

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this [REDACTED], received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



國衛會計師事務所有限公司
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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGXI BAIFEI DAIRY CO., LTD. AND GF CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Guangxi Baifei Dairy Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-79, which comprises the consolidated statements of financial position as at December 31, 2023, 2024 and 2025 and March 31, 2026, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and March 31, 2026 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the

APPENDIX I

ACCOUNTANTS’ REPORT

reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at December 31, 2023, 2024 and 2025 and March 31, 2026 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three months ended March 31, 2025 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Certified Public Accountants

[●]

Practising Certificate Number: [●]

Hong Kong

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,				Three months ended March 31,			
		2023		2024		2025		2025	
		Results before biological assets fair value adjustment	Biological assets fair value adjustments	Results before biological assets fair value adjustment	Biological assets fair value adjustments	Results before biological assets fair value adjustment	Biological assets fair value adjustments	Results before biological assets fair value adjustment	Biological assets fair value adjustments
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5	1,072,378	–	1,072,378	–	1,613,606	–	337,644	–
Cost of sales		(687,185)	(10,981)	(698,166)	(25,787)	(1,003,705)	(111,272)	(219,882)	(33,493)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	20	–	12,148	12,148	24,081	–	108,931	–	33,190
Gross profit		385,193	1,167	386,360	(1,706)	609,901	(2,341)	117,762	(303)
Gains/(losses) arising from changes in fair value less costs to sell of biological assets	19	–	5,518	5,518	13,220	–	(2,200)	–	3,302
Other income	7	5,296	–	8,649	–	18,454	–	4,202	–
Other gains or losses, net	8	(3,262)	(19)	(4,519)	(252)	(8,165)	(4,930)	(2,886)	(1,57)
Selling and distribution expenses		(107,391)	–	(193,458)	–	(280,687)	–	(52,168)	–
Administrative expenses		(45,720)	–	(70,595)	–	(88,567)	–	(14,129)	–
Research and development expenses		(4,569)	–	(8,213)	–	(9,107)	–	(1,094)	–
Finance costs	9	(228)	–	(228)	–	(521)	–	(71)	–
Profit before tax		229,319	6,666	235,985	11,262	241,308	(9,471)	51,616	2,842
Income tax (expense)/credit	12	(3,033)	–	(3,033)	–	2,956	–	(674)	–
Profit and total comprehensive income for the year/period	10	226,286	6,666	232,952	11,262	244,264	(9,471)	50,942	2,842
Profit for the year/period, excluding unrealized fair value gains/losses of biological assets	10	226,267	–	226,267	–	239,334	–	48,978	–
Profit/(loss) and total comprehensive income for the year/period attributable to:									
– Owners of the Company		232,952	–	305,154	–	236,287	–	55,151	–
– Non-controlling interests		–	–	5,225	–	(1,494)	–	(2,825)	–
Earnings per share	14								
– Basic and diluted (RMB)		1.41	1.84	310,379	–	234,793	–	52,326	–
						1.43	0.33	–	0.34

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at March 31,
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	521,217	635,978	724,216	722,721
Right-of-use assets	16	152,326	156,676	177,036	174,017
Intangible assets	17	233	75	19	5
Biological assets	20	19,106	76,578	98,896	110,077
Deferred tax assets	21	1,945	3,362	8,630	9,966
Time deposits	24	–	30,000	–	–
Prepayments, deposits and other receivables	23	10,209	12,010	2,829	7,843
		<u>705,036</u>	<u>914,679</u>	<u>1,011,626</u>	<u>1,024,629</u>
CURRENT ASSETS					
Inventories	25	64,821	110,817	169,899	148,440
Biological assets	20	126	408	1,670	659
Trade receivables	22	16,519	20,483	43,290	71,485
Prepayments, deposits and other receivables	23	30,745	51,946	110,564	104,259
Tax recoverable		192	86	–	320
Financial assets at fair value through profit or loss (“FVTPL”)	19	–	82,000	171,483	231,640
Time deposits	24	40,000	88,000	132,394	160,652
Restricted bank deposits	24	–	511	–	–
Cash and cash equivalents	24	222,723	286,474	291,006	126,322
		<u>375,126</u>	<u>640,725</u>	<u>920,306</u>	<u>843,777</u>
CURRENT LIABILITIES					
Trade payables	26	75,617	119,345	131,869	113,384
Other payables and accruals	27	19,954	33,292	44,858	31,313
Contract liabilities	28	26,808	83,920	145,058	58,074
Tax payables		564	103	2,065	1,554
Lease liabilities	29	115	440	902	2,133
Deferred income	30	502	502	502	502
		<u>123,560</u>	<u>237,602</u>	<u>325,254</u>	<u>206,960</u>
NET CURRENT ASSETS		<u>251,566</u>	<u>403,123</u>	<u>595,052</u>	<u>636,817</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>956,602</u>	<u>1,317,802</u>	<u>1,606,678</u>	<u>1,661,446</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,			As at
		2023	2024	2025	March 31,
	Notes	RMB'000	RMB'000	RMB'000	2026
					RMB'000
NON-CURRENT LIABILITIES					
Lease liabilities	29	652	7,368	27,188	24,799
Deferred tax liabilities	21	–	307	177	144
Deferred income	30	4,097	3,775	6,507	6,620
		4,749	11,450	33,872	31,563
NET ASSETS		951,853	1,306,352	1,572,806	1,629,883
CAPITAL AND RESERVES					
Share capital	31	165,502	165,502	165,502	165,502
Reserves		786,351	1,094,872	1,331,171	1,386,907
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Non-controlling interests		–	45,978	76,133	77,474
TOTAL EQUITY		951,853	1,306,352	1,572,806	1,629,883

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to the Owners of the Company							
	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	35,832	207,624	9,638	31,905	450,575	735,574	–	735,574
Profit and total comprehensive income for the year	–	–	–	–	232,952	232,952	–	232,952
Capitalization issue	129,670	(129,670)	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	3,353	–	–	3,353	–	3,353
Transfer to statutory reserve . . .	–	–	–	24,623	(24,623)	–	–	–
Dividends recognized as distributions (Note 13)	–	–	–	–	(20,026)	(20,026)	–	(20,026)
As at December 31, 2023	165,502	77,954	12,991	56,528	638,878	951,853	–	951,853
As at January 1, 2024	165,502	77,954	12,991	56,528	638,878	951,853	–	951,853
Profit and total comprehensive income for the year	–	–	–	–	305,154	305,154	5,225	310,379
Capital injection from non-controlling shareholder . .	–	–	–	–	–	–	40,753	40,753
Recognition of equity-settled share-based payments	–	–	3,367	–	–	3,367	–	3,367
Transfer to statutory reserve . . .	–	–	–	30,701	(30,701)	–	–	–
As at December 31, 2024	165,502	77,954	16,358	87,229	913,331	1,260,374	45,978	1,306,352
As at January 1, 2025	165,502	77,954	16,358	87,229	913,331	1,260,374	45,978	1,306,352
Profit and total comprehensive income for the year	–	–	–	–	236,287	236,287	(1,494)	234,793
Capital injection from non-controlling shareholder . .	–	–	–	–	–	–	31,820	31,820
Dividends payable to Non-controlling interests . . .	–	–	–	–	–	–	(159)	(159)
Changes in ownership interest in a subsidiary without loss of control	–	12	–	–	–	12	(12)	–
As at December 31, 2025	165,502	77,966	16,358	87,229	1,149,618	1,496,673	76,133	1,572,806

APPENDIX I

ACCOUNTANTS’ REPORT

	Equity Attributable to the Owners of the Company							Total
	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Subtotal	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1, 2026	165,502	77,966	16,358	87,229	1,149,618	1,496,673	76,133	1,572,806
Profit and total comprehensive income for the period	–	–	–	–	55,736	55,736	1,443	57,179
Dividends payable to Non-controlling interests . . .	–	–	–	–	–	–	(18)	(18)
Others.	–	–	–	–	–	–	(84)	(84)
As at March 31, 2026	165,502	77,966	16,358	87,229	1,205,354	1,552,409	77,474	1,629,883
As at January 1, 2025	165,502	77,954	16,358	87,229	913,331	1,260,374	45,978	1,306,352
Profit and total comprehensive income for the period	–	–	–	–	55,151	55,151	(2,825)	52,326
Capital injection from non-controlling shareholder . .	–	–	–	–	–	–	4,700	4,700
As at March 31, 2025 (unaudited)	165,502	77,954	16,358	87,229	968,482	1,315,525	47,853	1,363,378

Note:

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People’s Republic of China (the “PRC”), the Company’s PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary’s registered capital. The statutory surplus reserve fund can be used to makeup prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,			Three months ended March 31,	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)				
OPERATING ACTIVITIES						
Profit before tax		235,985	312,302	231,837	53,000	57,291
Adjustments for:						
Finance costs	9	228	120	521	71	247
Bank interest income	7	(3,526)	(3,845)	(4,959)	(655)	(628)
(Gain)/loss on lease remeasurement	8	(71)	—	(51)	(27)	139
Fair value change on financial instruments at fair value through profit or loss	8	—	(337)	(3,216)	(1,013)	(1,000)
Loss on disposal of property, plant and equipment	8	746	—	1	—	412
Loss on disposal of biological assets	8	185	2,125	10,363	4,628	3,446
Depreciation of property, plant and equipment	15	24,242	35,509	52,284	12,386	14,513
Depreciation of right-of-use assets	16	3,991	4,289	5,292	1,177	1,654
Change in fair value less costs to sell of biological assets . . .	20	(5,518)	(13,220)	2,200	4,834	(3,302)
Amortization of intangible assets	17	190	158	56	14	14
Impairment/(reversal) of trade receivables, net	8	825	208	1,244	188	1,530
Impairment/(reversal) of deposits and other receivables, net	8	484	286	861	353	(336)
Written off of inventories		236	4,635	1,583	585	2,561
Share-based payment expense .	33	3,353	3,367	—	—	—
Operating cash flow before movements in working capital		261,350	345,597	298,016	75,541	76,541
Decrease/(increase) in inventories		49,312	(41,206)	(60,665)	2,698	18,898
Increase in trade receivables . .		(15,981)	(4,172)	(24,051)	(3,677)	(29,725)
Decrease/(increase) in other receivables, deposits and prepayment		41,596	(21,487)	(59,479)	(2,096)	6,641
Increase/(decrease) in trade payables		36,924	(2,541)	12,524	(20,928)	(18,485)
Increase/(decrease) in other payables and accruals		5,616	13,338	11,258	(14,634)	(13,545)
(Decrease)/increase in contract liabilities		(1,242)	57,112	61,138	(49,541)	(86,984)
(Decrease)/increase in deferred income		(353)	(322)	2,732	990	113
Cash generated from/(used in) operations		377,222	346,319	241,473	(11,647)	(46,546)
Income tax paid/(refund)		(2,959)	(3,388)	(394)	3,006	(2,312)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES . .		374,263	342,931	241,079	(8,641)	(48,858)

