy products segment. According to Frost & Sullivan, our core brand, Baifeilao (百菲酪), ranked No. 1 in China’s buffalo dairy products industry, in terms of retail sales value of buffalo liquid milk in China in 2025, with a market share of 30.1%.

During the Track Record Period, we achieved sustained revenue growth. Our revenue increased from RMB1,072.4 million in 2023 to RMB1,613.6 million in 2025, at a CAGR of 22.7% from 2023 to 2025. For the three months ended March 31, 2026, we recorded revenue of RMB492.5 million, representing an increase of 45.9% from RMB337.6 million for the corresponding period in 2025. Our revenue growth outpaced the overall growth of the buffalo dairy products market during the same periods. Our gross profit grew from RMB386.4 million in 2023 to RMB607.6 million in 2025, at a CAGR of 25.8% from 2023 to 2025.

BASIS OF PREPARATION

Our financial statements as of and for the year ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 (the “**Historical Financial Information**”) have been prepared in accordance with the requirements of the applicable IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. Further details of the material accounting policy information are set out in note II to the Accountants’ Report in Appendix I to this document. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by Listing Rules and by Companies Ordinance. The principal accounting policies have been consistently applied to all the years and periods presented, unless otherwise stated. The consolidated financial statements of our Group for the year ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 were audited by our Reporting Accountants. Our Historical Financial Information is presented in RMB, and all values are rounded to the nearest thousand except when otherwise indicated.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our operating results have been and will continue to be affected, directly and indirectly, by a number of factors. The following factors are not exhaustive, and our business and financial condition and operating results may also be affected by the risk factors set forth in the “Risk Factors” in this document.

Consumer Demand and Sales Volume Growth

Our results of operations are influenced by consumer demand for our products. China’s dairy products market has undergone a structural shift in recent years, driven by heightened health awareness, expanding dairy consumption occasions and rising demand for premium, functional and diversified dairy products, according to Frost & Sullivan. Consumers are increasingly prioritizing food safety and natural ingredients and have demonstrated a growing willingness to pay a premium for high-quality dairy products with natural ingredients, according to the same source. This trend has expanded the addressable market for premium dairy products and has generally supported both our revenue growth and gross profit margin performance.

Supported by this demand growth, the continued expansion of our distribution network and online direct sales channels and increasing consumer recognition of our Baifeilao brand, our total sales volume grew by 38.1% from approximately 76,283 tonnes in 2023 to approximately 105,365 tonnes in 2024 and further by 13.6% to approximately 119,670 tonnes in 2025. For the three months ended March 31, 2026, our total sales volume was approximately 35,675 tonnes, representing an increase of approximately 40.9% from approximately 25,324 tonnes for the three months ended March 31, 2025.

Consumer preferences may, however, shift due to a variety of factors, including the emergence of new health trends, changes in dietary habits and the diversification of consumption patterns. Any failure to anticipate or respond to such shifts in a timely manner could adversely affect our sales volume, product mix, average selling prices and, consequently, our financial performance. Our future sales volume will also depend on our ability to sustain and grow consumer demand for our products, maintain and expand our distribution coverage, successfully introduce new products and compete effectively against both buffalo dairy product producers and conventional dairy companies.

Our ongoing investment in product development and market research has enabled us to develop and introduce products that align with evolving consumer preferences. Our ability to continue to identify and respond to changes in consumer demand will remain one of the key determinants of our revenue and profitability.

Product Portfolio and Ongoing Product Diversification

Our product mix has a significant impact on our market reach, consumer penetration and revenue generation. We offer a diversified portfolio of products primarily spanning sterilized milk, formulated milk, pasteurized milk, milk-containing beverages and fermented dairy products, catering to different consumption scenarios and consumer segments. Throughout the Track Record Period, we continued to broaden our product portfolio to capture emerging market opportunities and serve consumers across all age groups with diverse needs. Our product portfolio is supported by a clear brand architecture. Our core brand, Baifeilao, maintains a comprehensive market presence with strong brand recognition among consumers. Our premium sub-brand, Chunfei, targets the premium market with its flagship 4.3g Carat Dream Cap Buffalo Milk, while our value-oriented brand, Baixiaofei, achieves broad coverage of the mass market. Building on this foundation, we have further expanded our offerings across product categories, including nutrient-enriched products such as our Buffalo High-Calcium Milk series, and distinctive fruit-flavoured products drawing on Guangxi’s subtropical fruit resources, including mango buffalo milk, lychee-rose buffalo milk and mango pomelo sago buffalo milk, catering to a wider range of consumer tastes and consumption occasions. The continued expansion of our product portfolio enabled us to broaden our consumer reach, enhance product accessibility across different sales channels

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and consumption occasions, and strengthen the market presence of our brands. In addition, a more diversified product offering allows us to better respond to evolving consumer preferences and demand trends, supporting customer acquisition and sales growth. Any failure to introduce products that meet changing consumer preferences or effectively address emerging market opportunities could limit our ability to expand our customer base, increase market penetration and grow our revenue.

Raw Material Procurement and Operating Efficiency

Our profitability and sustainable growth depend in part on our ability to effectively manage procurement costs and operating expenses. In 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, our cost of sales was RMB689.2 million, RMB877.5 million, RMB1,115.0 million, RMB230.7 million and RMB345.2 million, representing approximately 65.1%, 61.8%, 69.1%, 68.3% and 70.1% of our total revenue for the same periods, respectively. Direct materials, particularly raw milk, dairy ingredients and packaging materials, represented the largest component of our cost of sales during the Track Record Period. We source raw milk through a diversified model combining production at our self-operated dairy farms and procurement from third-party suppliers. As of March 31, 2026, we had established cooperation with 55 third-party raw milk suppliers, comprising external dairy farms and breeding cooperatives, providing a stable raw milk supply for our nationwide expansion at scale. Any significant increase in direct material prices, in particular raw milk prices, or supply disruptions could adversely affect our gross profit margin if not offset by pricing adjustments, product mix optimization or operational improvements.

In addition, our profitability is influenced by our operating expenses, primarily comprising selling and distribution expenses, administrative expenses and research and development expenses. Our selling and distribution expenses increased by 80.2% from RMB107.4 million in 2023 to RMB193.5 million in 2024 and further by 45.1% to RMB280.7 million in 2025, primarily driven by (i) the rapid growth of our online direct sales channels, which led to the increases in e-commerce channel fees, mainly resulting from our expanded self-operated flagship stores on e-commerce and social commerce platforms and our increased investment in platform marketing activities, including engagement of key opinion leaders (“KOL”) and livestreamers and placement of targeted advertisements; (ii) the expansion of our sales personnel headcount; and (iii) increased marketing expenditures in support of our business growth. Our administrative expenses increased by 54.5% from RMB45.7 million in 2023 to RMB70.6 million in 2024, and further increased by 25.4% to RMB88.6 million in 2025, primarily due to the growth of staff costs, depreciation and amortization, and professional service fees. As we continue to invest in future growth, our ability to improve operational efficiency, achieve economies of scale and maintain effective cost controls will remain important to our profitability.

Production Capacity Expansion and Utilization

Our ability to fulfill customer demand in a timely manner and manage cost efficiency depends on the scale, utilization and efficiency of our production operations.

Expansion of production capacity requires significant capital investment and may temporarily increase depreciation and other fixed costs before utilization reaches optimal levels. Higher capacity utilization generally improves production efficiency and supports profitability by reducing unit fixed costs. Our manufacturing overhead increased in 2024 primarily due to the continued ramp-up of commercial production at our Zhejiang dairy production facility and our acquisition of a 60% controlling interest in Saishang Baifei in Ningxia. These developments resulted in higher depreciation charges during the initial ramp-up period. As production volume increased and capacity utilization improved, manufacturing overhead as a percentage of cost of sales subsequently declined, reflecting enhanced operating leverage and more efficient absorption of fixed costs.

Any failure to align capacity expansion with market demand, or disruptions to our manufacturing operations arising from equipment failures, quality control issues or other factors, could affect our ability to fulfill customer orders and adversely impact our results of operations and reputation.

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Sales Channel Expansion and Distribution Reach

The structure and performance of our sales channels affect our market reach, revenue mix, channel-specific pricing dynamics and cost structure. We operate a diversified omni-channel sales network comprising online and offline distributors, retailers and DTC channels, enabling us to reach a broad consumer base across different regions and consumption scenarios. We believe our ability to continuously expand and effectively manage our sales channels leads to more sustainable demands from consumers, driving future growth in our revenue and market share gains.

During the Track Record Period, distributors remained our largest sales channel in terms of revenue contribution, while the revenue generated from retailers and DTC channels increased steadily, reflecting the continued expansion and diversification of our sales network. Revenue from our distribution channels amounted to RMB711.3 million, RMB800.9 million, RMB803.2 million, RMB188.8 million and RMB211.1 million in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively, representing 66.3%, 56.4%, 49.8%, 56% and 42.9% of our total revenue for the respective periods. Our distributor network continued to expand in terms of the number of distributors, as we focused on optimizing market coverage and enhancing channel efficiency across China. As of the Latest Practicable Date, we had over 1,100 online and offline distributors covering nearly 30 provinces, municipalities and autonomous regions across China.

Our retailer channel also experienced strong growth, supported by increasing cooperation with snack bulk stores, e-commerce platforms, supermarkets, convenience-store chains and premium membership stores, further strengthening our product accessibility. As a percentage of total revenue, our revenue from retailer channel accounted for approximately 14.2%, 22.8%, 27.0%, 23.3% and 28.6% in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively.

In addition, our DTC channels, particularly online direct sales, grew rapidly and accounted for an increasing proportion of our revenue, enhancing consumer engagement and providing valuable consumer insights. Generally, our online DTC channels involve higher logistics, platform and marketing costs than traditional distributor channels. Revenue from our DTC channels amounted to RMB208.5 million, RMB295.4 million, RMB374.7 million, RMB70.1 million and RMB140.6 million in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively, representing 19.5%, 20.8%, 23.2%, 20.7% and 28.5% of our total revenue for the respective periods.

The continued growth of our retailer and DTC channels has contributed to the diversification of our sales channels and broadened our consumer reach. Changes in consumer purchasing behavior, competitive dynamics, platform policies, logistics expenses, or the performance of any of our key sales channels may affect our ability to maintain revenue growth and profitability. If we are unable to effectively manage and optimize our sales channel structure or achieve expected returns from our sales channel investments, our business, financial condition, operations results and prospects could be adversely affected.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates. Our management continually evaluates such estimates, assumptions and judgements based on historical experience and other assumptions which our management believes to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. Our significant accounting policies, critical

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accounting judgments and key sources of estimation uncertainty, which are critical for understanding our financial condition and results of operations, are set out in the Accountants' Report in Appendix I to this document, including notes 3.2 and 4 therein. We also set forth below certain accounting policies, estimates and/or judgments used in the preparation of our consolidated financial statements.

Revenue from Contracts with Customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods or services (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as our Group performs;
- our performance creates or enhances an asset that the customer controls as our Group performs; or
- our performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents our right to consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for on a net basis.

Contracts with Multiple Performance Obligations (including Allocation of Transaction Price)

For contracts that contain more than one performance obligation, our Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct goods or services underlying each performance obligation is determined at contract inception. It represents the price at which our Group would sell a promised goods or services separately to a customer. If a standalone selling price is not directly observable, our Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which our Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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Principal Versus Agent

When another party is involved in providing goods or services to a customer, our Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services themselves (i.e. we are a principal) or to arrange for those goods or services to be provided by the other party (i.e. we are an agent).

Our Group is a principal if it controls the specified goods or services before those goods or services are transferred to a customer.

Our Group is an agent if its performance obligation is to arrange for the provision of the specified goods or services by another party. In this case, we do not control the specified goods or services provided by another party before those goods or services are transferred to the customer. When we act as an agent, we recognize revenue in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Biological Assets

Our biological assets comprise heifers, calves, milkable cows and buffalos, breeding bulls and young male cattle. Our biological assets are measured on initial recognition and at the end of each year or period during the Track Record Period at their fair values less costs to sell, with any resulting gain or loss recognized in the profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs, excluding finance costs and income taxes. The fair values of dairy cows are determined based on their present location and condition and are determined independently by professional valuers.

The feeding costs and other related costs including staff costs, utility costs and consumables incurred for raising of heifers and calves are capitalized, until such time as the heifers and calves begin to produce milk.

Agricultural Produce

Agricultural produce represents raw milk. Raw milk is recognized at the point of harvest at its fair value less costs to sell. A gain or loss arising from agricultural produce at the point of harvest measured at fair value less costs to sell is included in profit or loss for the period in which it arises.