APPENDIX I

ACCOUNTANTS’ REPORT

Notes	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES					
Payment for purchases of property, plant and equipment . . .	(203,498)	(143,500)	(131,345)	(22,150)	(24,513)
Payment for intangible assets . . .	(170)	—	—	—	—
Payments of biological assets . . .	(13,950)	(10,298)	(38,189)	(11,164)	(16,916)
Payments of right-of-use assets . .	—	(1,183)	(5,131)	—	—
Proceeds from disposal of property, plant and equipment . .	32	—	3	—	6,069
Proceeds from disposal of biological assets	51	202	2,046	655	6,602
Interest received	3,526	4,182	6,298	1,084	1,213
Placement of time deposits	(40,000)	(248,000)	(44,000)	(35,000)	(110,000)
Proceeds from maturity of time deposits	—	170,000	30,000	57,000	82,000
Decrease/(increase) in restricted cash	7,006	(511)	511	—	—
Purchases of financial assets at FVTPL	—	(107,000)	(250,000)	(120,000)	(100,000)
Proceeds from disposal of financial assets at FVTPL	—	25,000	162,000	62,000	40,000
Other investing inflows	—	510	—	—	—
NET CASH USED IN INVESTING ACTIVITIES . . .	(247,003)	(310,598)	(267,807)	(67,575)	(115,545)
FINANCING ACTIVITIES					
Repayment of bank borrowings . .	(10,000)	—	—	—	—
Dividends paid to shareholders . .	(20,026)	—	—	—	—
Repayment of lease liabilities . . .	—	(415)	(139)	(67)	(167)
Interest paid	(185)	(120)	(262)	(71)	(12)
Capital injection by a non-controlling equity holder . .	—	31,953	31,820	4,700	—
Other financing outflows	—	—	(159)	—	(102)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES . . .	(30,211)	31,418	31,260	4,562	(281)
NET INCREASE/(DECREASE) 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

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at March 31,
	Notes	2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	207,473	242,963	290,573	278,042
Right-of-use assets	16	29,953	29,545	28,356	28,052
Interests in subsidiaries	41	451,860	584,940	641,920	643,840
Deferred tax assets	21	3,074	6,022	9,437	11,352
Prepayments, deposits and other receivables	23	3,925	8,666	2,197	4,173
		<u>696,285</u>	<u>872,136</u>	<u>972,483</u>	<u>965,459</u>
CURRENT ASSETS					
Inventories	25	46,886	53,987	74,542	56,881
Trade receivables	22	15,732	18,560	30,665	48,163
Prepayments, deposits and other receivables	23	13,752	13,646	36,896	27,053
Amounts due from subsidiaries	41	145,274	368,468	624,613	729,662
Time deposits	24	40,000	–	–	–
Cash and cash equivalents	24	162,714	165,644	98,334	26,243
		<u>424,358</u>	<u>620,305</u>	<u>865,050</u>	<u>888,002</u>
CURRENT LIABILITIES					
Trade payables	26	60,025	73,047	80,523	70,343
Other payables and accruals	27	12,883	20,191	23,047	16,782
Contract liabilities	28	15,125	48,697	64,833	32,457
Tax payables		564	–	1,499	1,519
Amounts due to subsidiaries	41	–	8,212	92,683	89,335
Lease liabilities	29	–	150	84	–
Deferred income	30	502	502	502	502
		<u>89,099</u>	<u>150,799</u>	<u>263,171</u>	<u>210,938</u>
NET CURRENT ASSETS		<u>335,259</u>	<u>469,506</u>	<u>601,879</u>	<u>677,064</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,031,544</u>	<u>1,341,642</u>	<u>1,574,362</u>	<u>1,642,523</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,			As at
		2023	2024	2025	March 31,
	Notes	RMB'000	RMB'000	RMB'000	2026
					RMB'000
NON-CURRENT LIABILITIES					
Lease liabilities	29	–	155	–	–
Deferred tax liabilities	21	–	66	27	13
Deferred income	30	4,097	3,595	5,327	5,452
		<u>4,097</u>	<u>3,816</u>	<u>5,354</u>	<u>5,465</u>
NET ASSETS		<u>1,027,447</u>	<u>1,337,826</u>	<u>1,569,008</u>	<u>1,637,058</u>
CAPITAL AND RESERVES					
Share capital	31	165,502	165,502	165,502	165,502
Reserves		<u>861,945</u>	<u>1,172,324</u>	<u>1,403,506</u>	<u>1,471,556</u>
TOTAL EQUITY		<u>1,027,447</u>	<u>1,337,826</u>	<u>1,569,008</u>	<u>1,637,058</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION

Guangxi Baifei Dairy Co., Ltd. (the “**Company**”) is a company incorporated in the People’s Republic of China (the “**PRC**”) under the PRC Company Law as a limited liability company on December 27, 2017 and was converted in a joint stock limited liability company on December 31, 2019. The Company’s registered office and principal place of business are located at Shili Industrial Park, Sanhai Subdistrict, Lingshan County, Qinzhou City, Guangxi Zhuang Autonomous Region, PRC.

Guangxi Baifei Investment Co., Ltd. 廣西百菲投資股份有限公司 is our parent company and Mr. Wu Shouyun 吳守允 and Mr. Wu Lianqiao 吳聯僑 are the ultimate controlling party.

The Group is principally engaged in the research, production, and sales of dairy products and milk-based beverages. Its core business activities include the processing of buffalo milk and cow milk into sterilized milk, flavored milk, fermented dairy products, pasteurized milk, and milk drinks. The activities of its principal subsidiaries are set out in Note 41.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to the “**Group**”) are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRS Accounting Standards as issued by the International Accounting Standards Boards (“**IASB**”) which are effective for the Group’s annual accounting period beginning on January 1, 2026 through the Track Record Period.

New and Amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor its Associate or Joint Venture ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 20	Regulatory Assets and Liabilities ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to IAS 28	Fair value option for investments in associates and joint ventures ²

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2027.

³ Effective for annual period beginning on or after January 1, 2029.

The directors of the Company anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance with IFRS Accounting Standards as issued by the IASB. 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

APPENDIX I

ACCOUNTANTS' REPORT

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate.

Revenue from contracts with customers

The Group recognizes 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 good or service (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 the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the 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 good or service.

APPENDIX I

ACCOUNTANTS' REPORT

A contract asset represents the Group's right to consideration in exchange for goods or services that the 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 the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the 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 and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the 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 good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a standalone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent

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

The Group is a principal if it controls the specified goods or service before that good or service is transferred to a customer.

The 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, the Group does not control the specified good or service provided by another party before that goods or service are transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Variable consideration

For contracts that contain variable consideration such as sales rebates, the Group estimates the amount of consideration to which it will be entitled using the expected value method/the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

- (a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);
- (b) a refund liability/contract liability; and
- (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

APPENDIX I

ACCOUNTANTS' REPORT

Business combinations or asset acquisition

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC-Int 21 Levies, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- (a) deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 Employee Benefits respectively;
- (b) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;
- (c) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- (d) lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

APPENDIX I

ACCOUNTANTS' REPORT

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have been recognized in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost or deemed cost for properties transferred from investment properties, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

APPENDIX I

ACCOUNTANTS’ REPORT

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

Biological assets

The Group’s biological assets comprise milkable cows/buffaloes, heifers, calves, breeding bulls and young male cattle, are measured on initial recognition and at the end of each of the reporting periods 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 is 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 measuring at fair value less costs to sell is included in profit or loss for the period in which it arises.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

APPENDIX I

ACCOUNTANTS' REPORT

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if applicable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third-party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 24.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

APPENDIX I

ACCOUNTANTS’ REPORT

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit-risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “Other gains and losses” line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables and part of other receivables, restricted bank deposits, cash and cash equivalents and time deposit) and other items (Financial assets at FVTPL) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

APPENDIX I

ACCOUNTANTS’ REPORT

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Default has been considered occurred when the instrument is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

APPENDIX I

ACCOUNTANTS' REPORT

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables companies where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities (including trade and other payables and lease liabilities) are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

APPENDIX I

ACCOUNTANTS' REPORT

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any assets, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

APPENDIX I

ACCOUNTANTS' REPORT

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary difference associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is recognized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

APPENDIX I

ACCOUNTANTS' REPORT

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income."

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another IFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

Share-based payment

Equity-settled share-based payment transactions

Share awards granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to capital reserve.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

APPENDIX I

ACCOUNTANTS' REPORT

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of various offices, warehouses, equipment and vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include:

- fixed payments less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are included in the total lease payments using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are excluded and are recognized as income when they are earned. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognized in profit or loss in the period in which the event or condition that triggers those payments to occur.

Related parties

A party is considered to be related to the Group if:

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

APPENDIX I

ACCOUNTANTS' REPORT

- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the reporting period in which the estimate is revised if the revision affects only that reporting period, or in the reporting period of the revision and future reporting periods if the revision affects both current and future reporting periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

Provision of expected credit loss for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for expected credit loss individually. In addition, the Group uses practical expedient in estimating expected credit loss on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The information about the expected credit loss and the Group's trade receivables are disclosed in Note 38(c).

APPENDIX I

ACCOUNTANTS’ REPORT

5. REVENUE

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods					
Sterilized milk	831,747	1,087,477	1,207,617	258,865	357,131
Formulated milk	221,449	302,298	333,332	66,060	101,441
Pasteurized milk	3,427	15,659	40,858	7,495	12,924
Milk-containing beverages . .	12,715	13,607	15,342	3,139	2,444
Fermented dairy products . .	1,779	1,005	5,655	1,029	1,339
Other products (<i>note</i>)	1,261	994	10,802	1,056	17,268
Total	<u>1,072,378</u>	<u>1,421,040</u>	<u>1,613,606</u>	<u>337,644</u>	<u>492,547</u>

Note: Primarily included Bird’s Nest Buffalo Milk and Buffalo Milk Ice Cream products.

Revenue from operations by sales channel

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales channel					
Offline distributors	711,277	792,680	777,582	182,205	205,967
Online distributors	–	8,177	25,605	6,644	5,114
Retailers	152,615	324,821	435,774	78,733	140,883
Direct-to-consumer (“DTC”) (<i>note</i>)	208,486	295,362	374,645	70,062	140,583
Total	<u>1,072,378</u>	<u>1,421,040</u>	<u>1,613,606</u>	<u>337,644</u>	<u>492,547</u>

Note: Included online self-operated stores and offline direct sales.

Timing of revenue recognition

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Timing of revenue recognition					
At a point in time	<u>1,072,378</u>	<u>1,421,040</u>	<u>1,613,606</u>	<u>337,644</u>	<u>492,547</u>

Performance obligations for contracts with customers and revenue recognition Policies.

Transaction price allocated to the remaining performance obligation for contracts with customers. The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

Sale of goods

Sales contracts between the Group and its customers generally contain only a single performance obligation: the transfer of goods. The Group typically assesses the point at which this performance obligation is satisfied by considering the following factors collectively: the establishment of a present right to payment for the

APPENDIX I

ACCOUNTANTS’ REPORT

goods, the transfer of significant risks and rewards of ownership of the goods, the transfer of legal title, the physical transfer of the goods, and customer acceptance.

The Group recognizes revenue from the following sources:

(1) Distributors

For offline and online distribution sales transactions, revenue is recognized upon delivery of goods to the customer and the establishment of unconditional payment rights. The Group requests advance payments for majority of the distributors and such advance payments are recorded as contract liabilities until the control of the goods is transferred to the customers.

(2) Retailers

With respect to the sales of dairy products to retailers, the revenue is recognized when the customer receives the goods and the right to receive payment is obtained, the credit term is normally one to three months for certain large customers and customers having long business relationship with the Group. Payments are generally settled on an agreed credit-period basis after delivery and warehouse acceptance.