Fair Value of Biological Assets

Biological assets are measured at fair value less costs to sell at the end of each reporting period. The determination of fair value requires management to apply significant judgement and estimation in selecting the appropriate valuation technique and in determining the key inputs and assumptions, including, where applicable, the age profile of the herd, expected productivity, milk yield, mortality rate, culling rate, expected market prices, estimated costs to sell and, where a discounted cash flow approach is used, the applicable discount rate.

Given the nature of the valuation, changes in the assumptions adopted may lead to material changes in the fair value of biological assets and the related fair value gains or losses recognized in profit or loss. The carrying amounts of biological assets and the related valuation disclosures are set out in note 20 to the Accountants' Report in Appendix I to this document.

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

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Revenue

During the Track Record Period, we primarily generated revenue from the production and sale of dairy products, primarily including sterilized milk, formulated milk, pasteurized milk, milk-containing beverages and fermented dairy products.

Revenue by Product Category

The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Sterilized milk	831,747	77.5	1,087,477	76.4	1,207,617	74.7	258,865	76.7	357,131	72.5
Formulated milk	221,449	20.7	302,298	21.3	333,332	20.7	66,060	19.6	101,441	20.6
Pasteurized milk	3,427	0.3	15,659	1.1	40,858	2.5	7,495	2.2	12,924	2.6
Milk-containing beverages	12,715	1.2	13,607	1.0	15,342	1.0	3,139	0.9	2,444	0.5
Fermented dairy products	1,779	0.2	1,005	0.1	5,655	0.4	1,029	0.3	1,339	0.3
Other products ⁽¹⁾	1,261	0.1	994	0.1	10,802	0.7	1,056	0.3	17,268	3.5
Total	1,072,378	100.0	1,421,040	100.0	1,613,606	100.0	337,644	100.0	492,547	100.0

Note:

- (1) Primarily included our Bird’s Nest Buffalo Milk and buffalo milk ice cream series.

Our total revenue increased by 32.5% from RMB1,072.4 million in 2023 to RMB1,421.0 million in 2024, and further increased by 13.6% to RMB1,613.6 million in 2025. Our total revenue increased by 45.9% from RMB337.6 million for the three months ended March 31, 2025 to RMB492.5 million for the three months ended March 31, 2026. The increases in our total revenue throughout the Track Record Period were primarily driven by growth in revenue from our two major product categories, comprising sterilized milk and formulated milk, which together accounted for approximately 98.3%, 97.8%, 95.5%, 96.3% and 93.1% of our total revenue in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively.

Revenue from our other products, principally comprising our Bird’s Nest Buffalo Milk and buffalo milk ice cream series, increased significantly from RMB1.1 million in the three months ended March 31, 2025 to RMB17.3 million in the three months ended March 31, 2026. The increases were primarily driven by the rapid scale-up in sales of our Bird’s Nest Buffalo Milk products since its launch in the second half of 2025, reflecting growing market demand in such products.

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Sales Volume and Average Selling Price

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

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP	Sales Volume	ASP
<i>(Sales volumes in tonnes, with ASP in RMB/tonne)</i>										
Sterilized milk	52,692	15,785	73,371	14,822	82,393	14,657	17,488	14,802	24,547	14,549
Formulated milk	21,442	10,328	29,073	10,398	31,752	10,498	6,731	9,814	9,652	10,510
Pasteurized milk	260	13,183	1,144	13,686	2,787	14,659	562	13,341	814	15,878
Milk-containing beverages . .	1,544	8,235	1,656	8,215	1,985	7,730	398	7,889	320	7,646
Fermented dairy products . .	132	13,523	77	13,048	465	12,160	86	11,928	112	11,908
Other products ⁽¹⁾	214	5,892	43	22,992	288	37,451	58	18,117	230	75,236
Total	76,283	14,058	105,365	13,487	119,670	13,484	25,324	13,333	35,675	13,807

Note:

(1) Primarily included our Bird’s Nest Buffalo Milk and buffalo milk ice cream series.

The overall average selling price of our products declined slightly from RMB14,058 per tonne in 2023 to RMB13,487 per tonne in 2024, primarily due to the decrease in the average selling price of our sterilized milk from approximately RMB15,785 per tonne in 2023 to RMB14,822 per tonne in 2024. The decrease in the average selling price of sterilized milk was primarily due to our adoption of more competitive pricing in response to intensified market competition in this category.

The average selling price of our other products significantly increased from RMB5,892 per tonne in 2023 to RMB22,992 per tonne in 2024, and further increased by 62.9% to RMB37,451 per tonne in 2025. The increase from 2023 to 2024 was primarily driven by the launch of our buffalo milk ice cream series, which generally carried relatively high selling prices than our other products. The further increase from 2024 to 2025 was primarily attributable to the introduction of our Bird’s Nest Buffalo Milk, targeting high-end dairy products segment and typically with relatively high selling prices.

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Revenue by Sales Channel

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							<i>(unaudited)</i>			
							<i>(RMB in thousands, except for percentages)</i>			
Distributors										
– Offline distributors	711,277	66.3	792,680	55.8	777,582	48.2	182,205	54.0	205,967	41.9
– Online distributors	–	–	8,177	0.6	25,605	1.6	6,644	2.0	5,114	1.0
Direct sales										
– Retailers	152,615	14.2	324,821	22.8	435,774	27.0	78,733	23.3	140,883	28.6
– DTC	208,486	19.5	295,362	20.8	374,645	23.2	70,062	20.7	140,583	28.5
Total	1,072,378	100.0	1,421,040	100.0	1,613,606	100.0	337,644	100.0	492,547	100.0

Cost of Sales

During the Track Record Period, our cost of sales consisted of (i) direct materials, primarily including (a) raw materials such as buffalo raw milk, cow raw milk and dairy ingredients; and (b) packaging materials; (ii) freight, mainly representing logistics and transportation costs incurred to deliver our products to distributors and other customers; (iii) manufacturing overhead, mainly comprising auxiliary material consumption, depreciation and amortization of production facilities equipment, and utility and energy costs; (iv) direct labor, mainly representing employee compensation for personnel involved in the production process; and (v) biological assets fair value adjustment in accordance with IFRS, which arose from the difference between the production costs incurred for raw milk produced by our self-operated dairy farm and the fair value less costs to sell of raw milk produced by our self-operated dairy farm at the point of harvest.

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
							<i>(unaudited)</i>			
							<i>(RMB in thousands, except for percentages)</i>			
Direct Materials	555,092	79.5	663,976	75.7	777,543	69.7	171,852	74.5	244,656	70.9
Freight	54,846	7.9	81,005	9.2	106,129	9.5	18,535	8.0	31,476	9.1
Manufacturing Overhead	42,313	6.1	68,996	7.9	76,445	6.9	18,621	8.1	23,525	6.8
Direct Labor	34,934	5.0	37,767	4.3	43,588	3.9	10,874	4.7	12,038	3.5
Cost of Sales before Biological Assets Fair Value Adjustment . . .	687,185	98.5	851,744	97.1	1,003,705	90.0	219,882	95.3	311,695	90.3
Biological Assets Fair Value Adjustment	10,981	1.5	25,787	2.9	111,272	10.0	10,819	4.7	33,493	9.7
Total	698,166	100.0	877,531	100.0	1,114,977	100.0	230,701	100.0	345,188	100.0

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Gains Arising on Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

During the Track Record Period, our agricultural produce consisted of raw milk produced by our self-operated dairy herd at our self-operated dairy farms, which was subsequently consumed internally in our production process to manufacture our dairy products. Under IFRS, agricultural produce is recognized at fair value less costs to sell at the point of harvest. The fair value is determined based on the prevailing local market prices of raw milk at the point of harvest. The resulting gain, being the difference between (i) the fair value less costs to sell at the point of harvest and (ii) the production costs incurred in raising and milking our dairy herd, is recognized in profit or loss for the period in which it arises. The gain so recognized is subsequently charged as a component of cost of sales when the raw milk is consumed in our production process as part of the cost of inventories produced.

We recorded gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest of RMB12.1 million, RMB24.1 million, RMB108.9 million, RMB19.0 million and RMB33.2 million in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, representing approximately 1.1%, 1.7%, 6.8%, 5.6% and 6.7% of our total revenue in the same periods, respectively. The significant increase in such gains in 2025 and the three months ended March 31, 2026 primarily reflected the substantial growth in our self-operated dairy herd during those periods, particularly the significant expansion of our Holstein cow herd, and the corresponding increase in the volume of raw milk produced internally and consumed in our production process. As the biological asset fair value adjustment charged as cost of sales and the gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest were largely offsetting in nature throughout the Track Record Period, such gains do not have a material net impact on our gross profit or gross profit margin. Going forward, as we plan to consume substantially all of the raw milk produced at our self-operated dairy farms during the period in which it is produced, we do not expect the net gains so recognized to have a substantial impact on our operating results.

Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, our gross profit was RMB386.4 million, RMB567.6 million, RMB607.6 million, RMB125.9 million and RMB180.5 million, while our gross profit margin was 36.0%, 39.9%, 37.7%, 37.3% and 36.7% for the same periods, respectively. Such changes in gross profit margin throughout the Track Record Period were primarily due to changes in our product mix and fluctuations in the gross profit margins of our major product categories.

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

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	GPM	Amount	GPM	Amount	GPM	Amount	GPM	Amount	GPM
<i>(unaudited)</i>										
<i>(RMB in thousands, with GPM in percentages)</i>										
Sterilized milk	335,360	40.3	477,393	43.9	494,816	41.0	111,434	43.0	140,356	39.3
Formulated milk	46,492	21.0	83,997	27.8	92,510	27.8	11,464	17.4	28,019	27.6
Pasteurized milk	602	17.6	4,608	29.4	12,800	31.3	2,430	32.4	3,257	25.2
Milk-containing beverages	3,203	25.2	1,832	13.5	2,809	18.3	623	19.9	295	12.0
Fermented dairy products	516	29.0	315	31.4	877	15.5	187	18.2	236	17.6
Other products ⁽¹⁾	187	14.9	(555)	(55.8)	3,748	34.7	(194)	(18.4)	8,386	48.6
Total	386,360	36.0	567,590	39.9	607,560	37.7	125,944	37.3	180,549	36.7

Note:

- (1) Primarily included our Bird’s Nest Buffalo Milk and buffalo milk ice cream series.

The increase in our overall gross profit margin from 36.0% in 2023 to 39.9% in 2024 was primarily due to the increase in the gross profit margin of our sterilized milk and formulated milk categories. The gross profit margin of our sterilized milk category increased from 40.3% in 2023 to 43.9% in 2024, mainly due to a decrease in our raw milk procurement prices amid the continued expansion of large-scale dairy farms and raw milk supply in China in previous years. The gross profit margin of our formulated milk category increased from 21.0% in 2023 to 27.8% in 2024, primarily due to lower unit production costs resulting from the expansion of production capacity at our Zhejiang dairy production facilities and a decline in our raw milk procurement prices in 2024. These increases were partially offset by a decrease in the gross profit margin of our other products from 14.9% in 2023 to gross loss margin of 55.8% in 2024, mainly reflecting the production ramp-up of our buffalo milk ice cream series, which incurred relatively high unit costs during its early stage of development.

The decrease in our overall gross profit margin from 39.9% in 2024 to 37.7% in 2025 was primarily due to a decrease in the gross profit margin of our sterilized milk category from 43.9% in 2024 to 41.0% in 2025, mainly due to (i) a decrease in average selling price from RMB14,822 per tonne to RMB14,657 per tonne amid increased market competition in this category; and (ii) an increase in raw material costs, primarily driven by our higher procurement costs of cow raw milk during the period. The decline was partially offset by a significant improvement in the gross profit margin of our other products from gross loss margin of 55.8% in 2024 to gross profit margin of 34.7% in 2025, primarily attributable to the increased contribution of our Bird’s Nest Buffalo Milk products, which were launched in the second half of 2025 and generally carried relatively high selling prices and gross profit margins.

The decrease in our overall gross profit margin from 37.3% for the three months ended March 31, 2025 to 36.7% for the three months ended March 31, 2026 was primarily due to the decrease in the gross profit margin of our sterilized milk category from 43.0% to 39.3% during the same periods, mainly attributable to (i) a decline in the average selling price amid intensified competition in this category; and (ii) an increase in raw material costs, primarily driven by our higher procurement costs of cow raw milk during the period. The decline was partially offset by the increase in the gross profit margin of our formulated milk and other products.

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Gains/(losses) Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Gains or losses arising from changes in fair value less costs to sell of biological assets represent the period-on-period changes in the fair value less costs to sell of our biological assets, which primarily comprised (i) dairy buffalo and Holstein cows held at our self-operated dairy farms for the purpose of dairy production; and (ii) breeding bulls and young male cattle. The fair value of our mature dairy cows and buffalo, is determined by our independent valuer using the income approach, specifically the multi-period excess earnings method (“MEEM”), a derivative of the discounted cash flow (“DCF”) method, while calves, heifers, breeding bulls and young male cattle are valued using the market approach by reference to prevailing local market prices.