(3) DTC

With respect to the sales online self-operated stores, the revenue is recognized when the customer receives the goods and the right to receive payment is obtained. Under the warehouse fulfillment model, revenue is recorded based on the issuance of authenticated settlement statements by the e-commerce platform, which serve as conclusive evidence of completed transactions.

6. SEGMENTS

The Group currently operates in one business segment in the business of production and sale of dairy products, primarily including sterilized milk, formulated milk, pasteurised milk, and milk-containing beverages in PRC. Information reported to the Group’s management for resource allocation and performance assessment focuses on the Group’s operating results as a whole, given that the Group’s resources are integrated. Accordingly, no other discrete financial information is provided other than the Group’s results and financial as a whole.

Non-current assets are located in PRC as at December 31, 2023, 2024 and 2025 and March 31, 2026.

Information about major customers:

For the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, no single customer contributed 10% or more to the Group’s revenue.

7. OTHER INCOME

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income from bank balances and time deposits	3,526	3,845	4,959	655	628
Extra deduction of input VAT	9	97	75	10	21
Government grants (note (a))	1,174	3,749	12,866	3,335	809
Rental income	545	11	30	–	54
Sundry income	42	947	524	202	111
	<u>5,296</u>	<u>8,649</u>	<u>18,454</u>	<u>4,202</u>	<u>1,623</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (a) For the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, income of approximately RMB820,000, RMB3,247,000, RMB12,364,000, RMB3,210,000 (unaudited) and RMB684,000 respectively represent the subsidies from the relevant government authorities mainly for the purpose of motivating the business development of the Group. The subsidies received are in substance a kind of immediate financial support to the Group with no future related costs and are recognized as income when the subsidies are received. There were no unfulfilled conditions for all the government grants in the years in which they were recognized.

For the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, income of approximately RMB354,000, RMB502,000, RMB502,000, RMB125,000 (unaudited) and RMB125,000 respectively represents the grants from the relevant government authorities for funding the purchase of certain non-current assets. The government grants received are recognized in profit or loss over the useful lives of the relevant non-current assets.

8. OTHER GAINS AND LOSSES, NET

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Scraps expenses (<i>note (a)</i>)	(911)	(2,432)	(3,837)	(721)	(27)
Gain on lease remeasurement	71	–	51	27	(139)
Loss on disposal of biological assets	(185)	(2,125)	(10,363)	(4,628)	(3,446)
Loss on disposal of property, plant and equipment	(746)	–	(1)	–	(412)
Impairment losses under ECL model, net of reversal	–	–	–	–	–
– Trade receivables	(825)	(208)	(1,244)	(188)	(1,530)
– Other receivables	(484)	(286)	(861)	(353)	336
Fair value change on financial assets at fair value through profit or loss	–	337	3,216	1,013	1,000
Others	(201)	(57)	(56)	–	(97)
	<u>(3,281)</u>	<u>(4,771)</u>	<u>(13,095)</u>	<u>(4,850)</u>	<u>(4,315)</u>

Note:

- (a) During the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, the Group recognized net loss of approximately RMB911,000 RMB2,432,000, RMB3,837,000, RMB721,000 (unaudited) and RMB27,000, from sales of used packaging and ancillary materials respectively. The Group incurred costs related to scraps, while sales proceeds were lower, resulting in a net loss.

9. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on:					
– Bank borrowings	185	–	–	–	–
– Lease liabilities	43	120	521	71	247
	<u>228</u>	<u>120</u>	<u>521</u>	<u>71</u>	<u>247</u>

APPENDIX I

ACCOUNTANTS’ REPORT

10. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging/(crediting):

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property, plant and equipment	24,242	35,509	52,284	12,386	14,513
Depreciation of right-of-use assets	3,991	4,289	5,292	1,177	1,654
Amortization of intangible assets	190	158	56	14	14
Total depreciation and amortization	28,423	39,956	57,632	13,577	16,181
Capitalized in inventories . . .	(13,732)	(22,792)	(32,439)	(7,534)	(9,066)
	14,691	17,164	25,193	6,043	7,115
Auditors’ remuneration	1,168	2,516	3,423	503	503
Cost of inventories recognized as expenses	635,841	784,342	1,008,849	212,165	306,410
Directors’ and supervisors’ remuneration (<i>Note 11</i>) . . .	3,469	3,279	3,090	634	366
Other staff costs:					
– Salaries, allowances and other benefits	77,551	101,323	134,474	39,815	40,089
– Retirement benefit scheme contribution	5,563	6,753	9,290	2,793	2,810
– Equity-settled share-based payments	2,509	3,278	–	–	–
Total staff costs	89,092	114,633	146,854	43,242	43,265
Less: Capitalized in biological assets	(459)	(1,400)	(4,868)	(1,291)	(1,438)
	88,633	113,233	141,986	41,951	41,827

An analysis of the Group’s results before biological assets fair value adjustments during the Track Record Period is as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year after biological assets fair value adjustments	232,952	310,379	234,793	52,326	57,179
(Gain)/loss arising from changes in unrealized fair value less costs to sell of biological assets	(6,685)	(11,514)	4,541	(3,348)	(2,999)
Profit for the year, excluding unrealized fair value gains/losses of biological assets	226,267	298,865	239,334	48,978	54,180

APPENDIX I

ACCOUNTANTS’ REPORT

11. DIRECTORS’, CHIEF EXECUTIVE’S, SUPERVISORS’ AND EMPLOYEE EMOLUMENTS

a. Directors’ emoluments

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-Settled share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
For the year ended December 31, 2023						
<i>Executive director:</i>						
Mr. Wu Shouyun 吳守允 ((note (a)))	–	402	36	140	9	587
<i>Non-executive Directors:</i>						
Mr. Chen Shaobing 陳少兵((note (b)))	–	250	18	96	–	364
Mr. Wu Lianqiao 吳聯僑	–	82	9	–	–	91
Mr. Ye Yandeng 葉燕燈	–	393	36	140	–	569
Mr. Zheng Youze 鄭有澤 ((note (c)))	–	105	13	33	–	151
Ms. Zeng Yaoyao 曾瑤瑤 ((note (d)))	–	87	10	–	787	884
<i>Independent non-executive directors:</i>						
Mr. Lei Yuchun 雷裕春 ((note (e)))	–	22	–	–	–	22
Mr. Li Chunyou 李春友 ((note (f)))	–	22	–	–	–	22
Ms. Li Jing 李靜 ((note (g)))	–	–	–	–	–	–
Sub-total	–	1,363	122	409	796	2,690
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
For the year ended December 31, 2024						
<i>Executive director:</i>						
Mr. Wu Shouyun 吳守允	–	545	29	140	56	770
<i>Non-executive Directors:</i>						
Mr. Chen Shaobing 陳少兵	–	461	39	140	–	640
Mr. Wu Lianqiao 吳聯僑	–	82	9	–	–	91
Mr. Ye Yandeng 葉燕燈	–	399	39	140	–	578
<i>Independent non-executive directors:</i>						
Mr. Lei Yuchun 雷裕春	–	71	–	–	–	71
Mr. Li Chunyou 李春友	–	71	–	–	–	71
Ms. Li Jing 李靜	–	–	–	–	–	–
Sub-total	–	1,629	116	420	56	2,221

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-Settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2025						
<i>Executive director:</i>						
Mr. Wu Shouyun 吳守允	–	512	–	140	–	652
<i>Non-executive Directors:</i>						
Mr. Chen Shaobing 陳少兵	–	477	39	140	–	656
Mr. Wu Lianqiao 吳聯橋	–	98	9	–	–	107
Mr. Ye Yandeng 葉燕燈 (note (i))	–	430	39	140	–	609
Ms. Shang Xinwen 商馨文 (note (h)) . . .	–	–	–	–	–	–
<i>Independent non-executive directors:</i>						
Mr. Lei Yuchun 雷裕春	–	71	–	–	–	71
Mr. Li Chunyou 李春友	–	71	–	–	–	71
Ms. Li Jing 李靜	–	–	–	–	–	–
Sub-total	–	1,659	87	420	–	2,166

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-Settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three months ended March 31, 2025 (unaudited)						
<i>Executive director:</i>						
Mr. Wu Shouyun 吳守允	–	134	–	–	–	134
<i>Non-executive Directors:</i>						
Mr. Chen Shaobing 陳少兵	–	109	10	–	–	119
Mr. Wu Lianqiao 吳聯橋	–	24	2	–	–	26
Mr. Ye Yandeng 葉燕燈	–	115	10	–	–	125
<i>Independent non-executive directors:</i>						
Mr. Lei Yuchun 雷裕春	–	18	–	–	–	18
Mr. Li Chunyou 李春友	–	18	–	–	–	18
Ms. Li Jing 李靜	–	–	–	–	–	–
Sub-total	–	418	22	–	–	440

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three months ended March 31, 2026						
<i>Executive director:</i>						
Mr. Wu Shouyun 吳守允	–	102	–	–	–	102
<i>Non-executive Directors:</i>						
Mr. Chen Shaobing 陳少兵	–	107	10	–	–	117
Mr. Wu Lianqiao 吳聯橋	–	32	9	–	–	41
Ms. Shang Xinwen 商馨文	–	60	10	–	–	70
<i>Independent non-executive directors:</i>						
Mr. Lei Yuchun 雷裕春	–	18	–	–	–	18
Mr. Li Chunyou 李春友	–	18	–	–	–	18
Ms. Li Jing 李靜	–	–	–	–	–	–
Sub-total	–	337	29	–	–	366

Notes:

- (a) Mr. Wu Shouyun 吳守允 is the Chairman of the Group.
- (b) Mr. Chen Shaobing 陳少兵 was appointed as non-executive director on November 27, 2023.
- (c) Mr. Zheng Youze 鄭有澤 resigned as non-executive director on November 3, 2023.
- (d) Ms. Zeng Yaoyao 曾瑤瑤 resigned as non-executive director on September 1, 2023.
- (e) Mr. Lei Yuchun 雷裕春 was appointed as independent non-executive director on September 1, 2023.
- (f) Mr. Li Chunyou 李春友 was appointed as independent non-executive director on September 1, 2023.
- (g) Ms. Li Jing 李靜 was appointed as independent non-executive director on September 1, 2023.
- (h) Ms. Shang Xinwen 商馨文 was appointed as employee representative director on December 29, 2025.
- (i) Mr. Ye Yandeng 葉燕燈 resigned as non-executive director on December 29, 2025.

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors, former Directors, former Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company.

No compensation was paid by the Group to, or receivable by, the Directors, former Directors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of the Group. Furthermore, none of the Directors, former Directors, or former Supervisors had waived or agreed to waive any emoluments during the same periods.

APPENDIX I

ACCOUNTANTS’ REPORT

b. Supervisors

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-Settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2023						
<i>Supervisors:</i>						
Mr. Huang Qiang 黃強 (<i>Note (a)</i>)	–	123	24	40	15	202
Mr. Lao Shaojian 勞紹堅 (<i>Note (b)</i>)	–	36	5	6	33	80
Mr. Li Hai 李海	–	225	36	100	–	361
Ms. Shang Xinwen 商馨文	–	109	12	15	–	136
Sub-total	–	493	77	161	48	779
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-Settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2024						
<i>Supervisors:</i>						
Mr. Lao Shaojian 勞紹堅	–	113	16	15	33	177
Mr. Li Hai 李海	–	250	39	100	–	389
Ms. Shang Xinwen 商馨文	–	373	39	80	–	492
Sub-total	–	736	94	195	33	1,058
	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-Settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2025						
<i>Supervisors:</i>						
Mr. Lao Shaojian 勞紹堅 (<i>Note (c)</i>)	–	119	16	20	–	155
Mr. Li Hai 李海 (<i>Note (c)</i>)	–	262	39	100	–	401
Ms. Shang Xinwen 商馨文 (<i>Note (c)</i>)	–	249	39	80	–	368
Sub-total	–	630	94	200	–	924

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three months ended March 31, 2025 (unaudited)						
<i>Supervisors:</i>						
Mr. Lao Shaojian 勞紹堅	–	30	4	–	–	34
Mr. Li Hai 李海	–	80	10	–	–	90
Ms. Shang Xinwen 商馨文	–	60	10	–	–	70
Total	–	170	24	–	–	194

Notes:

- (a) Mr. Huang Qiang 黃強 resigned as supervisor on September 26, 2023.
- (b) Mr. Lao Shaojian 勞紹堅 was appointed as supervisor on September 1, 2023.
- (c) On December 29, 2025, the company held the 2025 Resolutions of the 2nd Extraordinary General Meeting of shareholders, at which the proposal “On the Cancellation of the Board of Supervisors, the Revision of the Articles of Association and Relevant Rules of Procedure” was reviewed and adopted. The company will no longer establish a Board of Supervisors, and the functions and powers of the Board of Supervisors shall be exercised by the Audit Committee of the Board of Directors. The “Rules of Procedure for the Board of Supervisors” shall be repealed accordingly. Mr. Lao Shaojian 勞紹堅, Ms. Shang Xinwen 商馨文 and Mr. Li Hai 李海, supervisors of the Second Session of the Board of Supervisors, have been relieved of their positions as supervisors.

c. Five highest paid individuals

None of the five highest paid individuals received any compensation for loss of office in connection with the management of the affairs of any member of the Group or as inducement to join the Company during the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026.

The five highest paid employees included 0 directors, 2 directors, 0 directors, 0 directors (unaudited) and 0 directors, for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 respectively, details of whose remuneration are set out in note (a) above. Details of the remuneration for the year of the remaining 5, 3, 5, 5 (unaudited) and 5 highest paid non-director employees for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 respectively who are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, allowances and other benefits	5,086	4,688	6,702	1,572	1,224
Discretionary performance related bonus (note)	708	672	706	–	–
Retirement benefits scheme contributions	45	38	61	16	38
	5,839	5,398	7,469	1,588	1,262

Note:

The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group’s performance.

APPENDIX I

ACCOUNTANTS’ REPORT

The number of the highest paid employees who are not the directors, supervisors or chief executive of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees (unaudited)</i>	<i>No. of employees</i>
Nil to HKD1,000,000 . . .	3	1	2	5	5
HKD1,000,001 to HKD1,500,000	–	–	–	–	–
HKD1,500,001 to HKD2,000,000	2	–	1	–	–
HKD2,000,001 to HKD2,500,000	–	1	2	–	–
HKD2,500,001 to HKD3,000,000	–	1	–	–	–
	<u>5</u>	<u>3</u>	<u>5</u>	<u>5</u>	<u>5</u>

12. INCOME TAX EXPENSE/(CREDIT)

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000</i>
Current tax:					
PRC Enterprise Income Tax	2,828	3,033	2,442	32	1,481
Deferred tax (<i>Note 21</i>) . . .	<u>205</u>	<u>(1,110)</u>	<u>(5,398)</u>	<u>642</u>	<u>(1,369)</u>
	<u>3,033</u>	<u>1,923</u>	<u>(2,956)</u>	<u>674</u>	<u>112</u>

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

The expense substantially represents PRC Enterprise Income Tax for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable for the PRC group entities is 25% for the Track Record Period.

In compliance with the Announcement [2023] No.6 and Announcement [2023] No.12 of the Ministry of Finance and the State Taxation Administration on Preferential Corporate Income Tax Policies for Small and Low-Profit Enterprises and Individual Businesses, eligible small and low-profit enterprises within the Group are entitled to reduced corporate income tax liabilities for the period from January 1, 2023 to December 31, 2027. For the portion of annual taxable income not exceeding RMB3 million, the applicable tax is calculated at 25% of the taxable income amount and is then subject to a 20% tax rate.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to Article 27, Item 1 of the Enterprise Income Tax Law of the PRC and Article 86 of its Implementation Regulations, enterprises are exempt from Enterprise Income Tax (“EIT”) for income derived from livestock breeding and the primary processing of agricultural products. Accordingly, the wholly-owned subsidiaries of the Company engaged in livestock breeding activities are entitled to the EIT exemption policy. Furthermore, pursuant to the Circular on Issuing the Scope of Primary Processing of Agricultural Products Entitled to Preferential Enterprise Income Tax Policies (Trial) (Cai Shui [2008] No. 149), the income derived by the Company 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.

APPENDIX I

ACCOUNTANTS’ REPORT

Pursuant to the relevant laws and regulations, including the Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Region Development (Announcement [2020] No. 23) and the Circular on Tax Policies for In-depth Implementation of the Western Region Development Strategy (Cai Shui [2011] No. 58), the Company and its subsidiaries located in the western regions are entitled to a preferential EIT rate of 15% from January 1, 2021 to December 31, 2030.

Furthermore, under the policies promoting the development of the Guangxi Beibu Gulf Economic Zone (e.g., Gui Zheng Fa [2014] No. 5 and Gui Zheng Fa [2020] No. 42), the 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, the 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 years ended December 31, 2024 and 2025.

Income tax expense/(credit) for the year/period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Profit before tax	235,985	312,302	231,837	53,000	57,291
Tax at PRC EIT rate of 25% .	58,996	78,076	57,959	13,250	14,323
Effect of tax concessionary rates granted to the PRC subsidiaries	(25,252)	(31,254)	(25,243)	(6,191)	(7,369)
Tax effect of non-taxable income	(1,667)	(2,815)	(374)	(146)	(756)
Tax effect of non-deductible expenses	2,674	3,487	6,596	611	1,198
Additional deduction of research and development expenses and other qualified expenditures	(1,095)	(1,400)	(1,362)	(124)	(122)
Tax effect of tax incentives/concessions	(37,215)	(47,969)	(40,518)	(8,219)	(11,982)
Tax losses utilized from previous periods	(1,167)	(9,024)	(14,686)	(1,027)	(1,262)
Tax effect of tax losses not recognized	7,759	12,822	14,672	2,520	6,082
	<u>3,033</u>	<u>1,923</u>	<u>(2,956)</u>	<u>674</u>	<u>112</u>

APPENDIX I

ACCOUNTANTS’ REPORT

13. DIVIDENDS

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividend for ordinary shareholders of the Company	20,026	—	—	—	—

On August 16, 2023, the Company declared a cash dividend of RMB1.21 per 10 shares (including tax) in respect of the year ended December 31, 2022. The proposed dividend was approved on September 1, 2023, and an aggregate amount of approximately RMB20,026,000 was paid on September 27, 2023.

On April 27, 2026, the Company declared a cash dividend of RMB3.63 per 10 shares (including tax) in respect of the year ended December 31, 2025. The proposed dividend was approved on May 18, 2026, and an aggregate amount of approximately RMB60,077,000 was paid on June 8, 2026.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

No diluted earnings per share for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 as there were no potential ordinary shares in issue during the Track Record Period.

The calculation of the basic and diluted earnings per share on the following data:

Earnings figures are calculated as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period attributable to owners of the Company	232,952	305,154	236,287	55,151	55,736

Number of shares

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary shares in issue	165,502*	165,502	165,502	165,502	165,502

* The weighted average number of ordinary shares for purpose of basic and diluted earning per share has been adjusted for the capitalization issue on June 12, 2023. For the details of the capitalization issue, please refer to Note 31.

APPENDIX I

ACCOUNTANTS’ REPORT

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Office and electronic equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
As at January 1, 2023	88,801	136,006	742	5,199	–	138,138	368,886
Additions	45,187	9,105	51	546	–	158,020	212,909
Transfer from construction in progress	106,081	39,597	896	–	–	(146,574)	–
Disposals/write-off	–	(610)	–	–	–	(535)	(1,145)
As at December 31, 2023 and January 1, 2024	240,069	184,098	1,689	5,745	–	149,049	580,650
Additions	25,668	11,932	429	1,057	2,489	100,124	141,699
Acquisition of assets	–	–	–	–	–	8,571	8,571
Transfer from construction in progress	181,949	60,437	56	–	–	(242,442)	–
As at December 31, 2024 and January 1, 2025	447,686	256,467	2,174	6,802	2,489	15,302	730,920
Additions	803	28,046	1,120	3,330	717	106,510	140,526
Transfer from construction in progress	33,286	44,618	–	–	–	(77,904)	–
Disposals/write-off	–	(7)	–	–	–	–	(7)
As at December 31, 2025 and January 1, 2026	481,775	329,124	3,294	10,132	3,206	43,908	871,439
Additions	356	2,119	663	249	4	16,108	19,499
Transfer from construction in progress	358	432	–	–	–	(790)	–
Disposals/write-off	–	(8,684)	–	–	–	(412)	(9,096)
As at March 31, 2026	482,489	322,991	3,957	10,381	3,210	58,814	881,842
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
As at January 1, 2023	8,725	24,084	337	2,412	–	–	35,558
Depreciation charge	7,346	15,459	224	1,213	–	–	24,242
Eliminated on disposals	–	(367)	–	–	–	–	(367)
As at December 31, 2023 and January 1, 2024	16,071	39,176	561	3,625	–	–	59,433
Depreciation charge	13,448	20,469	482	986	124	–	35,509
As at December 31, 2024 and January 1, 2025	29,519	59,645	1,043	4,611	124	–	94,942
Depreciation charge	22,284	27,568	574	1,361	497	–	52,284
Eliminated on disposals	–	(3)	–	–	–	–	(3)
As at December 31, 2025 and January 1, 2026	51,803	87,210	1,617	5,972	621	–	147,223
Depreciation charge	5,855	7,973	205	355	125	–	14,513
Eliminated on disposals	–	(2,615)	–	–	–	–	(2,615)
As at March 31, 2026	57,658	92,568	1,822	6,327	746	–	159,121
CARRYING AMOUNT							
As at December 31, 2023	223,998	144,922	1,128	2,120	–	149,049	521,217
As at December 31, 2024	418,167	196,822	1,131	2,191	2,365	15,302	635,978
As at December 31, 2025	429,972	241,914	1,677	4,160	2,585	43,908	724,216
As at March 31, 2026	424,831	230,423	2,135	4,054	2,464	58,814	722,721