Our fair value changes in respect of dairy herd comprised the following two categories during the Track Record Period: (i) unrealized gains or losses arising from period-on-period changes in the fair value of dairy buffalos and dairy cows held as of the end of the relevant reporting period. The key drivers of unrealized gains include: (a) the increased scale of our biological assets as our self-operated dairy herd grows; and (b) an increase in the prevailing market price of buffalo raw milk and cow raw milk; and (ii) improvements in our herd structure as calves and heifers grow and transition into productive milking animals.

We recorded net gains arising from changes in fair value less costs to sell of biological assets of RMB5.5 million, RMB13.2 million and RMB2.2 million in 2023 and 2024 and the three months ended March 31, 2026, respectively.

In 2025 and the three months ended March 31, 2025, we recorded losses arising from changes in fair value less costs to sell of biological assets of RMB4.8 million and RMB4.8 million, respectively.

Other Income

During the Track Record Period, our other income primarily consisted of (i) government grants; and (ii) interest income from bank balances and time deposits. We recorded other income of RMB5.3 million, RMB8.6 million, RMB18.5 million, RMB4.2 million and RMB1.6 million in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively. See note 7 to the Accountants’ Report in Appendix I to this document.

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Other Gains or Losses, Net

During the Track Record Period, our other gains or losses, net, primarily consisted of (i) losses on disposal of biological assets; (ii) impairment losses under expected credit loss model, net of reversal, on trade receivables and other receivables; (iii) fair value change on financial assets at fair value through profit or loss (“FVTPL”); (iv) losses on disposal of property, plant and equipment; (v) gain on lease remeasurement; and (vi) scraps expenses. We recorded net other losses of RMB3.3 million, RMB4.8 million, RMB13.1 million, RMB4.9 million and RMB4.3 million in 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively. See note 8 to the Accountants’ Report in Appendix I to this document.

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (i) e-commerce channel fees, mainly representing (a) platform service fees and other charges payable to e-commerce and social commerce platforms on which we operate our self-operated flagship stores and conduct sales and (b) expenditures on live-streaming and influencer collaborations; (ii) staff costs; (iii) consumables; (iv) freight, mainly representing internal transportation of our raw materials and products; and (v) advertising expenses, mainly representing expenditures on outdoor media placements, television screen placements on high-speed rail and celebrity partnership. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
E-commerce channel fees	37,363	34.8	84,923	43.9	122,155	43.5	22,694	43.5	48,088	46.4
Staff costs	34,558	32.2	46,875	24.2	63,707	22.7	14,261	27.3	20,709	20.0
Consumables	10,142	9.4	24,783	12.8	29,668	10.6	4,231	8.1	12,978	12.5
Freight	11,607	10.8	13,330	6.9	29,253	10.4	5,062	9.7	8,931	8.6
Advertising expenses	6,164	5.7	10,567	5.5	17,448	6.2	2,190	4.2	6,785	6.5
Others ⁽¹⁾	7,558	7.0	12,980	6.7	18,456	6.6	3,730	7.1	6,162	5.9
Total	107,391	100.0	193,458	100.0	280,687	100.0	52,168	100.0	103,653	100.0

Note:

- (1) Primarily included travel and office expenses.

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Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs; (ii) depreciation and amortization; (iii) taxes and surcharges; (iv) office expenses; (v) donation; (vi) professional service fees; and (vii) share-based compensation expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Staff costs	12,423	27.2	16,637	23.6	21,003	23.7	4,328	30.6	6,251	32.4
Depreciation and amortization . .	9,059	19.8	11,949	16.9	19,624	22.2	4,489	31.8	5,885	30.5
Taxes and surcharges	6,859	15.0	8,008	11.3	15,158	17.1	2,436	17.2	2,529	13.1
Office expenses	8,852	19.4	13,916	19.7	10,285	11.6	1,444	10.2	1,765	9.1
Donation	216	0.5	180	0.3	332	0.4	42	0.3	1,018	5.3
Professional service fees	2,240	4.9	12,402	17.6	17,254	19.5	21	0.1	92	0.5
Share-based compensation expenses	3,353	7.3	3,367	4.8	–	–	–	–	–	–
Others ⁽¹⁾	2,755	5.9	4,136	5.8	4,911	5.5	1,369	9.8	1,767	9.1
Total	45,720	100.0	70,595	100.0	88,567	100.0	14,129	100.0	19,307	100.0

Note:

(1) Primarily included business development and travelling expenses.

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) staff costs for our R&D personnel; (ii) direct materials, mainly representing expenses of raw and auxiliary materials incurred during the R&D process; (iii) depreciation and amortization; and (iv) cooperative R&D expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Staff costs	1,144	25.0	1,538	18.7	1,890	20.8	409	37.4	306	46.3
Direct materials	1,146	25.1	2,698	32.9	1,524	16.7	404	36.9	236	35.7
Depreciation and amortization . .	337	7.4	1,161	14.1	877	9.6	281	25.7	119	18.0
Cooperative R&D expenses	1,942	42.5	2,816	34.3	4,816	52.9	–	–	–	–
Total	4,569	100.0	8,213	100.0	9,107	100.0	1,094	100.0	661	100.0

Finance Costs

During the Track Record Period, our finance costs consisted of interest on (i) lease liabilities; and (ii) bank borrowings. In 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, we recorded finance costs of RMB0.2 million, RMB0.1 million, RMB0.5 million, RMB0.1 million and RMB0.2 million, respectively.

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Income Tax Expense/(Credit)

PRC

Our income tax expense primarily included the PRC enterprise income tax (“EIT”) during the Track Record Period. In 2023 and 2024 and the three months ended March 31, 2025 and 2026, we recorded income tax expenses of RMB3.0 million, RMB1.9 million, RMB0.7 million and RMB0.1 million, respectively, while in 2025 we recorded income tax credit of RMB3.0 million, primarily due to deferred tax recorded in that year. See notes 12 and 21 to the Accountants’ Report in Appendix I to this document.

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the applicable tax rate for our Company and subsidiaries in China is calculated at a statutory rate of 25% and/or a preferential rate of 15% or 20% as applicable, on the eligible taxable income amount for the year or period based on the existing legislations, interpretations and practices.

Eligible entities within our Group qualified as small and low-profit enterprises are entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB3.0 million from January 1, 2023 to December 31, 2027.

Our Company and certain subsidiaries located in the western regions are entitled to a preferential enterprise income tax rate of 15% from January 1, 2021 to December 31, 2030 pursuant to the relevant tax policies for further implementing the strategy of developing the western region in the PRC. Furthermore, under the policies promoting the development of the Guangxi Beibu Gulf Economic Zone, our Company is entitled to an exemption from the local retained portion of the EIT for the first five years and a 50% reduction for the sixth and seventh years, starting from the tax year in which the first principal operating revenue is generated. During the Track Record Period, our Company enjoyed the EIT exemption on the local retained portion for the year ended December 31, 2023 and a 50% reduction on the local retained portion for the year ended December 31, 2024 and 2025.

Certain subsidiaries are exempt from EIT for income derived from livestock breeding and the primary processing of agricultural products. In addition, pursuant to the relevant PRC tax regulations, income derived from the production and sale of pasteurized milk and sterilized milk is classified as income from the primary processing of agricultural products and is likewise exempt from EIT.

Hong Kong

No provision of Hong Kong Profits Tax was made in the Historical Financial Information as our Group had no assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

Profit and Total Comprehensive Income for the Year/Period

In 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, we recorded net profit of RMB233.0 million, RMB310.4 million, RMB234.8 million, RMB52.3 million and RMB57.2 million, respectively, with a net profit margin of 21.7%, 21.8%, 14.6%, 15.5% and 11.6%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2026 Compared to Three Months Ended March 31, 2025

Revenue

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Revenue by Product Category

Our revenue increased by 45.9% from RMB337.6 million in the three months ended March 31, 2025 to RMB492.5 million in the three months ended March 31, 2026, primarily driven by the increased revenue from our sterilized milk and formulated milk products. Sterilized milk and formulated milk were our principal revenue contributors in the three months ended March 31, 2025 and 2026, together accounting for approximately 96.3% and 93.1% of our total revenue for the respective periods, respectively.

Sterilized milk

Our revenue from sterilized milk increased by 38.0% from RMB258.9 million in the three months ended March 31, 2025 to RMB357.1 million in the three months ended March 31, 2026, primarily due to the increase in sales volume from approximately 17,488 tonnes to 24,547 tonnes, mainly driven by the continued expansion of our retail and offline distribution network.

Formulated milk

Our revenue from formulated milk increased by 53.6% from RMB66.1 million in the three months ended March 31, 2025 to RMB101.4 million in the three months ended March 31, 2026, primarily driven by both (i) sales volume growth from approximately 6,731 tonnes to 9,652 tonnes and (ii) an increase in average selling price from approximately RMB9,814 per tonne to RMB10,510 per tonne. The higher average selling price in the three months ended March 31, 2026 was primarily driven by the launch and expanded direct sales of new products, the Shanyu Series, with relatively high selling prices.

Pasteurized milk

Our revenue from pasteurized milk increased by 72.4% from RMB7.5 million in the three months ended March 31, 2025 to RMB12.9 million in the three months ended March 31, 2026, primarily due to the increases in (i) sales volume from approximately 562 tonnes to approximately 814 tonnes and (ii) the average selling price from approximately RMB13,341 per tonne to RMB15,878 per tonne. These increases were primarily driven by the growing market recognition of our Baifeilao Brand and the launch and expanded direct sales of new variants of pasteurized milk products through retail and DTC channels, which generally carried relatively high selling prices.

Milk-containing beverages

Our revenue from milk-containing beverages decreased by 22.1% from RMB3.1 million in the three months ended March 31, 2025 to RMB2.4 million in the three months ended March 31, 2026, primarily due to the decreases in (i) sales volume from approximately 398 tonnes to 320 tonnes and (ii) the average selling price from approximately RMB7,889 per tonne to RMB7,646 per tonne amid increased market competition in this product category, which led us to offer more competitive pricing to distributors.

Fermented dairy products

Our revenue from fermented dairy products remained relatively stable at RMB1.0 million and RMB1.3 million, respectively, in the three months ended March 31, 2025 and 2026.

Other products

Our revenue from other products increased significantly from RMB1.1 million in the three months ended March 31, 2025 to RMB17.3 million in the three months ended March 31, 2026, primarily due to increased sales of our Bird's Nest Buffalo Milk and our buffalo milk ice cream series driven by growing consumer acceptance.

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Revenue by Sales Channel

Our revenue increased by 45.9% from RMB337.6 million in the three months ended March 31, 2025 to RMB492.5 million in the three months ended March 31, 2026, primarily driven by the continued expansion of our direct sales channels, particularly DTC sales and sales to retailers. Our revenue from DTC sales increased significantly from RMB70.1 million to RMB140.6 million, primarily driven by (i) the expansion of our self-operated flagship stores across e-commerce and social commerce platforms; and (ii) our increased investment in platform marketing activities, including engagement of KOLs and livestreamers and placement of targeted advertisements. Our revenue from retailers increased by 78.9% from RMB78.7 million to RMB140.9 million during the same periods, primarily driven by our continued efforts to expand presence across retail channels, particularly snack bulk stores.

Cost of Sales

Our cost of sales increased by 49.6% from RMB230.7 million in the three months ended March 31, 2025 to RMB345.2 million in the three months ended March 31, 2026, primarily due to higher direct material costs resulting from increased sales volume and business growth, as well as the increase in biological asset fair value adjustment.

Gains Arising on Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

Our gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased by 74.7% from RMB19.0 million in the three months ended March 31, 2025 to RMB33.2 million in the three months ended March 31, 2026. The change primarily reflected the substantial growth in our self-owned dairy herd, particularly the significant expansion of our Holstein cow herd, and the corresponding increase in the volume of raw milk produced internally and consumed in our production process during the period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 43.4% from RMB125.9 million in the three months ended March 31, 2025 to RMB180.5 million in the three months ended March 31, 2026, and our gross profit margin was 37.3% and 36.7% over the same periods, respectively.

Sterilized Milk

The gross profit margin of sterilized milk decreased slightly from 43.0% in the three months ended March 31, 2025 to 39.3% in the three months ended March 31, 2026, mainly due to (i) a decrease in average selling price from RMB14,802 per tonne to RMB14,549 per tonne during the same periods, primarily due to our adoption of more competitive pricing in response to intensified market competition in this category; and (ii) an increase in raw material costs, primarily driven by our higher procurement costs of cow raw milk during the period.

Formulated Milk

The gross profit margin of formulated milk increased from 17.4% in the three months ended March 31, 2025 to 27.6% in the three months ended March 31, 2026, mainly because the average selling price increased from approximately RMB9,814 per tonne to RMB10,510 per tonne over the same periods, primarily driven by the launch and expanded direct sales of new products, the Shanyu Series, with relatively high selling prices.