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Buildings	Machinery and equipment	Office and electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
As at January 1, 2023	10,416	54,660	287	4,606	64,757	134,726
Additions	40,934	8,520	22	546	53,719	103,741
Transfer from construction in progress	33,795	31,833	896	–	(66,524)	–
Disposals/write-off	–	(610)	–	–	–	(610)
As at December 31, 2023 and January 1, 2024 . .	85,145	94,403	1,205	5,152	51,952	237,857
Additions	25,431	10,624	136	653	16,187	53,031
Transfer from construction in progress	35,053	19,265	–	–	(54,318)	–
As at December 31, 2024 and January 1, 2025 . .	145,629	124,292	1,341	5,805	13,821	290,888
Additions	45	23,504	64	136	46,779	70,528
Transfer from construction in progress	19,853	40,747	–	–	(60,600)	–
As at December 31, 2025 and January 1, 2026 . .	165,527	188,543	1,405	5,941	–	361,416
Additions	–	318	–	–	–	318
Disposals/write-off	–	(8,684)	–	–	–	(8,684)
As at March 31, 2026	165,527	180,177	1,405	5,941	–	353,050
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As at January 1, 2023	3,263	13,951	160	2,188	–	19,562
Depreciation charge	2,657	7,384	76	1,072	–	11,189
Eliminated on disposals	–	(367)	–	–	–	(367)
As at December 31, 2023 and January 1, 2024 . .	5,920	20,968	236	3,260	–	30,384
Depreciation charge	5,505	10,855	349	832	–	17,541
As at December 31, 2024 and January 1, 2025 . .	11,425	31,823	585	4,092	–	47,925
Depreciation charge	7,806	14,143	349	620	–	22,918
As at December 31, 2025 and January 1, 2026 . .	19,231	45,966	934	4,712	–	70,843
Depreciation charge	2,075	4,480	89	136	–	6,780
Eliminated on disposals	–	(2,615)	–	–	–	(2,615)
As at March 31, 2026	21,306	47,831	1,023	4,848	–	75,008
CARRYING AMOUNT						
As at December 31, 2023	79,225	73,435	969	1,892	51,952	207,473
As at December 31, 2024	134,204	92,469	756	1,713	13,821	242,963
As at December 31, 2025	146,296	142,577	471	1,229	–	290,573
As at March 31, 2026	144,221	132,346	382	1,093	–	278,042

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the period at the rates per annum as follows:

Buildings	10-40 years
Machinery and equipment	5-10 years
Office and electronic equipment	3-5 years
Motor vehicles	3-5 years
Leasehold improvement	Over the lease term

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Leased properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CARRYING AMOUNT			
At January 1, 2023	156,176	1,286	157,462
Depreciation charge	(3,850)	(141)	(3,991)
Lease remeasurement	—	(1,145)	(1,145)
At December 31, 2023 and January 1, 2024	152,326	—	152,326
Additions	6,853	1,786	8,639
Depreciation charge	(3,907)	(382)	(4,289)
At December 31, 2024 and January 1, 2025	155,272	1,404	156,676
Additions	25,948	—	25,948
Depreciation charge	(4,827)	(465)	(5,292)
Lease remeasurement	—	(296)	(296)
At December 31, 2025 and January 1, 2026	176,393	643	177,036
Depreciation charge	(1,530)	(124)	(1,654)
Lease remeasurement	(1,285)	(80)	(1,365)
At March 31, 2026	173,578	439	174,017

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	233	674	1,010	294	317
Total cash outflow for leases	223	2,392	6,542	432	496

APPENDIX I

ACCOUNTANTS’ REPORT

16. RIGHT-OF-USE ASSETS

The Company

	Leasehold lands	Leased properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CARRYING AMOUNT			
At January 1, 2023	30,799	1,286	32,085
Depreciation charge	(846)	(141)	(987)
Lease remeasurement	—	(1,145)	(1,145)
At December 31, 2023 and January 1, 2024	29,953	—	29,953
Additions	—	462	462
Depreciation charge	(845)	(25)	(870)
At December 31, 2024 and January 1, 2025	29,108	437	29,545
Additions	—	—	—
Depreciation charge	(844)	(221)	(1,065)
Lease remeasurement	—	(124)	(124)
At December 31, 2025 and January 1, 2026	28,264	92	28,356
Depreciation charge	(212)	(12)	(224)
Lease remeasurement	—	(80)	(80)
At March 31, 2026	<u>28,052</u>	<u>—</u>	<u>28,052</u>

During the Track Record Period, the leasehold lands of the Group represented the lease payment for lands located in the PRC with the fixed period of 8 years to 50 years. The remaining lease term is 1 years to 45 years as at March 31, 2026.

The Group leases various leasehold buildings for its operations. Lease contracts are entered into for fixed term of not more than 3 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for certain properties. As at December 31, 2023, 2024 and 2025 and March 31, 2026, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

The Group’s lease agreements do not contain any variable lease payments nor any extension or purchase option for lessee.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Restrictions or covenants on leases

In addition, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The management conducted impairment assessment on relevant right-of-use assets and no impairment has been recognized.

APPENDIX I

ACCOUNTANTS’ REPORT

17. INTANGIBLE ASSETS

The Group

	Software
	<i>RMB'000</i>
COST	
As at January 1, 2023	455
Additions	170
	<hr/>
As at December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025, December 31, 2025, January 1, 2026 and March 31, 2026	625
	<hr/>
ACCUMULATED AMORTIZATION	
As at January 1, 2023	202
Amortization charge	190
	<hr/>
As at December 31, 2023 and January 1, 2024	392
Amortization charge	158
	<hr/>
As at December 31, 2024 and January 1, 2025	550
Amortization charge	56
	<hr/>
As at December 31, 2025 and January 1, 2026	606
Amortization charge	14
	<hr/>
As at March 31, 2026	620
	<hr/>
CARRYING AMOUNT	
As at December 31, 2023	233
	<hr/> <hr/>
As at December 31, 2024	75
	<hr/> <hr/>
As at December 31, 2025	19
	<hr/> <hr/>
As at March 31, 2026	5
	<hr/> <hr/>

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software 5-10 years

APPENDIX I

ACCOUNTANTS’ REPORT

18. INTERESTS IN ASSOCIATE

Aggregate information of associate that is not individually material

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The Group’s share of profit for the year/period	—	—	—	—	—

The Group has discontinued recognizing its share of losses of the associate. The amounts of the Group’s unrecognized share of losses, extracted from the management accounts of the associate, for the year and cumulatively, are as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Unrecognized share of loss of the associate for the year/period	—	200	50	18	185

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated unrecognized share of losses of the associate	—	200	250	435

19. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted wealth management products (note)	—	82,000	171,483	231,640

Note:

The unlisted wealth management products represent the structured deposits which were issued by banks in PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

APPENDIX I

ACCOUNTANTS’ REPORT

20. BIOLOGICAL ASSETS

(a) Nature of activities

Dairy cows/buffaloes owned by the Group are primarily held to produce milk.

The Group’s biological assets contain heifers and calves, milkable cows/buffaloes, breeding bulls and young male cattle. Heifers and calves held at the end of each of the Track Record Period are dairy cows and buffaloes that have not had their first calves.

The following table sets forth the number of our dairy cows/buffaloes as of the dates indicated.

	As at December 31,			As at
	2023	2024	2025	March 31,
	<i>Heads</i>	<i>Heads</i>	<i>Heads</i>	<i>Heads</i>
Biological assets				
Milkable cows/buffaloes ⁽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 buffalo typically undergoes a lactation cycle of approximately 300 days, 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.

A milkable cow typically undergoes a lactation cycle of approximately 305 days, 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, Buffalo heifers are inseminated when they reach approximately 18 to 24 months of age, provided they have reached the target body weight. After a gestation period of approximately 10.5 months (around 310 days), a calf is born. Following calving, the heifer transitions into a milkable cow/buffalo and commences raw milk production.

Dairy heifers are inseminated when they reach approximately 13 to 15 months of age, provided they have reached the target body weight. After a gestation period of approximately 9 months (around 280 days), a calf is born. Following calving, the heifer transitions into a milkable cow 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/buffaloes.” This transfer is recorded based on the estimated fair value less costs to sell as of the date of transfer.

The Group is exposed to a number of risks related to its biological assets as follows:

i. Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

ii. Climate, disease and other natural risks

The Group’s biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Quantity of the agricultural produce of the Group’s biological assets

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
				<i>(unaudited)</i>	
Volume of raw milk produced for sale (<i>kg</i>)	1,095	2,724	26,959	4,324	8,371

(c) Value of biological assets

	At December 31,			At March 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Biological assets				
Milkable cows/buffaloes ⁽¹⁾	16,458	72,329	66,671	70,061
Heifers and calves ^{(2) (3)}	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

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Milkable cows/ buffaloes	Heifers and calves	Breeding bulls and young male cattle	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 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
At 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
At 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)
At 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	10,683
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	735	(718)	3,302
At March 31, 2026	70,061	39,439	1,236	110,736

The Group has engaged Asia-Pacific Consulting and Appraisal Limited, an independent firm of professional valuers, to assist it in assessing the fair values of the Group’s dairy cattle, breeding bulls and young male. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuation was performed properly. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Note 38(d).

APPENDIX I

ACCOUNTANTS’ REPORT

The aggregate gain arising on initial recognition of agricultural produce and the aggregate loss arising from the change in fair value less costs to sell of biological assets during the Track Record Period is analysed as follows:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest .	12,148	24,081	108,931	19,001	33,190
Gains/(losses) arising from changes in fair value less costs to sell of biological assets . . .	5,518	13,220	(2,200)	(4,834)	3,302
	<u>17,666</u>	<u>37,301</u>	<u>106,731</u>	<u>14,167</u>	<u>36,492</u>

21. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognized and movements thereon during the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026:

The Group

Deferred tax assets

	Provision for Impairment of assets	Unused tax losses	Lease liabilities	Refund liabilities	Accrued expenses	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	46	–	181	–	1,373	743	2,343
Credited/(charged) to profit or loss	<u>142</u>	<u>–</u>	<u>(181)</u>	<u>–</u>	<u>(306)</u>	<u>(53)</u>	<u>(398)</u>
As at December 31, 2023 and January 1, 2024	188	–	–	–	1,067	690	1,945
Credited/(charged) to profit or loss	<u>158</u>	<u>–</u>	<u>288</u>	<u>–</u>	<u>1,046</u>	<u>(75)</u>	<u>1,417</u>
As at December 31, 2024 and January 1, 2025	346	–	288	–	2,113	615	3,362
Credited/(charged) to profit or loss	<u>216</u>	<u>2,188</u>	<u>(154)</u>	<u>29</u>	<u>2,684</u>	<u>305</u>	<u>5,268</u>
As at December 31, 2025 and January 1, 2026	562	2,188	134	29	4,797	920	8,630
Credited/(charged) to profit or loss	<u>74</u>	<u>(913)</u>	<u>(45)</u>	<u>8</u>	<u>2,194</u>	<u>18</u>	<u>1,336</u>
As at March 31, 2026	<u>636</u>	<u>1,275</u>	<u>89</u>	<u>37</u>	<u>6,991</u>	<u>938</u>	<u>9,966</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

	Right-of-use assets	Others	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2023	193	—	193
Charged to profit or loss	(193)	—	(193)
As at December 31, 2023 and January 1, 2024	—	—	—
Credited to profit or loss	307	—	307
As at December 31, 2024 and January 1, 2025	307	—	307
Credited/(charged) to profit or loss	(156)	26	(130)
As at December 31, 2025 and January 1, 2026	151	26	177
Credited/(charged) to profit or loss	(41)	8	(33)
As at March 31, 2026	110	34	144

As at December 31, 2023, 2024 and 2025 and March 31, 2026, the Group has unused tax losses and deductible temporary differences for which no deferred tax assets have been recognized as follows:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	83,057	92,494	108,312	121,556
Deductible temporary differences	8,343	14,066	30,538	32,123
Total	91,400	106,560	138,850	153,679

The Company

Deferred tax assets

	Provision for Impairment of assets	Lease liabilities	Refund liabilities	Accrued expenses	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	318	181	—	1,373	—	1,872
Credited/(charged) to profit or loss	999	(181)	—	(306)	690	1,202
As at December 31, 2023 and January 1, 2024	1,317	—	—	1,067	690	3,074
Credited/(charged) to profit or loss	1,930	46	615	1,047	(690)	2,948
As at December 31, 2024 and January 1, 2025	3,247	46	615	2,114	—	6,022
Credited/(charged) to profit or loss	2,205	(33)	(598)	967	874	3,415
As at December 31, 2025 and January 1, 2026	5,452	13	17	3,081	874	9,437
Credited/(charged) to profit or loss	910	(13)	—	999	19	1,915
As at March 31, 2026	6,362	—	17	4,080	893	11,352

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

	Right-of- use-assets	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2023	193	–	193
Credited/(charged) to profit or loss	(193)	–	(193)
As at December 31, 2023 and January 1, 2024	–	–	–
Credited to profit or loss	66	–	66
As at December 31, 2024 and January 1, 2025	66	–	66
Credited/(charged) to profit or loss	(52)	13	(39)
As at December 31, 2025 and January 1, 2026	14	13	27
Charged to profit or loss	(14)	–	(14)
At March 31, 2026	<u>–</u>	<u>13</u>	<u>13</u>

The Company has no unused tax losses and deductible temporary differences during the Track Record Period

No deferred tax asset has been recognized in respect of the above items due to the uncertainty of sufficient future taxable profits.