Pasteurized Milk

The gross profit margin of pasteurized milk decreased from 32.4% in the three months ended March 31, 2025 to 25.2% in the three months ended March 31, 2026, primarily attributable to increased cost of buffalo raw milk.

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Milk-containing Beverages

The gross profit margin of milk-containing beverages decreased from 19.9% in the three months ended March 31, 2025 to 12.0% in the three months ended March 31, 2026, mainly due to the decrease in average selling price from approximately RMB7,889 per tonne to RMB7,646 per tonne over the same periods amid increased market competition in this product category, which led us to offer more competitive pricing to distributors.

Fermented Dairy Products

The gross profit margin of fermented dairy products decreased from 18.2% in the three months ended March 31, 2025 to 17.6% in the three months ended March 31, 2026, mainly due to a slight decrease in the average selling price amid increased market competition during the period in this product category, which led us to offer more competitive pricing to distributors.

Other Products

We recorded gross loss margin for other products of 18.4% in the three months ended March 31, 2025 and gross profit margin of 48.6% in the three months ended March 31, 2026. The improvement was primarily due to the increased sales volume of our Bird’s Nest Buffalo Milk products, which were newly launched in the second half of 2025 and carried relatively high selling prices and gross profit margins.

Gains(losses) Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

We recorded losses arising from changes in fair value less costs to sell of biological assets of RMB4.8 million in the three months ended March 31, 2025, primarily due to the change in herd structure of buffalos and Holstein cows. We recorded gains arising from changes in fair value less costs to sell of biological assets of RMB3.3 million in the three months ended March 31, 2026, primarily due to the increase in our herd size of Holstein cows.

Other Income

Our other income decreased by 61.4% from RMB4.2 million in the three months ended March 31, 2025 to RMB1.6 million in the three months ended March 31, 2026, primarily because we received a one-off government grant in the three months ended March 31, 2025 from central agricultural industry development funds.

Other Losses, Net

We recorded net other losses of RMB4.9 million and RMB4.3 million in the three months ended March 31, 2025 and 2026, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 98.7% from RMB52.2 million in the three months ended March 31, 2025 to RMB103.7 million in the three months ended March 31, 2026, primarily due to increases in (i) e-commerce channel fees, mainly driven by our expanded self-operated flagship stores across e-commerce and social commerce platforms and our increased investment in platform marketing activities, including engagement of KOLs and livestreamers and placement of targeted advertisements; (ii) low-value consumables consumption, primarily driven by greater use of turnover boxes to protect products during transportation; and (iii) staff costs, mainly due to the expansion of our sales team to support our growing sales scale.

Administrative Expenses

Our administrative expenses increased by 36.6% from RMB14.1 million in the three months ended March 31, 2025 to RMB19.3 million in the three months ended March 31, 2026, primarily due to (i) higher staff costs associated with business expansion and preparations for

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the commencement of operations at our Hunan dairy production facility; and (ii) increased depreciation and amortization following the commencement of operation of smart warehousing facilities in Guangxi.

Research and Development Expenses

We recorded research and development expenses of RMB1.1 million and RMB0.7 million in the three months ended March 31, 2025 and 2026, respectively.

Finance Costs

Our finance costs were RMB0.1 million and RMB0.2 million in the three months ended March 31, 2025 and 2026, respectively.

Income Tax Expenses

Our income tax expenses decreased by 83.4% from RMB0.7 million in the three months ended March 31, 2025 to RMB0.1 million in the three months ended March 31, 2026, primarily due to the recognition of deferred tax assets in respect of previously unrecognized tax losses.

Profit and Total Comprehensive Income for the Period

As a result of the above, our net profit increased by 9.3% from RMB52.3 million in the three months ended March 31, 2025 to RMB57.2 million in the three months ended March 31, 2026.

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

Revenue

Revenue by Product Category

Our revenue increased by 13.6% from RMB1,421.0 million in 2024 to RMB1,613.6 million in 2025, primarily due to the increased revenue from our sterilized milk and formulated milk products. Sterilized milk and formulated milk remained our principal revenue contributors, together accounting for approximately 97.7% and 95.4% of our total revenue in 2024 and 2025, respectively.

Sterilized milk

Our revenue from sterilized milk increased by 11.0% from RMB1,087.5 million in 2024 to RMB1,207.6 million in 2025, primarily due to an increase in sales volume from approximately 73,371 tonnes to approximately 82,393 tonnes, mainly driven by the continued expansion of our sales network and broader market penetration. It was partially offset by a slight decrease in the average selling price from approximately RMB14,822 per tonne to approximately RMB14,657 per tonne, primarily due to our adoption of more competitive pricing in response to intensified market competition in this category.

Formulated milk

Our revenue from formulated milk increased by 10.3% from RMB302.3 million in 2024 to RMB333.3 million in 2025, primarily due to the increases in (i) sales volume from approximately 29,073 tonnes to 31,752 tonnes and (ii) the average selling price from approximately RMB10,398 per tonne to RMB10,498 per tonne over the same periods, mainly driven by the continued expansion of our online sales and broader market penetration.

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Pasteurized milk

Our revenue from pasteurized milk increased significantly from RMB15.7 million in 2024 to RMB40.9 million in 2025, primarily due to the increases in (i) sales volume from approximately 1,144 tonnes to 2,787 tonnes and (ii) the average selling price from approximately RMB13,686 per tonne to RMB14,659 per tonne over the same periods, mainly driven by the growing market recognition of our Baifeilao Brand and the launch and expanded direct sales of new variants of pasteurized milk products through retail and DTC channels, which generally carried relatively high selling prices.

Milk-containing beverages

Our revenue from milk-containing beverages increased by 37.6% from RMB13.6 million in 2024 to RMB15.3 million in 2025, primarily due to an increase in sales volume from 1,656 tonnes to 1,985 tonnes during the same periods, mainly driven by the continued expansion of our sales network and broader market penetration.

Fermented dairy products

Our revenue from fermented dairy products increased significantly from RMB1.0 million in 2024 to RMB5.7 million in 2025, mainly driven by the continued expansion of our sales network and broader market penetration.

Other products

Our revenue from other products increased significantly from RMB1.0 million in 2024 to RMB10.8 million in 2025. The increase was primarily due to the increased sales of our Bird's Nest Buffalo Milk with relatively high selling prices, mainly driven by the growing consumer recognition of these products and our Baifeilao brand.

Revenue by Sales Channel

Our revenue increased by 13.6% from RMB1,421.0 million in 2024 to RMB1,613.6 million in 2025, primarily due to the continued growth of our direct sales channels, particularly sales to retailers and DTC channels. Our revenue from retailers increased by 34.2%, primarily due to our continued efforts to expand our presence across retail channels, particularly snack bulk stores. Our revenue from DTC sales increased by 26.8%, primarily due to (i) the expansion of our self-operated flagship stores across e-commerce and social commerce platforms; and (ii) our increased investment in platform marketing activities, including engagement of KOLs and livestreamers and placement of targeted advertisements.

Cost of Sales

Our cost of sales increased by 27.1% from RMB877.5 million in 2024 to RMB1,115.0 million in 2025, primarily due to higher direct material, freight and manufacturing overhead costs associated with our business expansion and increased sales volume, as well as an increase in the biological asset fair value adjustment.

Gains Arising on Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

Our gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased significantly from RMB24.1 million in 2024 to RMB108.9 million in 2025. The increase was primarily due to the substantial growth in our self-owned dairy herd, particularly the significant expansion of our Holstein cow herd, and the corresponding increase in the volume of raw milk produced internally and consumed in our production process.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 7.0% from RMB567.6 million in 2024 to RMB607.6 million in 2025, while our gross profit margin decreased from 39.9% to 37.7% over the same periods.

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Sterilized Milk

The gross profit margin of sterilized milk decreased from 43.9% in 2024 to 41.0% in 2025, mainly due to (i) a decrease in average selling price from RMB14,822 per tonne to RMB14,657 per tonne during the same periods amid increased market competition in this category; and (ii) an increase in raw material costs, primarily driven by our higher procurement costs of cow raw milk during the period.

Formulated Milk

The gross profit margin of formulated milk remained stable at 27.8% in 2024 and 2025.

Pasteurized Milk

The gross profit margin of pasteurized milk increased from 29.4% in 2024 to 31.3% in 2025, primarily due to a higher average selling price reflecting the growing market recognition of our Baifeilao Brand and the launch and expanded direct sales of new variants of pasteurized milk products through retail and DTC channels, which generally carried relatively high selling prices.

Milk-containing Beverages

The gross profit margin of milk-containing beverages increased from 13.5% in 2024 to 18.3% in 2025, mainly due to reduced unit production costs as a result of improved capacity utilization of our milk-containing beverage production lines in Guangxi.

Fermented Dairy Products

The gross profit margin of fermented dairy products decreased from 31.4% in 2024 to 15.5% in 2025, mainly due to increased cost of raw milk.

Other Products

We recorded a gross loss margin for other products of 55.8% in 2024 and a gross profit margin of 34.7% in 2025. The improvement was primarily attributable to the increased contribution of our Bird’s Nest Buffalo Milk products, which were launched in the second half of 2025 and generally carried relatively high selling prices and gross profit margins.

Gains/(losses) Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

We recorded losses arising from changes in fair value less costs to sell of biological assets of RMB2.2 million in 2025, primarily due to the increase in feed costs of buffalos and Holstein cows. We recorded gains arising from changes in fair value less costs to sell of biological assets of RMB13.2 million in 2024, primarily due to the increase in our herd size of Holstein cows and improvements in our herd structure as heifers and calves grow and transition into productive milkable cows and buffalos.

Other Income

Our other income increased significantly from RMB8.6 million in 2024 to RMB18.5 million in 2025, primarily due to (i) a significant increase in government grants from RMB3.7 million to RMB12.9 million, reflecting new grants received by Guangxi Baifei and Saishang Baifei in connection with our dairy farming expansion and production facility development during the year; and (ii) an increase in interest income from bank balances and time deposits from RMB3.8 million to RMB5.0 million.

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Other Losses, Net

We recorded net other losses of RMB4.3 million in 2024 and RMB13.1 million in 2025. The increase was mainly due to the increased loss on disposal of biological assets.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 45.1% from RMB193.5 million in 2024 to RMB280.7 million in 2025. The increase was primarily attributable to the increases in (i) e-commerce channel fees, mainly driven by our expanded self-operated flagship stores on e-commerce and social commerce platforms and our increased investment in platform marketing activities, including engagement of KOLs and livestreamers and placement of targeted advertisements; (ii) freight expenses, primarily reflecting the growth of our online direct sales channels, under which products are delivered directly to consumers and generally incur higher per-unit freight costs; and (iii) staff costs, mainly due to the expansion of our sales team in line with our growing sales scale.

Administrative Expenses

Our administrative expenses increased by 25.5% from RMB70.6 million in 2024 to RMB88.6 million in 2025, primarily due to the increases in depreciation and amortization, taxes and surcharges, professional service fees incurred for the preparation of our [REDACTED], as well as staff costs, mainly attributable to our business growth.

Research and Development Expenses

We recorded research and development expenses of RMB8.2 million and RMB9.1 million in 2024 and 2025, respectively.

Finance Costs

Our finance costs increased from RMB0.1 million in 2024 to RMB0.5 million in 2025, primarily due to increased interest on lease liabilities.

Income Tax (Expenses)/Credit

Our income tax position changed from an expense of RMB1.9 million in 2024 to a credit of RMB3.0 million in 2025. The change was primarily attributable to the recognition of deferred tax assets in respect of previously unrecognized tax losses.

Profit and Total Comprehensive Income for the Year

As a result of the above, our net profit decreased by 24.4% from RMB310.4 million in 2024 to RMB234.8 million in 2025.

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

Revenue

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Revenue by Product Category

Our revenue increased by 32.5% from RMB1,072.4 million in 2023 to RMB1,421.0 million in 2024, primarily due to the increased revenue from our sterilized milk and formulated milk products. Sterilized milk and formulated milk remained our principal revenue contributors in 2023 and 2024, together accounting for approximately 98.2% and 97.7% of our total revenue for the same periods, respectively.

Sterilized milk

Our revenue from sterilized milk increased by 30.7% from RMB831.7 million in 2023 to RMB1,087.5 million in 2024, primarily driven by an increase in sales volume from approximately 52,692 tonnes to 73,371 tonnes, mainly driven by the continued expansion of our retail sales network and broader market penetration. It was partially offset by the decrease in the average selling price from approximately RMB15,785 per tonne to RMB14,822 per tonne, primarily due to our adoption of more competitive pricing in response to intensified market competition in this category.

Formulated milk

Our revenue from formulated milk increased by 36.5% from RMB221.4 million in 2023 to RMB302.3 million in 2024, primarily due to the increase in sales volume from approximately 21,442 tonnes to 29,073 tonnes, mainly driven by our overall business expansion.

Pasteurized milk

Our revenue from pasteurized milk increased significantly from RMB3.4 million in 2023 to RMB15.7 million in 2024, primarily driven by (i) the rapid sales volume growth from approximately 260 tonnes to 1,144 tonnes and (ii) the increase in the average selling price from approximately RMB13,183 per tonne to RMB13,686 per tonne, mainly attributable to our upgraded manufacturing process and packaging design since mid-2023.

Milk-containing beverages

Our revenue from milk-containing beverages increased by 7.0% from RMB12.7 million in 2023 to RMB13.6 million in 2024, primarily due to the increase in sales volume from approximately 1,544 tonnes to 1,656 tonnes during the same periods, primarily attributable to the launch of new products, including our coffee-and-milk flavored beverage and buffalo milk yogurt shake.

Fermented dairy products

Our revenue from fermented dairy products was RMB1.8 million in 2023 and RMB1.0 million in 2024.

Other products

Our revenue from other products was RMB1.3 million in 2023 and RMB1.0 million in 2024.

Revenue by Sales Channels

Our revenue increased by 32.5% from RMB1,072.4 million in 2023 to RMB1,421.0 million in 2024, driven by strong growth across all channels. Our revenue from retailers more than doubled, primarily driven by our rapid expansion into snack bulk stores and other new retail channels. Our revenue from DTC sales increased by 41.7%, primarily driven by (i) the expansion of our self-operated flagship stores across e-commerce and social commerce platforms; and (ii) our increased investment in online marketing and brand-building activities. Our revenue from offline distributors increased by 11.4%, mainly reflecting steady growth in our traditional distribution network.

Cost of Sales

Our cost of sales increased by 25.7% from RMB698.2 million in 2023 to RMB877.5 million in 2024, primarily due to higher direct material and manufacturing overhead costs associated with our business expansion and increased sales volume.

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Gains Arising on Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

Our gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest increased significantly from RMB12.1 million in 2023 to RMB24.1 million in 2024, primarily reflecting the growth of our self-owned dairy herd and the corresponding increase in internally produced raw milk.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 46.9% from RMB386.4 million in 2023 to RMB567.6 million in 2024, and our gross profit margin improved from 36.0% to 39.9% over the same periods.

Sterilized Milk

The gross profit margin of sterilized milk improved from 40.3% in 2023 to 43.9% in 2024, primarily due to a decrease in our raw milk procurement prices amid the continued expansion of large-scale dairy farms and raw milk supply in China in previous years.

Formulated Milk

The gross profit margin of formulated milk increased from 21.0% in 2023 to 27.8% in 2024, primarily due to lower unit production costs resulting from the expansion of production capacity at our Zhejiang dairy production facilities and a decline in our raw milk procurement prices in 2024.

Pasteurized Milk

The gross profit margin of pasteurized milk increased from 17.6% in 2023 to 29.4% in 2024, primarily attributable to (i) the increase in the average selling price following our upgraded manufacturing process and packaging design since mid-2023; and (ii) a decline in our raw milk procurement prices in 2024.

Milk-containing Beverages

The gross profit margin of milk-containing beverages decreased from 25.2% in 2023 to 13.5% in 2024, primarily attributable to relatively high unit production costs resulting from an upgraded dairy production line which was in its early ramp-up stage.

Fermented Dairy Products

The gross profit margin of fermented dairy products increased from 29.0% in 2023 to 31.4% in 2024, mainly due to a decline in our raw milk procurement prices in 2024.

Other Products

We recorded a gross profit margin for other products of 14.9% in 2023 and a gross loss margin of 55.8% in 2024, primarily reflecting the production ramp-up of our buffalo milk ice cream series, which incurred relatively high unit costs during its early stage of development.

Gains(losses) Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

We recorded gains arising from changes in fair value less costs to sell of biological assets of RMB13.2 million in 2024, primarily due to the increase in our herd size of Holstein cows and improvements in our herd structure as heifers and calves grow and transition into productive milkable cows and buffalos. We recorded gains arising from changes in fair value less costs to sell of biological assets of RMB5.5 million in 2023, primarily due to the increase in our herd size of buffalos.

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Other Income

Our other income increased by 63.3% from RMB5.3 million in 2023 to RMB8.6 million in 2024, primarily due to an increase in government grants from RMB1.2 million to RMB3.7 million and an increase in interest income from bank balances and time deposits from RMB3.5 million to RMB3.8 million.

Other Losses, Net

We recorded net other losses of RMB3.3 million in 2023 and RMB4.8 million in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 80.1% from RMB107.4 million in 2023 to RMB193.5 million in 2024. The increase was primarily attributable to the increases in (i) e-commerce channel fees, mainly driven by our expanded self-operated flagship stores across e-commerce and social commerce platforms and significantly increased investment in platform marketing activities, including engagement of KOLs and livestreamers and placement of targeted advertisements to accelerate brand recognition; (ii) low-value consumables consumption, primarily driven by greater use of turnover boxes to protect products during transportation; and (iii) staff costs, in line with the expansion of our sales team to support our business growth.

Administrative Expenses

Our administrative expenses increased by 54.4% from RMB45.7 million in 2023 to RMB70.6 million in 2024, primarily due to (i) a significant increase in professional service fees incurred in preparation of our listing; and (ii) office and general expenses driven by business expansion; and (iii) increased staff costs, as a result of the increase in the number of our administrative personnel driven by business expansion.

Research and Development Expenses

Our research and development expenses increased by 79.8% from RMB4.6 million in 2023 to RMB8.2 million in 2024, primarily due to (i) an increase in direct material expenses driven by the expansion of our research and development pipeline; and (ii) an increase in cooperative R&D expenses, mainly attributable to our active engagement of external research institutions and universities, including the National Research Institute in Wenzhou and China Agricultural University, to enhance our product and technology development capabilities.

Finance Costs

Our finance costs were RMB0.2 million in 2023 and RMB0.1 million in 2024.

Income Tax Expenses

Our income tax expenses decreased by 36.6% from RMB3.0 million in 2023 to RMB1.9 million in 2024, primarily due to recognition of deferred tax assets in respect of previously unrecognized tax losses.

Profit and Total Comprehensive Income for the Year

As a result of the above, our net profit increased by 33.2% from RMB233.0 million in 2023 to RMB310.4 million in 2024.

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

Non-current Assets and Non-current Liabilities

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

	As of December 31,			As of
	2023	2024	2025	March 31,
	(RMB in thousands)			2026
NON-CURRENT ASSETS				
Property, plant and equipment . . .	521,217	635,978	724,216	722,721
Right-of-use assets	152,326	156,676	177,036	174,017
Intangible assets	233	75	19	5
Biological assets	19,106	76,578	98,896	110,077
Deferred tax assets	1,945	3,362	8,630	9,966
Time deposits	–	30,000	–	–
Prepayments, deposits and other receivables	10,209	12,010	2,829	7,843
Total non-current assets	705,036	914,679	1,011,626	1,024,629
NON-CURRENT LIABILITIES				
Lease liabilities	652	7,368	27,188	24,799
Deferred tax liabilities	–	307	177	144
Deferred income	4,097	3,775	6,507	6,620
Total non-current liabilities	4,749	11,450	33,872	31,563

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted of (i) buildings; (ii) machinery and equipment; (iii) construction in progress; (iv) motor vehicles; (v) office and electronic equipment; and (vi) leasehold improvement.

Our property, plant and equipment increased by 22.0% from RMB521.2 million as of December 31, 2023 to RMB636.0 million as of December 31, 2024, primarily due to (i) the construction of phase II dairy production facilities in Zhejiang; (ii) the additions of dairy farms following our acquisition of a controlling interest in Saishang Baifei in September 2024; and (iii) the additional one floor in our office building in Hangzhou, Zhejiang.

Our property, plant and equipment increased by 13.9% from RMB636.0 million as of December 31, 2024 to RMB724.2 million as of December 31, 2025, primarily due to (i) the construction of additional production lines at our Hunan dairy production facilities; (ii) the expansion of raw milk and low-temperature dairy product storage facilities; (iii) the construction and upgrades of smart warehouse management and logistics system at our Guangxi dairy production facilities; and (iv) the construction and upgrades of farming machinery and equipment at our Ningxia dairy cow farm.

The carrying value of our property, plant and equipment remained relatively stable at RMB722.7 million as of March 31, 2026.

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Right-of-use Assets

During the Track Record Period, our right-of-use assets consisted of (i) leasehold lands and (ii) leased properties.

Our right-of-use assets remained relatively stable at RMB152.3 million as of December 31, 2023 and RMB156.7 million as of December 31, 2024.

The increase in our right-of-use assets from RMB156.7 million as of December 31, 2024 to RMB177.0 million as of December 31, 2025 was primarily attributable to new leasehold land and property additions, mainly reflecting our expansion of dairy buffalo and dairy cow farm operations across Guangxi and Ningxia.

Our right-of-use assets remained relatively stable at RMB174.0 million as of March 31, 2026.

Biological Assets

During the Track Record Period, our biological assets consisted of milkable cows and buffalos, calves, heifers, breeding bulls and young male cattle, primarily held to produce raw milk for production of our dairy products. Heifers and calves held at the end of each year or period during the Track Record Period are cows and buffalos that have not had their first calves. The following table sets forth the number of our biological assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
	(Heads)			2026
Biological assets				
Milkable cows/buffalos ⁽¹⁾	701	3,309	3,623	3,833
Heifers and calves ⁽²⁾⁽³⁾	277	919	3,187	3,888
Breeding bulls and young male cattle	80	221	336	244
Total.	1,058	4,449	7,146	7,965

Notes:

- (1) A milkable cow or buffalo typically undergoes a lactation cycle of approximately 300 days for buffalos and 305 days for cows, followed by a 60-day dry period to allow for udder tissue regeneration and fetal development before the next calving, which is crucial for maintaining their health and subsequent milk yield.
- (2) In general, heifers are inseminated when they reach (i) approximately 18 to 24 months of age for buffalo heifers and (ii) approximately 13 to 15 months of age for cow heifers, provided they have reached the target body weight. After a gestation period of (i) approximately 10.5 months (around 310 days) for buffalo heifers or (ii) approximately nine months (around 280 days) for cow heifers, a calf is born. Following calving, the heifer transitions into a milkable cow or buffalo and commences raw milk production.
- (3) When a heifer successfully calves and commences raw milk production, it is biologically and financially reclassified. The asset is transferred from the category of “heifers and calves” to “milkable cows/buffalos.” This transfer is recorded based on the estimated fair value less costs to sell as of the date of transfer.

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

	As of December 31,			As of
	2023	2024	2025	March 31, 2026
	<i>(RMB in thousands)</i>			
Biological assets				
Milkable cows/buffalos	16,458	72,329	66,671	70,061
Heifers and calves	2,065	3,597	31,714	39,439
Breeding bulls and young male cattle	709	1,060	2,181	1,236
Total	19,232	76,986	100,566	110,736
Less: current portion classified under current assets	(126)	(408)	(1,670)	(659)
Non-current portion classified under non-current assets	19,106	76,578	98,896	110,077

The value of biological asset at the end of each year or period during Track Record Period was as follows:

	Milkable cows/buffalos	Heifers and calves	Breeding bulls and young male cattle	Total
	<i>(RMB in thousands)</i>			
As of January 1, 2023	–	–	–	–
Increases due to purchase	10,072	1,864	538	12,474
Increase due to raising (feeding costs and others).	–	1,247	229	1,476
Transfer	417	(417)	–	–
Decrease due to sales	–	–	(5)	(5)
Decrease due to death.	(195)	(11)	(25)	(231)
Change in fair value less costs to sell of biological assets	6,164	(618)	(28)	5,518
As of December 31, 2023 and January 1, 2024	16,458	2,065	709	19,232
Increases due to purchase	1,143	105	152	1,400
Increase due to acquisition of assets	–	42,747	–	42,747
Increase due to raising (feeding costs and others).	–	2,334	688	3,022
Transfer	54,742	(54,742)	–	–
Decrease due to sales	(286)	(4)	(314)	(604)
Decrease due to death.	(1,425)	(423)	(183)	(2,031)
Change in fair value less costs to sell of biological assets	1,697	11,515	8	13,220