The Group has tax losses arising in PRC of RMB83,057,000, RMB92,494,000, RMB108,312,000 and RMB121,556,000 as at December 31, 2023, 2024 and 2025 and March 31, 2026, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

22. TRADE RECEIVABLES

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	17,439	21,561	45,571	75,296
Less: Allowance for expected credit losses	(920)	(1,078)	(2,281)	(3,811)
	<u>16,519</u>	<u>20,483</u>	<u>43,290</u>	<u>71,485</u>

Details of balance of related parties of trade receivables are set out in Note 40 (b).

As at January 1, 2023, trade receivables, net of allowance for credit losses amounted to RMB1,363,000.

The Group generally allows a credit period ranging from 0 to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral over these balances.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an aged analysis of trade receivables for credit losses presented based on invoice date/delivery date at the end of the reporting period:

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
Trade receivables				
Within 30 days	10,824	13,466	18,477	29,323
31-60 days	2,028	4,242	12,625	9,425
61-90 days	4,450	1,445	4,620	6,858
91-120 days	86	1,523	4,270	8,379
Over 120 days	51	885	5,579	21,311
Total	17,439	21,561	45,571	75,296

Details of impairment assessment of trade receivables for the years ended December 31, 2023, 2024 and 2025 and three months ended March 31, 2026 are set out in Note 38 (c).

The Company

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
Trade receivables	16,610	19,537	32,279	50,744
Less: Allowance for expected credit losses	(878)	(977)	(1,614)	(2,581)
	15,732	18,560	30,665	48,163

Details of balance of related parties of trade receivables are set out in Note 40 (b).

The following is an aged analysis of trade receivables for credit losses presented based on invoice date/delivery date at the end of the reporting period:

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
Trade receivables				
Within 30 days	10,316	12,340	7,576	11,257
31-60 days	1,941	3,933	11,806	5,561
61-90 days	4,302	1,310	3,616	6,263
91-120 days	–	1,453	3,867	6,764
Over 120 days	51	501	5,414	20,899
Total	16,610	19,537	32,279	50,744

APPENDIX I

ACCOUNTANTS’ REPORT

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Deposits for land auction . . .	–	–	6,000	6,000
Value added tax recoverable . .	15,325	29,194	66,910	60,857
Right to return asset	–	–	447	663
Prepayments to suppliers and service providers (note (a))	12,638	19,656	34,342	29,388
Prepayments for purchase of property, plant and equipment	10,209	12,010	2,829	7,843
Rental deposits	–	84	268	261
Deposits paid to E-commerce platform and other deposits	3,720	4,119	4,660	4,628
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	2	119	24	787
	41,894	65,182	115,480	113,853
Less: Allowance for expected credit losses	(940)	(1,226)	(2,087)	(1,751)
	40,954	63,956	113,393	112,102
Analysed as:				
Current	30,745	51,946	110,564	104,259
Non-current	10,209	12,010	2,829	7,843
	40,954	63,956	113,393	112,102

Notes:

- (a) Prepayments to suppliers and service providers mainly represent amounts prepaid by the Company for purchase of goods, fees for commissioned technology research and development, and freight charges.
- (b) Details of impairment assessment of other receivables and deposits for the year ended December 31, 2023, 2024 and 2025 and three months ended March 31, 2026 are set in Note 38 (c).

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for land auction . . .	–	–	3,000	3,000
Value added tax recoverable . .	3,171	2,334	20,476	12,354
Right to return asset	–	–	89	89
Prepayments to suppliers and service providers	8,833	9,542	12,258	7,299
Prepayments for purchase of property, plant and equipment	3,925	8,666	2,197	4,173
Rental deposits	–	27	4	–
Deposits paid to E-commerce platform and other deposits.	2,123	2,845	2,830	1,869
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	2	49	–	361
	18,054	23,463	40,854	32,571
Less: Allowance for expected credit losses	(377)	(1,151)	(1,761)	(1,345)
	17,677	22,312	39,093	31,226
Analysed as:				
Current	13,752	13,646	36,896	27,053
Non-current	3,925	8,666	2,197	4,173
	17,677	22,312	39,093	31,226

24. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED BANK DEPOSITS

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents . . .	222,723	286,474	291,006	126,322
Time deposits				
Current	40,000	88,000	132,394	160,652
Non-current	–	30,000	–	–
	40,000	118,000	132,394	160,652
Restricted bank deposits	–	511	–	–

Cash and cash equivalents include bank balances with original maturities less than three months carrying interest at market rates ranging from 0.2% to 1.90%, 0.1% to 1.90%, 0.05% to 0.75% and 0.05% to 0.75% per annum as at December 31, 2023, 2024 and 2025 and March 31, 2026 respectively.

As at December 31, 2023, 2024 and 2025 and March 31, 2026, the time deposits carry fixed interest rate ranging from 3.5%, 1.8% to 2.55%, 1.35% to 2.55% and 1.35% to 1.50% per annum, respectively.

As at December 31, 2024, bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations amounting to RMB511,000 can only be applied in the designated projects. The balances carry interest at an interest rate of 0.1% per annum.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents . . .	162,714	165,644	98,334	26,243
Time deposits	40,000	—	—	—

25. INVENTORIES

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
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
	64,821	110,817	169,899	148,440

Note:

Finished goods are net of a write-off of approximately RMB236,000, RMB4,635,000, RMB1,583,000 and RMB2,561,000 as at December 31, 2023, 2024 and 2025 and March 31, 2026.

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	23,009	23,497	58,512	46,007
Finished goods	17,573	24,756	7,800	5,721
Goods in transit	4,060	5,264	7,389	4,068
Low value consumables	2,244	470	841	1,085
	46,886	53,987	74,542	56,881

Finished goods are net of a write-down of approximately RMB153,000, RMB1,710,000, RMB492,000 and RMB83,000 as at December 31, 2023, 2024 and 2025 and March 31, 2026.

26. TRADE PAYABLES

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	75,617	119,345	131,869	113,384

APPENDIX I

ACCOUNTANTS’ REPORT

The credit period of trade creditors is generally within one year. The following is an aged analysis of trade payables presented based on the invoice dates:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	74,517	118,152	114,980	102,586
More than one year	1,100	1,193	16,889	10,798
	<u>75,617</u>	<u>119,345</u>	<u>131,869</u>	<u>113,384</u>

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	<u>60,025</u>	<u>73,047</u>	<u>80,523</u>	<u>70,343</u>

The credit period of trade creditors is generally within one year. The following is an aged analysis of trade payables presented based on the invoice dates:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	59,998	72,921	80,402	70,224
More than one year	27	126	121	119
	<u>60,025</u>	<u>73,047</u>	<u>80,523</u>	<u>70,343</u>

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued payroll and welfare	7,566	10,799	15,009	13,205
Other taxes payables	4,696	8,746	16,218	5,809
Deposits received from customers	5,872	8,770	9,652	10,160
Others (note).	<u>1,820</u>	<u>4,977</u>	<u>3,979</u>	<u>2,139</u>
	<u>19,954</u>	<u>33,292</u>	<u>44,858</u>	<u>31,313</u>

Note:

Others comprise refund liabilities arising from expected sales returns and other miscellaneous payables, with the refund liabilities amounting to RMBnil, RMBnil, RMB552,000 and RMB723,000 as at December 31, 2023, 2024, 2025 and March 31, 2026, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Accrued payroll and welfare	5,025	6,743	7,672	6,700
Other taxes payables	1,534	4,367	4,819	535
Deposits received from customers	5,035	7,853	8,780	9,095
Others (note).	1,289	1,228	1,776	452
	<u>12,883</u>	<u>20,191</u>	<u>23,047</u>	<u>16,782</u>

Note:

Others comprise refund liabilities arising from expected sales returns and other miscellaneous payables, with the refund liabilities amounting to nil, nil, RMB113,000 and RMB115,000 as at December 31, 2023, 2024, 2025 and March 31, 2026, respectively.

28. CONTRACT LIABILITIES

The Group

	As at January 1,	As at December 31,			As at March 31,
	2023	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Advances from customers for dairy products	18,193	12,725	63,142	115,061	15,728
Accrued sales rebates	9,857	14,083	20,778	29,997	42,346
	<u>28,050</u>	<u>26,808</u>	<u>83,920</u>	<u>145,058</u>	<u>58,074</u>

Contract liabilities are expected to be settled within the Group’s normal operating cycle and will be recognized as revenue when the related performance obligations are satisfied. The management of the Group expects the contract liabilities at the respective reporting period end will be recognized as revenue within one year.

Revenue recognized during each reporting period included the whole amount of contract liabilities at the beginning of the respective reporting period. There was no revenue recognized during the Track Record Period that related to performance obligations that were satisfied in prior years.

Advances from customers for dairy products

The performance obligation is satisfied upon delivery and acceptance of the dairy products. The Group generally requires distributors to make payments in advance before the delivery of products.

Accrued sales rebate

The Group provides incentives to distributors in the form of volume rebates, discount and other promotion. The distributors can then redeem such incentives for free goods and such incentives provide a material right to distributors. The consideration received or receivable from the dairy products sold is allocated to the incentives earned by distributors on a relative stand-alone selling prices which reflect the discount that distributors would obtain when redeeming the incentives, and deferred with contract liabilities recognized. Such contract liabilities are recognized as revenue until the incentives are redeemed when the Group fulfils its obligations to supply goods.

The increase in contract liabilities as at December 31, 2024 and 2025 was mainly due to the increase in advances received from customers for dairy products alongside the steady growth in accrued sales rebates in line with the Group’s expanding sales scale.