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	Milkable cows/buffalos	Heifers and calves	Breeding bulls and young male cattle	Total
	<i>(RMB in thousands)</i>			
As of December 31, 2024 and				
January 1, 2025	72,329	3,597	1,060	76,986
Increases due to purchase	3,172	11,296	145	14,613
Increase due to raising (feeding costs and others).	–	18,659	6,036	24,695
Transfer	4,407	(4,407)	–	–
Decrease due to sales	(2,521)	(798)	(5,172)	(8,491)
Decrease due to death.	(2,112)	(2,464)	(419)	(4,995)
Others	–	(42)	–	(42)
Change in fair value less costs to sell of biological assets	(8,604)	5,873	531	(2,200)
As of December 31, 2025 and				
January 1, 2026	66,671	31,714	2,181	100,566
Increases due to purchase	–	5,551	105	5,656
Increase due to raising (feeding costs and others).	–	8,795	1,888	10,682
Transfer	4,686	(4,686)	–	–
Decrease due to sales	(3,952)	(953)	(2,067)	(6,972)
Decrease due to death.	(629)	(1,717)	(153)	(2,499)
Change in fair value less costs to sell of biological assets	3,285	736	(718)	3,302
As of March 31, 2026	70,061	39,439	1,236	110,736

We have engaged Asia-Pacific Consulting and Appraisal Limited (“APA” or the “Valuer”), an independent firm of qualified professional valuers not connected with us and experienced in the valuation of biological assets, to assist us in determining the fair values of our cows and buffalos. Our management and the Valuer held meetings periodically to discuss the valuation methodologies and relevant market information to ensure that the valuations were conducted appropriately. In applying the valuation methods, the Valuer relied on a number of assumptions, including, among others, the classification, headcount, weight and market price of the biological assets, as well as the assumption that there would be no material changes in the prevailing political, legal, technological, fiscal or economic conditions. As of December 31, 2023, 2024 and 2025 and March 31, 2026, the fair value of our biological assets represented approximately 2.0%, 5.9%, 6.4% and 6.8% of our total net assets, and approximately 1.8%, 4.9%, 5.2% and 5.9% of our total assets, respectively. See “— Valuation of Biological Assets” in this section and notes 20 and 38(d) to the Accountants’ Report set out in Appendix I to this document for further details of the valuation techniques adopted in determining the fair values of our biological assets, the key inputs used in the valuation models, as well as a summary of significant unobservable inputs to the valuation of biological assets as of the end of each of the year or period during the Track Record Period.

Our biological assets increased significantly from RMB19.2 million as of December 31, 2023 to RMB77.0 million as of December 31, 2024, primarily due to (i) the introduction of our Holstein cow herd following our acquisition of a controlling interest in Saishang Baifei in September 2024, which added 2,500 Holstein cows with an aggregate fair value of RMB42.7 million; and (ii) the continued growth of our buffalo herd and an increase in the prevailing local market price of buffalo raw milk.

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Our biological assets increased by approximately 30.6% from RMB77.0 million as of December 31, 2024 to RMB100.6 million as of December 31, 2025, primarily due to the significant expansion of our Holstein cow herd from 3,161 heads to 5,487 heads, driven by new cattle procurement and natural herd growth, together with the continued growth of our buffalo herd from 1,288 heads to 1,659 heads and a further increase in the prevailing local market price of buffalo raw milk.

Our biological assets increased by approximately 10.1% from RMB100.6 million as of December 31, 2025 to RMB110.7 million as of March 31, 2026, primarily due to the continued expansion of our Holstein cow herd from 5,487 heads to 6,418 heads, partially offset by a slight decrease in the fair value of our buffalo biological assets reflecting a reduction in buffalo herd size from 1,659 heads to 1,547 heads in the three months ended March 31, 2026.

Current Assets and Current Liabilities

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

	As of December 31,			As of	As of
	2023	2024	2025	March 31, 2026	May 31, 2026
	<i>(RMB in thousands)</i>				
CURRENT ASSETS					
Inventories	64,821	110,817	169,899	148,440	162,059
Biological assets	126	408	1,670	659	1,437
Trade receivables	16,519	20,483	43,290	71,485	62,271
Prepayments, deposits and other receivables	30,745	51,946	110,564	104,259	115,295
Tax recoverable	192	86	–	320	1,100
Financial assets at FVTPL	–	82,000	171,483	231,640	232,420
Time deposits	40,000	88,000	132,394	160,652	150,211
Restricted bank deposits	–	511	–	–	50,000
Cash and cash equivalents	222,723	286,474	291,006	126,322	175,494
Total current assets	375,126	640,725	920,306	843,777	950,287
CURRENT LIABILITIES					
Trade payables	75,617	119,345	131,869	113,384	136,933
Other payables and accruals	19,954	33,292	44,858	31,313	33,734
Contract liabilities	26,808	83,920	145,058	58,074	55,525
Tax payables	564	103	2,065	1,554	16
Lease liabilities	115	440	902	2,133	2,209
Deferred income	502	502	502	502	502
Total current liabilities	123,560	237,602	325,254	206,960	228,918
Net current assets	251,566	403,123	595,052	636,817	721,368

Our net current assets increased by 60.2% from RMB251.6 million as of December 31, 2023 to RMB403.1 million as of December 31, 2024. This increase was primarily due to (i) an increase of RMB82.0 million in financial assets at FVTPL; (ii) an increase of RMB63.8 million in cash and cash equivalents; (iii) an increase of RMB48.0 million in time deposits; and (iv) an increase of RMB46.0 million in inventories. These increases were partially offset by an increase of RMB57.1 million in contract liabilities and an increase of RMB43.7 million in trade payables.

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Our net current assets increased by 47.6% from RMB403.1 million as of December 31, 2024 to RMB595.1 million as of December 31, 2025. This increase was primarily due to (i) an increase of RMB89.5 million in financial assets at FVTPL; (ii) an increase of RMB59.1 million in inventories; (iii) an increase of RMB58.6 million in prepayments, deposits and other receivables; and (iv) an increase of RMB44.4 million in time deposits. These increases were partially offset by an increase of RMB61.1 million in contract liabilities.

Our net current assets increased by 7.0% from RMB595.1 million as of December 31, 2025 to RMB721.4 million as of March 31, 2026. This increase was primarily due to (i) a decrease of RMB87.0 million in contract liabilities; (ii) an increase of RMB60.2 million in financial assets at FVTPL; (iii) an increase of RMB28.3 million in time deposits; and (iv) an increase of RMB28.2 million in trade receivables. These increases were partially offset by a decrease of RMB164.7 million in cash and cash equivalents.

Our net current assets increased by 13.9% from RMB633.4 million as of March 31, 2025, to RMB721.4 million as of May 31, 2026. This increase was primarily due to (i) an increase of RMB50.0 million in time deposits; and (ii) an increase of RMB13.6 million in inventories. These increases were partially offset by an increase of RMB23.5 million in trade payables.

See “— Discussion of Certain Selected Items from the Consolidated Statements of Financial Position.”

Inventories

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
				2026
	<i>(RMB in thousands)</i>			
Raw materials	35,287	52,307	111,621	89,751
Finished goods	19,812	39,600	37,383	41,743
Goods in transit	6,780	17,486	19,417	14,616
Low value consumables	2,942	1,424	1,478	2,330
Total	64,821	110,817	169,899	148,440

Our inventories increased by 71.0% from RMB64.8 million as of December 31, 2023 to RMB110.8 million as of December 31, 2024, primarily driven by (i) an increase in raw materials to support our business expansion; (ii) an increase in finished goods, primarily attributable to year-end pre-festive season stocking in connection with the Chinese New Year holiday; and (iii) an increase in goods in transit, mainly driven by the growth in our online retail and DTC sales, for which revenue is recognized upon confirmation of receipt by customers.

Our inventories further increased by 53.3% from RMB110.8 million as of December 31, 2024 to RMB169.9 million as of December 31, 2025, primarily driven by a significant increase in raw materials to support business expansion.

Our inventories decreased by 12.6% from RMB169.9 million as of December 31, 2025 to RMB148.4 million as of March 31, 2026, primarily due to the consumption of raw material inventories accumulated for the year-end festive season.

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The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31, 2026
	<i>(RMB in thousands)</i>			
Within 30 days	38,169	68,307	85,585	70,259
31 to 60 days	11,697	12,900	26,502	17,032
61 to 90 days	4,672	7,477	11,312	15,592
91 to 120 days	1,214	5,979	28,854	5,712
Over 120 days	9,070	16,154	17,646	39,845
Total	64,821	110,817	169,899	148,440

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

	Year ended December 31,			Three months ended March 31,
	2023	2024	2025	March 31, 2026
Inventory turnover days ⁽¹⁾ (<i>days</i>) .	46.8	36.5	46.0	41.5

Note:

- (1) Average turnover days of inventories is equal to the average of the beginning and ending net inventory balances divided by cost of sales for a certain period and multiplied by the number of days in the period (i.e., 365 days for a year and 90 days for the three-month periods ended March 31, 2026).

Our inventory turnover days remained generally stable at 46.8 days in 2023, 36.5 days in 2025 and 41.5 days in the three months ended March 31, 2026. The decrease from 47.6 days in 2023 to 37.6 days in 2024 was primarily attributable to a shorter holding period for raw materials and finished goods by the end of 2024, as the relatively early timing of the Chinese New Year holiday in 2025 led certain customers to advance purchases and take delivery of products before year-end.

As of May 31, 2026, RMB103.3 million, or 69.6%, of our inventories as of March 31, 2026 had been subsequently sold or utilized.

Trade Receivables

The following table sets forth the details of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31, 2026
	<i>(RMB in thousands)</i>			
Trade receivables	17,439	21,561	45,571	75,296
Less: Allowance for expected credit losses	(920)	(1,078)	(2,281)	(3,811)
Total	16,519	20,483	43,290	71,485

Our trade receivables increased by 24.0% from RMB16.5 million as of December 31, 2023 to RMB20.5 million as of December 31, 2024, and further increased significantly to

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RMB43.3 million as of December 31, 2025, and then increased by 65.1% to RMB71.5 million as of March 31, 2026. The increases were primarily due to the increase in the number of retailers and expanded retail revenue, which generally enjoy longer credit periods than our other customers.

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2023	2024	2025	2026
Trade receivables turnover days ⁽¹⁾ (days)	3.0	4.8	7.2	10.5

Note:

- (1) Trade receivables turnover days are calculated as the average of the beginning and ending balance of trade receivables for a certain period divided by the revenue for the same year or period and multiplied by the number of days in the period, i.e., 365 days for a year and 90 days for the three months ended March 31, 2026.

The credit period that we granted to customers is generally up to 90 days during the Track Record Period. Our trade receivables turnover days increased from 3.0 days in 2023 to 4.8 days in 2024, and then increased to 7.2 days in 2025, which then increased to 10.5 days for the three months ended March 31, 2026, primarily due to the increase in the number of retailers and expanded retail revenue.

The following table sets forth an aging analysis of our trade receivables, based on the revenue recognition date and after the recognition of loss allowance, as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 1 month	10,824	13,466	18,477	29,323
31 to 60 days	2,028	4,242	12,625	9,425
61 to 90 days	4,450	1,445	4,620	6,858
91 to 120 days	86	1,523	4,270	8,379 ⁽¹⁾
Over 120 days	51	885	5,579	21,311
Total	17,439	21,561	45,571	75,296

Note:

- (1) The increase in trade receivables aged over 120 days as of March 31, 2026 was primarily attributable to amounts due from certain customers under “goods first, then payment” arrangements. We extended such arrangements to a selected group of customers for their purchases of our dairy products. We selected eligible customers on a case-by-case basis, taking into account factors such as their historical performance, business operations, scale, creditworthiness and credibility. Under these arrangements, each approved customer may place purchase orders up to its approved transaction limit and settle the corresponding payment on a deferred settlement basis. Once a customer reaches its approved limit, it must settle the outstanding balance before placing further orders. We were not aware of any material dispute, default or other credit impairment event in respect of these balances as of the Latest Practicable Date.

As of May 31, 2026, RMB38.8 million, or 51.5%, of our trade receivables as of March 31, 2026 had been subsequently collected.

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Financial Assets at FVTPL

Our financial assets at FVTPL primarily consisted of structured deposits issued by reputable commercial banks in Chinese Mainland. We invested in such products as part of our treasury management activities to enhance returns on surplus cash after satisfying our working capital and capital expenditure requirements. Structured deposits are classified as financial assets at FVTPL because their returns are linked to underlying benchmarks and therefore do not satisfy the solely payments of principal and interest criterion under IFRS 9.

We had no financial assets at FVTPL as of December 31, 2023. Our financial assets at FVTPL increased significantly from RMB82.0 million as of December 31, 2024 to RMB171.5 million as of December 31, 2025 and further by 35.1% to RMB231.6 million as of March 31, 2026, primarily due to the increase in surplus cash available for treasury investments.

Prepayments, Other Receivables and Other Assets

During the Track Record Period, our prepayments, other receivables and other assets primarily consisted of (i) value added tax recoverable; (ii) prepayments to suppliers and service providers; (iii) prepayments for purchase of property, plant and equipment; and (iv) deposits for land auction. See note 23 to Accountants’ Report in Appendix I to this document.

Our prepayments, other receivables and other assets increased by 56.1% from RMB41.0 million as of December 31, 2023 to RMB64.0 million as of December 31, 2024, primarily due to (i) an increase in value-added tax recoverable from RMB15.3 million to RMB29.2 million, primarily due to additional input VAT deductible; and (ii) an increase in prepayments to suppliers and service providers from RMB12.6 million to RMB19.7 million, primarily attributable to our year-end pre-festive season procurement arrangements ahead of the Chinese New Year holiday.

Our prepayments, other receivables and other assets increased by 77.2% from RMB64.0 million as of December 31, 2024 to RMB113.4 million as of December 31, 2025, primarily due to (i) a significant increase in value-added tax recoverable from RMB29.2 million to RMB66.9 million, primarily due to additional input VAT deductible; and (ii) an increase in prepayments to suppliers and service providers from RMB19.7 million to RMB34.3 million mainly in connection with our pre-festive season stocking arrangements.

Our prepayments, other receivables and other assets remained relatively stable at RMB112.1 million as of March 31, 2026.

As of May 31, 2026, RMB37.3 million, or 33.3%, of our prepayments, deposits and other receivables as of March 31, 2026 had been subsequently settled.

Trade Payables

Our trade payables mainly represented the payables for raw materials and packing materials, as well as machinery and equipment. Our trade payables increased by 57.8% from RMB75.6 million as of December 31, 2023 to RMB119.3 million as of December 31, 2024, and further increased by 10.5% to RMB131.9 million as of December 31, 2025, primarily due to higher machinery and equipment payables arising from our capacity expansion and construction of dairy breeding facilities, as well as increased materials payables in line with higher raw material procurement volumes to support business growth.

Our trade payables decreased by 14.0% from RMB131.9 million as of December 31, 2025 to RMB113.4 million as of March 31, 2026, primarily due to the settlement of year-end raw material procurement payables associated with pre-festive season stocking arrangements and outstanding machinery and equipment payables.

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The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31, 2026
	2023	2024	2025	
Trade payables turnover day ⁽¹⁾ (days)	29.9	40.6	41.1	32.0

Note:

- (1) Trade and bills payables turnover days are calculated as the average of the beginning and ending balance of trade payables for a certain period divided by the cost of sales for the same year or period and multiplied by the number of days in the period, i.e., 365 days for a year and 90 days for the three months ended March 31, 2026.

Our trade payables turnover days increased from 29.9 days in 2023 to 40.6 days in 2024 and further to 41.1 days in 2025, primarily driven by the increase in machinery and equipment payables, which carried longer settlement periods than raw materials payables which are generally settled on a monthly basis. Our trade payables turnover days was 32 days for the three months ended March 31, 2026.

The following table sets forth an aging analysis of our trade payables, based on the transaction date, as of the dates indicated:

	As of December 31,			As of March 31, 2026
	2023	2024	2025	
	(RMB in thousands)			
Within one year	74,517	118,152	114,980	102,586
More than one year	1,100	1,193	16,889	10,798
Total	75,617	119,345	131,869	113,384

As of May 31, 2026, RMB80.7 million, or 71.2%, of our trade payables as of March 31, 2026 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals consisted of (i) accrued payroll and welfare; (ii) deposits received from customers; (iii) other taxes payables; and (iv) others during the Track Record Period.

Our other payables and accruals increased by 66.8% from RMB20.0 million as of December 31, 2023 to RMB33.3 million as of December 31, 2024, primarily due to (i) an increase in other taxes payables from RMB4.7 million to RMB8.7 million; (ii) an increase in accrued payroll and welfare from RMB7.6 million to RMB10.8 million; and (iii) deposits received from customers from RMB5.9 million to RMB8.8 million.

Our other payables and accruals further increased by 34.8% from RMB33.3 million as of December 31, 2024 to RMB44.9 million as of December 31, 2025, primarily due to (i) a significant increase in other taxes payables from RMB8.7 million to RMB16.2 million; and (ii) an increase in accrued payroll and welfare from RMB10.8 million to RMB15.0 million.

Our other payables and accruals decreased by 30.2% from RMB44.9 million as of December 31, 2025 to RMB31.3 million as of March 31, 2026, primarily due to a significant decrease in other taxes payables from RMB16.2 million to RMB5.8 million.

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Contract Liabilities

Our contract liabilities consisted of (i) advances from customers for dairy products; and (ii) accrued sales rebates during the Track Record Period.

Our contract liabilities increased significantly from RMB26.8 million as of December 31, 2023 to RMB83.9 million as of December 31, 2024, and further increased by 72.9% to RMB145.1 million as of December 31, 2025, primarily due to the growth of advance payments received from distributors under our delivery upon payment model as our sales scaled and distributor network expanded.

Our contract liabilities decreased by 59.9% from RMB145.1 million as of December 31, 2025 to RMB58.1 million as of March 31, 2026, primarily due to the decrease in advances from customers for dairy products following the recognition of year-end customer advances as revenue upon delivery of dairy products during the first quarter of 2026. This decrease was partially offset by an increase in accrued sales rebates which was mainly attributable to the growth in our sales during the three months ended March 31, 2026.

As of May 31, 2026, RMB26.5 million, or 47.8% of our contract liabilities arising from advance payment received from our customers as of March 31, 2026 had been subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Net cash from/(used in) operating activities	374,263	342,931	241,079	(8,641)	(48,858)
Net cash used in investing activities	(247,003)	(310,598)	(267,807)	(67,575)	(115,545)
Net cash from/(used in) financing activities	(30,211)	31,418	31,260	4,562	(281)
Net (decrease)/increase in cash and cash equivalents . .	97,049	63,751	4,532	(71,654)	(164,684)
Cash and cash equivalents at beginning of the year/period	125,674	222,723	286,474	286,474	291,006
Cash and cash equivalents at end of the year/period	222,723	286,474	291,006	214,820	126,322

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Net Cash from/(used in) Operating Activities

For the three months ended March 31, 2026, we had net cash used in operating activities of RMB48.9 million. This net cash outflow was primarily due to (i) our profit before tax of RMB57.3 million, as adjusted for certain non-cash items, principally including depreciation of property, plant and equipment of RMB14.5 million; and (ii) changes in working capital that negatively affected operating cash flows, primarily including (a) a decrease in contract liabilities of RMB87.0 million as customer advances received at the end of 2025 were recognized as revenue upon delivery of dairy products during the period; (b) an increase in trade receivables of RMB29.7 million; and (c) a decrease in trade payables of RMB18.5 million. Such impacts were partially offset by changes in working capital that positively affected operating cash flows, primarily including a decrease in inventories of RMB18.9 million.

Net cash generated from operating activities in 2025 was RMB241.1 million. This net cash inflow was primarily attributable to (i) our profit before tax of RMB231.8 million, as adjusted for certain non-cash items, principally including depreciation of property, plant and equipment of RMB52.3 million; and (ii) changes in working capital that positively affected operating cash flows, primarily including an increase in contract liabilities of RMB61.1 million resulting from increased customer advances received from distributors under our payment-before-delivery sales model. Such impacts were partially offset by changes in working capital that negatively affected operating cash flows, primarily including (a) an increase in inventories of RMB60.7 million associated with year-end inventory build-up; (b) an increase in other receivables, deposits and prepayments of RMB59.5 million; and (c) an increase in trade receivables of RMB24.1 million.

Net cash generated from operating activities in 2024 was RMB342.9 million. This net cash inflow was primarily attributable to (i) our profit before tax of RMB312.3 million, as adjusted for certain non-cash items, principally including depreciation of property, plant and equipment of RMB35.5 million; and (ii) changes in working capital that positively affected operating cash flows, primarily including an increase in contract liabilities of RMB57.1 million resulting from increased customer advances received from distributors under our payment-before-delivery sales model. Such impacts were partially offset by changes in working capital that negatively affected operating cash flows, primarily including (a) an increase in inventories of RMB41.2 million; and (b) an increase in other receivables, deposits and prepayments of RMB21.5 million.

Net cash generated from operating activities in 2023 was RMB374.3 million. This net cash inflow was primarily attributable to (i) our profit before tax of RMB236.0 million, as adjusted for certain non-cash items, principally including depreciation of property, plant and equipment of RMB24.2 million; and (ii) changes in working capital that positively affected operating cash flows, primarily including (a) a decrease in inventories of RMB49.3 million; and (b) an increase in trade payables of RMB36.9 million. Such impacts were partially offset by changes in working capital that negatively affected operating cash flows, primarily including an increase in trade receivables of RMB16.0 million.

Net Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2026 was RMB115.5 million, primarily due to (i) placement of time deposits of RMB110.0 million; and (ii) purchases of financial assets at FVTPL of RMB100.0 million, partially offset by proceeds from maturity of time deposits of RMB82.0 million.

In 2025, we had net cash used in investing activities of RMB267.8 million, primarily due to (i) purchases of financial assets at FVTPL of RMB250.0 million; (ii) payment for purchases of property, plant and equipment of RMB131.3 million; and (iii) placement of time deposits of RMB44.0 million, partially offset by proceeds from maturity of time deposits of RMB30.0 million.

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In 2024, we had net cash used in investing activities of RMB310.6 million, primarily due to (i) placement of time deposits of RMB248.0 million; (ii) payment for purchases of property, plant and equipment of RMB143.5 million; and (iii) purchases of financial assets at FVTPL of RMB107.0 million. Such cash outflows were partially offset by proceeds from maturity of time deposits of RMB170.0 million.

In 2023, we had net cash used in investing activities of RMB247.0 million, primarily due to (i) payment for purchases of property, plant and equipment of RMB203.5 million in connection with the construction of our production facilities in Guangxi and Zhejiang; and (ii) placement of time deposits of RMB40.0 million.

Net Cash from/(Used in) Financing Activities

Net cash used in financing activities for the three months ended March 31, 2026 was RMB0.3 million, primarily due to repayments of lease liabilities of RMB0.2 million and other financing outflows of RMB0.1 million.

In 2025, we had net cash generated from financing activities of RMB31.3 million, primarily due to a capital injection by a non-controlling equity holder of RMB31.8 million in connection with the continued development of our Ningxia dairy farm.

In 2024, we had net cash generated from financing activities of RMB31.4 million, primarily due to a capital injection by a non-controlling equity holder of RMB32.0 million.

In 2023, we had net cash used in financing activities of RMB30.2 million, primarily due to (i) dividends paid to shareholders of RMB20.0 million; and (ii) repayment of bank borrowings of RMB10.0 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Our indebtedness during the Track Record Period consisted of bank borrowings and lease liabilities. As of May 31, 2026, being the latest practicable date for the purpose of the indebtedness statement, we had a total indebtedness of RMB74.6 million and had no unutilized banking facilities. The following table sets out a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2023	2024	2025	March 31, 2026	May 31, 2026
					(unaudited)
	(RMB in thousands)				
Current					
Lease liabilities	115	440	902	2,133	2,209
Non-Current					
Lease liabilities	652	7,368	27,188	24,799	24,906
Bank borrowings – secured	–	–	–	–	47,500
Total	<u>767</u>	<u>7,808</u>	<u>28,090</u>	<u>26,932</u>	<u>74,615</u>

Lease Liabilities

Our lease liabilities consisted primarily of obligations arising from land and property leases during the Track Record Period. The weighted average incremental borrowing rates applied to lease liabilities were 4.55%, 3.7%, 3.55% and 3.55% per annum as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. See note 29 to Accountants’ Report in Appendix I to this document.

Our lease liabilities increased significantly from RMB0.8 million as of December 31, 2023 to RMB7.8 million as of December 31, 2024, and further to RMB28.1 million as of

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December 31, 2025, primarily because we entered into additional long-term land and property leases in Guangxi and Ningxia as we expanded our dairy buffalo and Holstein dairy cow farm operations, as well as leases of office premises to support our business expansion.

Our lease liabilities decreased slightly from RMB28.1 million as of December 31, 2025 to RMB26.9 million as of March 31, 2026, primarily reflecting scheduled repayment of lease liabilities in the three months ended March 31, 2026.

Bank Borrowings

As of December 31, 2023, 2024 and 2025, March 31, 2026 and May 31, 2026, we had bank borrowings of nil, nil, nil, nil and RMB47.5 million, respectively. The borrowings as of May 31, 2026 were from a commercial bank in China, secured and unguaranteed and denominated in Renminbi with interest rate of 2.55%.

Our borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans.

Our Directors further confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Contingent Liabilities and Guarantees

As of December 31, 2023, 2024 and 2025, March 31, 2026 and May 31, 2026, we did not have any contingent liabilities.