The decrease in contract liabilities as at March 31, 2026 was primarily driven by the recognition of year-end customer advances as revenue upon the satisfaction of performance obligations through the delivery of products during the period.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at January 1, 2023	As at December 31,			As at March 31, 2026
	2023	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers for dairy products	10,067	8,015	34,606	44,291	5,261
Accrued sales rebates	9,151	7,110	14,091	20,542	27,196
	19,218	15,125	48,697	64,833	32,457

29. LEASE LIABILITIES

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	115	440	902	2,133
More than one year but less than two years	52	594	1,817	1,660
More than two years but less than five years	121	331	4,895	4,893
More than five years	479	6,443	20,476	18,246
	767	7,808	28,090	26,932
Less: Amount due for settlement within 12 months shown under current liabilities	(115)	(440)	(902)	(2,133)
Amount due for settlement after 12 months shown under non-current liabilities	652	7,368	27,188	24,799

The weighted average incremental borrowing rates applied to lease liabilities were 4.55%, 3.7%, 3.55% and 3.55% per annum as at December 31, 2023, 2024 and 2025 and March 31, 2026, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB’000	RMB’000	RMB’000	2026
				RMB’000
Lease liabilities payable:				
Within one year	–	150	84	–
More than one year but less than two years	–	155	–	–
More than two years but less than five years	–	–	–	–
	–	305	84	–
Less: Amount due for settlement within 12 months shown under current liabilities	–	(150)	(84)	–
Amount due for settlement after 12 months shown under non-current liabilities	–	155	–	–

The weighted average incremental borrowing rates applied to lease liabilities were nil, 3.6%, 3.6% and nil per annum as at December 31, 2023, 2024 and 2025 and March 31, 2026, respectively.

30. DEFERRED INCOME

The Group

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB’000	RMB’000	RMB’000	2026
				RMB’000
At January 1,	4,953	4,599	4,277	7,009
Government grants received (note)	–	180	3,234	238
Released to the statement of profit or loss (Note 7)	(354)	(502)	(502)	(125)
	4,599	4,277	7,009	7,122
Analysed as:				
Current	502	502	502	502
Non-current	4,097	3,775	6,507	6,620
	4,599	4,277	7,009	7,122

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	4,953	4,599	4,097	5,829
Government grants received (note)	—	—	2,234	250
Released to the statement of profit or loss	(354)	(502)	(502)	(125)
	<u>4,599</u>	<u>4,097</u>	<u>5,829</u>	<u>5,954</u>
Analysed as:				
Current	502	502	502	502
Non-current	<u>4,097</u>	<u>3,595</u>	<u>5,327</u>	<u>5,452</u>
Total	<u>4,599</u>	<u>4,097</u>	<u>5,829</u>	<u>5,954</u>

Note:

The government grants received for capital expenditure incurred for the acquisition of property, plant and equipment and right-of-use assets. The amounts are deferred and are credited to the profit or loss on a systematic basis over the useful lives of the related assets.

31. SHARE CAPITAL

The Group and the Company

	Number of issued and fully paid shares	Share capital
	'000	RMB'000
Ordinary shares of RMB1.00 each		
Issued/fully paid:		
At January 1, 2023	35,832	35,832
Capitalization issue (note a)	<u>129,670</u>	<u>129,670</u>
As at December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025, December 31, 2025, January 1, 2026 and March 31, 2026	<u>165,502</u>	<u>165,502</u>

Notes:

- On June 12, 2023, the Company converted the capital reserve formed from the premium on share issuance into share capital in the amount of RMB129,670,000, by issuing 36.1889 new shares for every 10 shares held by all shareholders, for a total of 129,670,000 new shares (“**Capitalization Issue**”). After completion of Capitalization Issue, the Company’s total share capital have been increased from 35,832,000 shares to 165,502,000 shares, and the Company’s capital reserve have been decreased from RMB207,624,000 to RMB77,954,000.
- On June 23, 2020 and November 21, 2020, the Company issued 574,231 and 300,000 registered shares (adjusted to 2,652,309 and 1,385,666 shares after the Capitalization Issue) to Qinzhou Qiangfei Investment Development Partnership (Limited Partnership), an employee shareholding platform for employee share incentive scheme, for considerations of RMB6,523,264 and RMB3,408,000, respectively. Of these amounts, RMB574,000 and RMB300,000 (adjusted to RMB2,652,309 and RMB1,385,666 after the Capitalization Issue) were recorded as share capital, while the remaining RMB5,949,264 and RMB3,108,000 (adjusted to RMB3,870,955 and RMB2,022,334 after the Capitalization Issue) were recorded in capital reserve, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

32. RETIREMENT BENEFITS SCHEME

Employees of the Company and its subsidiaries in the PRC are covered by the retirement and pension schemes defined by local practice and regulations. The Company and subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement and pension schemes. The calculation of contributions for PRC eligible staff is based on certain percentage of the applicable payroll costs. The only obligation of the Group in respect of the retirement benefits scheme is to make the specified contribution.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during the Track Record Period are disclosed in Note 10.

33. SHARE-BASED PAYMENT TRANSACTIONS

Restricted shares scheme

To provide incentives to eligible employees and directors for long-term development of the Group and in recognition of their contributions, the Company’s Board of Directors approved an employee share incentive plan on June 23, 2020 (the “1st RS Scheme”). Under this scheme, a total of 574,000 restricted share units (“RSUs”) were granted to certain directors and employees of the Group at a subscription price of RMB11.36 per RSU. The RSUs were issued through an employee shareholding platform, Qinzhou Qiangfei Investment Development Partnership (Limited Partnership) (欽州市強菲投資發展合夥企業(有限合夥)) (the “Platform”), for a total consideration of RMB6,523,000.

To further incentivise to eligible employees and directors of the Group, the Company’s Board of Directors approved the second employee share incentive plan on November 21, 2020 (the “2nd RS Scheme”). Under the 2nd RS Scheme, a total of 300,000 RSUs were granted to certain directors and employees of the Group through the Platform at a subscription price of RMB11.36 per RSU. The total consideration for the 2nd RS Scheme was RMB3,408,000.

Pursuant to the employee share incentive plan, if a grantee terminates their employment relationship with the Group during the vesting period, the general partner of the Platform shall have the right to designate a third party to purchase the guarantee’s partnership interest at original investment amount.

Details of the restricted shares issued under the both incentive schemes are as follows:

	Grant date	Number of restricted shares granted (before Capitalization Issue) (note)	Number of restricted share granted (after Capitalization Issue) (note)	Grantee	Vesting period	Fair value of the RSU on the grant date (before Capitalization Issue) (RMB)	Fair value of RSU on the grant date (after Capitalization Issue) (RMB)
1st RS Scheme . . .	June 23, 2020	574,231	2,652,309	Eligible directors and employees	1 year after [REDACTED]	29.72	6.43
2nd RS Scheme . . .	November 21, 2020	300,000	1,385,666	Eligible directors and employees	1 year after [REDACTED]	33.62	7.28

Note:

On June 12, 2023, based on Capitalization Issue, by issuing 36.1889 new shares for every 10 shares held by all shareholders. After completion of Capitalization Issue, the amount of registered share held by the Platform for the 1st RS Scheme and the 2nd RS Scheme have been increased from 574,231 and 300,000 shares to 2,652,309 and 1,385,666 shares respectively.

The following table summarised the movement of the Group’s unvested restricted shares:

	Unvested restricted shares
As at January 1, 2023	874,231
Capitalization Issue	3,163,744
As at December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025, December 31, 2025, January 1, 2026 and March 31, 2026	4,037,975

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value of restricted shares

The aggregate fair value of restricted shares granted under the 1st RS Scheme and the 2nd RS Scheme was RMB29.72 and RMB33.62, respectively (after Capitalization Issue: RMB6.43 and RMB7.28), as of June 23, 2020 and November 21, 2020. This valuation was determined with reference to the Company’s business value assessed using a discount for lack of materiality (DLOM) of 8.37% and 10.18% as of 23 June 2020 and 21 November 2020, respectively. Share-based payment expenses of RMB3,353,000 and RMB3,367,000 were recognized as administrative expenses for the years ended December 31, 2023 and 2024.

34. ACQUISITION OF ASSETS THROUGH ACQUISITIONS OF SUBSIDIARIES

In September 2024, the Group acquired a 60% equity interest in Ningxia Saishang Baifei Animal Husbandry Co., Ltd. (寧夏塞上百菲牧業有限公司) (“**Saishang Baifei**”). At the date of acquisition, the net identifiable assets of Saishang Baifei were nil. Accordingly, the aggregate consideration transferred for the acquisition was nil (the “**Acquisition**”).

The principal assets held by Saishang Baifei are biological assets. As Saishang Baifei did not possess the necessary inputs and substantive processes to constitute a business as defined under International Financial Reporting Standard 3 Business Combinations (“**IFRS 3**”), the transaction has been accounted for as an acquisition of assets rather than a business combination.

Subsequent to the completion of the Acquisition, the Group and the non-controlling interests (“**NCI**”) agreed to make capital contributions to Saishang Baifei of RMB60,000,000 and RMB40,000,000, respectively, in proportion to their respective equity interests.

35. ACQUISITION OF BUSINESS

There was no significant acquisition of business during the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026.

36. DISPOSAL OF MAJOR BUSINESSES

There was no significant disposal of subsidiaries during the year ended December 31, 2023, 2024 and 2025 and three months ended March 31, 2026.

37. COMMITMENTS

Capital commitments

The Group

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Capital expenditure contracted for but not provided for in the Historical Financial Information				
– Property, plant and equipment	133,778	133,323	103,772	93,592

38. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

a. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues.

APPENDIX I

ACCOUNTANTS’ REPORT

b. Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

The Group

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Financial assets				
<i>At FVTPL</i>				
Unlisted wealth management products	–	82,000	171,483	231,640
<i>At amortized cost</i>				
Time deposits	40,000	118,000	132,394	160,652
Restricted bank deposit	–	511	–	–
Bank balances and cash	222,723	286,474	291,006	126,322
Trade receivables	16,519	20,483	43,290	71,485
Other receivables*	3,720	4,203	10,928	10,889
	282,962	429,671	477,618	369,348
	282,962	511,671	649,101	600,988
Financial liabilities				
<i>At amortized cost</i>				
Trade payables	75,617	119,345	131,869	113,384
Other payables**	15,258	24,546	28,088	24,781
Lease liabilities	767	7,808	28,090	26,932
	91,642	151,699	188,047	165,097

* Value-added tax recoverable, advances to staff, right to return asset and prepayments are excluded.

** Certain other payables, refund liabilities and other tax payable are excluded.

c. Financial risk management objectives and policies

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risks, and price risk), credit risk, liquidity risk.

The Group identifies, evaluates and monitors financial risks in close co-operation with the Group’s operating units, focusing on the unpredictability of financial markets. The Group seeks to minimise the effects of financial risks by using different derivative financial instruments to manage these exposures. All derivative financial instruments are used for the financial risk management and not for speculative purposes.

The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivatives financial instruments and cash management. Exposure to foreign exchange rates, interest rates and prices risk movements are regularly reviewed and positions are amended in compliance with internal guidelines and limits.

The Group regularly or on demand basis to monitor risks and policies implemented to mitigate risk exposures.

Foreign currency risk management

The primary economic environment which the principal subsidiaries of the Company operates is the PRC and their functional currency is RMB and all transactions are conducted in RMB. All of the Group’s assets and liabilities are denominated in RMB.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

No sensitivity analysis on foreign currency risk is performed since the Group has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

Interest rate risk management

The Group and the Company is exposed to fair value interest rate risk in relation to pledged bank deposits. The Group and the Company is also exposed to cash flow interest rate risk in relation to variable-rate bank balances which is mainly concentrated on the fluctuation of benchmark deposit interest rates in the PRC. The management of the Group closely monitors interest rate movement and manages the potential risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

No sensitivity analysis is presented as the management of the Group determines that the impact from changes in interest rates is insignificant considering the historical movement in deposit interest rates in the PRC for the Track Record Period.