Indebtedness Statement

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of May 31, 2026, being our indebtedness statement date. We are not subject to any material covenants or undertakings relating to our outstanding debts, guarantees, pledges over key assets or other contingent obligations, and there were no breaches during the Track Record Period and up to the Latest Practicable Date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since May 31, 2026.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures primarily consisted of payments for purchases of property, plant and equipment, as well as purchases of biological assets during the Track Record Period. In 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, our capital expenditures were RMB217.4 million, RMB153.8 million, RMB169.5 million, RMB33.3 million and RMB41.4 million, respectively.

We expect to finance our capital expenditures through financial resources currently available to us, mainly including cash generated from operations and the net [REDACTED] to be received from the [REDACTED]. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, our results of operations and financial condition, our business plans, market conditions and various other factors. See also “Future Plans and Use of [REDACTED].”

Contractual Commitments

As of December 31, 2023, 2024 and 2025 and March 31, 2026, we had capital expenditure contracted for but not provided for in respect of property, plant and equipment of RMB133.8 million, RMB133.3 million, RMB103.8 million and RMB93.6 million, respectively.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

We may enter into transactions with our related parties from time to time. See note 40 to the Accountants’ Report in Appendix I to this document for details of our related party transactions during the Track Record Period. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm’s length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

WORKING CAPITAL SUFFICIENCY

Based on the foregoing and after taking into account our present financial resources and the estimated net [REDACTED] from the [REDACTED], our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,			As of/for the three months ended March 31,
	2023	2024	2025	2026
Gross profit margin (%) ⁽¹⁾	36.0	39.9	37.7	36.7
Net profit margin (%) ⁽²⁾	21.7	21.8	14.6	11.6
Current ratio (<i>times</i>) ⁽³⁾	3.0	2.7	2.8	4.1
Gearing ratio (<i>times</i>) ⁽⁴⁾	0.1	0.2	0.2	0.1

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenue.
- (2) Net profit margin is calculated based on net profit divided by revenue.
- (3) Current ratio is calculated based on total current assets divided by total current liabilities.
- (4) Gearing ratio is calculated based on total liabilities divided by total assets.

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

Our current ratio decreased from 3.0 times as of December 31, 2023 to 2.7 times as of December 31, 2024, primarily due to a significant increase in contract liabilities from customer advance payments. Our current ratio increased to 2.9 times as of December 31, 2025, primarily due to a significant increase in financial assets at FVTPL. Our current ratio increased to 4.1 times as of March 31, 2026, primarily due to the decrease in contract liabilities, which resulted in a reduction in our current liabilities, partially offset by a decrease in cash and cash equivalents.

Our gearing ratio remained relatively stable at 0.1 times, 0.2 times, 0.2 times and 0.1 times in as of December 31, 2023, 2024 and 2025 and March 31, 2026.

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VALUATION OF BIOLOGICAL ASSETS

Information About the Valuer of Our Biological Assets

We have engaged APA, an independent valuer, to determine the fair value of our biological assets as of December 31, 2023, 2024 and 2025 and March 31, 2026 (the “**Valuation Dates**”) respectively. APA’s key valuer includes Mr. Jack W.J. Li.

Mr. Jack W.J. Li, Director at APA, is a Chartered Financial Analyst charter-holder and a member of Royal Institution of Chartered Surveyors. He oversees the business valuation services of APA and has over 15 years of valuation experience. 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. Jack has also participated in certain large-scale IPOs in China. He oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of BIOCETOGEN (stock code: 2315.hk), ZONBONG ENVIRO (stock code: 1855.hk), and UNI HEALTH (stock code: 2211.hk).

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

Biological Assets and Valuation

See “— Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Biological Assets” in this section and notes 20 and 38(d) to the Accountants’ Report set out in Appendix I to this document for further discussion of the volume and the movements in the fair value of our biological assets.

Valuation Methodology

In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and the income approach. The market approach is adopted to value our calves, heifers, breeding bulls and young male cattle. Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparatives. Assets for which there is an established secondary market may be valued by this approach. The income approach is adopted to value our milkable cows and buffalos, which are mature cows and buffalos.

The following valuation methods for each type of biological assets were adopted:

Dairy Cows and Buffalos

Milkable Cows and buffalos

An income approach is adopted by APA to value our milkable cows and buffalos, primarily because generally there is no reliable market-based price for dairy cows and buffalos at maturity stage and therefore the fair value of the milkable cows and buffalos is developed through the application of the income approach technique known as MEEM. MEEM is a derivative of the DCF method. Using this technique, APA estimates the direct economic benefits attributed to the milkable cows and buffalos. 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 benefits, the revenues for the milkable cows and buffalos are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows and buffalos 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. Our Directors and the Sole Sponsor confirmed that the components of the material cash flows used in the fair value measurement are consistent with market factors and assumptions used in the measurement. Examples of such assets include fixed assets and assembled workforce.

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Calves and Heifers

A market approach is adopted by APA to value our calves and heifers, because the most recent market-based prices for heifers at certain age exist as of the Valuation Dates and therefore the fair values of other cows and buffalos are developed through the application of market approach with reasonable adjustments to reflect the age differences.

Breeding Bulls and Young Male Cattle

A market-based approach is adopted by APA to value the breeding bulls and young male cattle, because the most recent market-based prices for beef cattle, newborn young male cattle, mature breeding cattle and culled breeding cattle exist as of the Valuation Dates and therefore the fair value of breeding bulls and young male cattle is developed through the application of market approach with reasonable adjustments to reflect age differences.

Key Assumptions and Inputs

Cows and Buffalos

Key inputs for valuing our cows and buffalos are the herd size and classification of cows and buffalos. Based on maturity stages, our cows and buffalos are classified into calves, heifers, milkable cows and buffalos, breeding bulls and young male cattle. Different valuation approaches are adopted for them.

Milkable Cows and Buffalos

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

The key assumptions and inputs for calculating the revenues from milking include the following: (i) the herd size of milkable cows and buffalos and their respective estimated culling rates and calf birth rates, at different lactation stages; (ii) the milk yield rate as adjusted by an estimated spoilage rate at different lactation stages; and (iii) the prices for raw milk produced by, and calves and newborn bulls given birth by, milkable cows and buffalos at different lactation stages.

The key assumptions and inputs for calculating the costs associated with raising the milkable cows and buffalos include the following: (i) feed; (ii) salary, welfare and social insurance; and (iii) others.

Calves and Heifers

The key inputs and assumptions for valuing our calves and heifers for cows are the local market prices per head for 20 months old heifer, which was RMB17,000 as of the valuation dates.

The key inputs and assumptions for valuing our calves and heifers for buffalos are the local market prices per head for 24 months old heifer, which was RMB15,000 as of the valuation dates.

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Breeding Bulls and Young Male Cattle

The key inputs and assumptions for valuing the breeding bulls are the historical average selling prices of RMB20.00/kg as of December 31, 2023, RMB21.17/kg as of December 31, 2024, RMB14.75/kg as of December 31, 2025 and RMB17.44/kg as of March 31, 2026. The fair values of the breeding bulls are determined with reasonable adjustments to reflect age differences.

The key inputs and assumptions for valuing the young male cattle are the historical average selling prices of (i) RMB778 per head, RMB778 per head, RMB726 per head and RMB751 per head as of December 31, 2023, 2024 and 2025 and March 31, 2026 for buffalos, and (ii) RMB730 per head as of December 31, 2024 and 2025 and March 31, 2026 for cows, respectively. The fair values of the young male cattle are determined with reasonable adjustments to reflect age differences.

The Sole Sponsor has reviewed the qualifications and relevant valuation experience of APA. The Sole Sponsor also discussed with APA in relation to its scope of work, valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare its valuation report. As confirmed by APA, the valuation of our biological assets was conducted in accordance with the International Accounting Standard 41 issued by the International Accounting Standards Board and the International Valuation Standards issued by the International Valuation Standards Council. APA has further confirmed that its valuation procedures provide a reasonable basis for its opinion, and that the inputs used in the valuation techniques are appropriate and reasonable.

The Sole Sponsor discussed with our management and APA with respect to the techniques chosen and inputs used in the valuations, and the Sole Sponsor has further discussed with the Reporting Accountants regarding the key bases and assumptions of the valuation and the audit procedures performed in accordance with the relevant auditing standards. The Sole Sponsor further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transaction and market practice. The Sole Sponsor and the Reporting Accountants are satisfied that the valuation techniques chosen and the inputs used in the valuation techniques are appropriate and reasonable. The Reporting Accountants provided an unqualified opinion to the financial information of our Group as a whole as set out in Appendix I to this document.

Our Directors confirmed, and the Sole Sponsor concurred on the basis of the foregoing, that the key bases and assumptions used by APA in the valuation process, as well as the valuation techniques chosen and the key inputs used in the valuation techniques, are consistent with those used by the industry peers and are appropriate and reasonable.

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Sensitivity Analysis

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

	As of December 31,			As of
	2023	2024	2025	March 31,
	(RMB in thousands)			2026
Hypothetical increase/(decrease)				
in milk price		Change in valuation		
10%	2,265	25,455	24,466	26,025
(10%)	(2,265)	(25,455)	(24,466)	(26,025)
Hypothetical increase/(decrease)				
in feed cost		Change in valuation		
10%	(811)	(17,562)	(17,759)	(18,962)
(10%)	811	17,562	17,759	18,962
Hypothetical increase/(decrease)				
in market selling price of				
heifers and calves		Change in valuation		
10%	962	5,310	9,569	10,573
(10%)	(962)	(4,976)	(9,267)	(10,361)
Hypothetical increase/(decrease)				
in discount rate		Change in valuation		
5%	(983)	(5,540)	(4,943)	(5,132)
(5%)	1,155	6,641	5,872	6,079

Stock Take and Internal Control

We have established a standard internal protocol for stock taking across all our dairy farms, including scheduled and ad hoc counts, to ensure the physical existence and accuracy of data and information of our biological assets. A full count based on ear tag numbers is performed at each of our dairy farms on a monthly basis.

Our production personnel are responsible for conducting the headcount, while our financial personnel oversee and review the data, prepare inventory reports and maintain related records. We have also formulated a comprehensive policy for biological asset management, covering relevant accounting policies, transfer between age groups, the purchase and disposal of biological assets, breeding and record keeping. For our dairy farms, the inflow and outflow of livestock are recorded electronically in our farm management system by our production personnel, which are reviewed on periodic or ad hoc basis by our financial personnel.

[REDACTED]

Our [REDACTED] mainly include (i) [REDACTED] expenses, such as [REDACTED] fees and commissions, and (ii) non-[REDACTED] expenses, comprising professional fees paid and payable to our legal advisors and reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] Range), we estimate that the total [REDACTED] payable by us will be approximately RMB[REDACTED] (HK\$[REDACTED]), comprising (i) [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), (ii) fees and expenses of legal advisors and reporting accountants of approximately RMB[REDACTED] (HK\$[REDACTED]);

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and (iii) other fees and expenses of approximately RMB[REDACTED] (HK\$[REDACTED]). Our estimated total [REDACTED] represent approximately [REDACTED]% of the total gross [REDACTED] that we will receive from the [REDACTED], of which approximately RMB[REDACTED] (HK\$ [REDACTED]) will be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB[REDACTED] (HK\$[REDACTED]) will be deducted from equity as such amount is directly attributable to the [REDACTED] of H Shares.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

Our major financial instruments include financial assets at FVTPL, time deposits, restricted bank deposit, bank balances and cash, trade receivables, other receivables, trade payables, other payables and accruals and lease liabilities. We are exposed to various financial risks in the ordinary course of business, including market risk such as currency risk, interest rate risks and price risk, credit risk, and liquidity risk. See note 38(c) to the Accountants’ Report in Appendix I to this document for further details.

We seek to balance the risks and benefits arising from our use of financial instruments and to mitigate potential adverse effects on our financial performance. Our risk management policies are reviewed regularly to reflect changes in market conditions and our operations. Our internal audit function also performs periodic and ad hoc reviews of the implementation of our internal control systems to ensure compliance with such policies.

DIVIDENDS

During the Track Record Period, we declared and paid dividends of RMB20.0 million to our Shareholders in 2023. Pursuant to the approval at the shareholder meeting in May 2026, we declared dividends of RMB60.1 million to our Shareholders, which were fully paid in June 2026. Pursuant to the Articles of Association, our Board may declare dividends after taking into account our development stage, profitability, operating performance and capital expenditure requirement, subject to the approval of our Shareholders. We do not currently have any fixed dividend pay-out ratio. Any future declaration and payment, as well as the number of dividends, will be subject to our Articles of Association and the relevant PRC laws. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

DISTRIBUTABLE RESERVES

As of March 31, 2026, our Company’s retained earnings were RMB1,290.0 million, which represented our distributable reserves as of the same date.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information” to this document for details of our unaudited [REDACTED] adjusted consolidated net tangible assets.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm 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.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, subsequent to the Track Record Period and up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position and there is no event subsequent to the Track Record Period which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix I to this document.