The Group is exposed to fair value interest rate risk in relation to financial assets at FVTPL (see Note 19 details) and lease liabilities (see Note 29 for details). However, management considers the fair value interest rate risk is insignificant.

The Group is also exposed to cash flow interest rate risk in relation to bank balances (see Note 24 for details) due to the fluctuation of the prevailing market interest rate.

Bank balances are excluded from sensitivity analysis as the management consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

The Group currently does not have an interest rate hedging policy to hedge against the exposure.

However, the management closely monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk exposures are primarily attributable to trade receivables, bank deposits, time deposits other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group’s credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer’s credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed and approved twice a year by the risk management committee. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group’s credit risk is significantly reduced.

The management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The Group’s concentration of credit risk by geographical locations is mainly in the PRC. The Group has concentration of credit risk of the trade receivables amounting to RMB10,106,000, RMB6,432,000, RMB13,420,000 and RMB23,112,000, respectively, representing 58%, 30%, 29% and 31% of total trade receivables as at December 31, 2023, 2024 and 2025 and March 31, 2026 from the Group’s largest debtors. RMB17,230,000, RMB17,337,000, RMB28,946,000 and RMB46,576,000 of the trade receivables was due from the five largest debtors, representing 99%, 80%, 64% and 62% of total trade receivables as at December 31, 2023, 2024 and 2025 and March 31, 2026, respectively.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2023, 2024 and 2025 and March 31, 2026, the Group assessed the ECL for other receivables in accordance with the note below.

APPENDIX I

ACCOUNTANTS’ REPORT

Restricted bank deposits/cash and cash equivalents/time deposits

Credit risk on restricted bank deposits/cash and cash equivalents/time deposits is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted bank deposits/time deposits/cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits/time deposits/cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognized.

The tables below detail the credit risk exposures of the Group’s financial assets, which are subject to ECL assessment:

	Notes	12-month or lifetime ECL	As at December 31,			As at March 31,
			2023	2024	2025	2026
			RMB’000	RMB’000	RMB’000	RMB’000
Restricted bank deposits	24	12-month ECL	–	511	–	–
			<u> </u>	<u> </u>	<u> </u>	<u> </u>
Time deposits	24	12-month ECL	40,000	118,000	132,394	160,652
			<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	24	12-month ECL	222,723	286,474	291,006	126,322
			<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other receivables	23	12-month ECL	3,722	3,792	10,422	11,146
		Credit-impaired	–	530	530	530
			<u> </u>	<u> </u>	<u> </u>	<u> </u>
			3,722	4,322	10,952	11,676
			<u> </u>	<u> </u>	<u> </u>	<u> </u>
Trade receivables	22	Lifetime ECL (provision matrix)	17,439	21,561	45,571	75,296
			<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) For the purposes of internal credit risk management, the Group uses past due information to assess the credit risk of the counterparties.
- (b) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

As part of the Group’s credit risk management, the Group uses debtors’ aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at December 31, 2023, 2024 and 2025 and March 31, 2026 within lifetime ECL. A full provision was made for debtors that were credit-impaired.

APPENDIX I

ACCOUNTANTS’ REPORT

Gross carrying amount

	As at December 31,						As at March 31,	
	2023		2024		2025		2026	
	Expected credit loss rate	Gross amount of trade receivables	Expected credit loss rate	Gross amount of trade receivables	Expected credit loss rate	Gross amount of trade receivables	Expected credit loss rate	Gross amount of trade receivables
		<i>RMB’000</i>		<i>RMB’000</i>		<i>RMB’000</i>		<i>RMB’000</i>
Not overdue	0.0%	11,715	0.0%	9,361	0.1%	29,748	0.1%	47,327
Overdue 1 to 90 days . .	14.6%	5,587	1.7%	10,242	13.4%	14,870	10.3%	17,293
Overdue 91 to 120 days	11.2%	86	2.1%	1,073	22.0%	891	18.1%	10,632
121 days and above . .	100%	51	100%	885	100%	62	100%	44
		<u>17,439</u>		<u>21,561</u>		<u>45,571</u>		<u>75,296</u>

The estimated loss rates are estimated based on past default experience of the debtors adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows reconciliation of loss allowances that have been recognized for trade receivables.

	Lifetime ECL (not credit impaired)
	<i>RMB’000</i>
As at January 1, 2023	95
– Impairment losses recognized	<u>825</u>
As at December 31, 2023 and January 1, 2024	920
– Impairment losses recognized	208
– Write-off	<u>(50)</u>
As at December 31, 2024 and January 1, 2025	1,078
– Impairment losses recognized	1,244
– Write-off	<u>(41)</u>
As at December 31, 2025 and January 1, 2026	2,281
– Impairment losses recognized	<u>1,530</u>
As at March 31, 2026	<u>3,811</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows reconciliation of loss allowances that have been recognized for other receivables and deposits.

	12m ECL	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2023	456	–	456
– Impairment losses recognized	484	–	484
As at December 31, 2023 and January 1, 2024	940	–	940
– Impairment losses recognized/(reversed)	(244)	530	286
As at December 31, 2024 and January 1, 2025	696	530	1,226
– Impairment losses recognized	861	–	861
As at December 31, 2025 and January 1, 2026	1,557	530	2,087
– Impairment losses reversed	(336)	–	(336)
As at March 31, 2026	1,221	530	1,751

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

Liquidity risk management

To manage the liquidity risk, the Group takes into account the continuity and availability of financial resources to the Group, including the cash flows generated from its principal operations, availability of banking facilities, the level of cash and cash equivalents and capital expansion plans as to meet its expected future working capital requirements and mitigate the fluctuation in cash flows level.

The Group reviews the utilisation of borrowings and ensures the compliance of loan covenants regularly.

The following table details the Group’s remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are carried at floating rate, the undiscounted amount is derived from interest rate existed at the end of the reporting period.

	Repayable on demand or within one year	Within the second year	Over the second year but within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount at end of the reporting period
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2023						
Non-derivative financial liabilities						
Trade payables	75,617	–	–	–	75,617	75,617
Other payables	15,258	–	–	–	15,258	15,258
Lease liabilities	144	81	185	577	987	767
	91,019	81	185	577	91,862	91,642

APPENDIX I

ACCOUNTANTS’ REPORT

	Repayable on demand or within one year	Within the second year	Over the second year but within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount at end of the reporting period
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2024						
Non-derivative financial liabilities						
Trade payables	119,345	—	—	—	119,345	119,345
Other payables	24,546	—	—	—	24,546	24,546
Lease liabilities	718	880	1,133	9,913	12,644	7,808
	<u>144,609</u>	<u>880</u>	<u>1,133</u>	<u>9,913</u>	<u>156,535</u>	<u>151,699</u>

	Repayable on demand or within one year	Within the second year	Over the second year but within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount at end of the reporting period
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2025						
Non-derivative financial liabilities						
Trade payables	131,869	—	—	—	131,869	131,869
Other payables	28,088	—	—	—	28,088	28,088
Lease liabilities	1,119	3,232	8,370	25,312	38,033	28,090
	<u>161,076</u>	<u>3,232</u>	<u>8,370</u>	<u>25,312</u>	<u>197,990</u>	<u>188,047</u>

	Repayable on demand or within one year	Within the second year	Over the second year but within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount at end of the reporting period
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At March 31, 2026						
Non-derivative financial liabilities						
Trade payables	113,384	—	—	—	113,384	113,384
Other payables	24,781	—	—	—	24,781	24,781
Lease liabilities	2,864	2,586	8,219	22,102	35,771	26,932
	<u>141,029</u>	<u>2,586</u>	<u>8,219</u>	<u>22,102</u>	<u>173,936</u>	<u>165,097</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

d. Fair value measurement of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports its findings to the board of directors of the Company to explain the cause of fluctuations in the fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

Fair values are categorised into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

The Group’s biological assets and certain of the Group’s financial assets are measured at fair value on a recurring basis at the end of the reporting period. The following table gives information about how the fair values of these biological assets and financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

There were no transfer between level 1, 2 and 3 during the Track Record Period.

The Directors consider that the carrying amounts of the Group’s and Company’s financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

(i) Fair value of the Group’s assets that are measured at fair value on a recurring basis

	As at December 31,			As at March 31,	Fair value hierarchy
	2023	2024	2025	2026	
	RMB’000	RMB’000	RMB’000	RMB’000	
Biological assets:					
Milkable cows/buffaloes (note (b))	16,458	72,329	66,671	70,061	Level 3
Calves and heifers (note (a))	2,065	3,597	31,714	39,439	Level 3
Breeding bulls and young male cattle	709	1,060	2,181	1,236	Level 3
Financial assets:					
Unlisted wealth management products	–	82,000	171,483	231,640	Level 2
	<u>19,232</u>	<u>158,986</u>	<u>272,049</u>	<u>342,376</u>	

APPENDIX I

ACCOUNTANTS’ REPORT

The Directors consider that the carrying amounts of the Group’s and Company’s financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
Biological assets:			
(a) Calves and heifers for dairy cows	<p>The fair value of 20 months old heifers and calves is determined by reference to the local market selling prices.</p> <p>For age groups of heifers and calves younger than 20 months old, incremental costs required to raise the dairy cows from their respective age at the end of each of the Track Record Period to 20 months were subtracted.</p> <p>For heifers over than 20 months, incremental costs required to raise the heifers from 20 months to their respective age at the end of each of Relevant Periods were added.</p>	<p>Estimated local market selling prices of 20 months old heifers were RMB17,000 per head as of December 31, 2024, 2025 and March 31, 2026.</p> <p>Incremental costs for the age younger than 20 months old ranged from RMB1,975 to RMB6,207 per head as of December 31, 2024, 2025 and March 31, 2026.</p> <p>Incremental costs for heifers between 20 and 24 months ranged from RMB4,869 to RMB3,246 per head as of December 31, 2024, 2025 and March 31, 2026.</p>	<p>An increase in the estimated local market selling prices used would result in increase in the fair value measurement of the heifers and calves, and vice versa.</p> <p>An increase in the incremental costs used would result in a decrease in the fair value measurement of heifers and calves younger than 20 months, and vice versa.</p> <p>An increase in the incremental costs used would result in an increase in the fair value measurement of heifers older than 20 months, and vice versa.</p>
Calves and heifers for buffaloes	<p>The fair value of 24 months old heifers and calves is determined by reference to the local market selling prices.</p> <p>For age groups of heifers and calves younger than 24 months old, incremental costs required to raise the dairy cows from their respective age at the end of each of the Track Record Period to 24 months were subtracted.</p> <p>For heifers older than 24 months, incremental costs required to raise the heifers from 24 months to their respective age at the end of each of Track Record Period were added.</p>	<p>Estimated local market selling prices of 24 months old heifers were RMB15,000 per head as of December 31, 2023, 2024, 2025 and March 31, 2026.</p> <p>Incremental costs for the age younger than 24 months old ranged from RMB3,311 to RMB10,215 per head, RMB2,634 to RMB7,985 per head, RMB1,981 to RMB7,037 per head, RMB1,981 to RMB7,037 per head as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively.</p> <p>Incremental costs for heifers between 24 and 30 months were RMB4,358 per head, RMB3,654 per head, RMB3,509 per head, RMB3,509 per head as of December 31, 2024, 2025 and March 31, 2026, respectively.</p>	<p>An increase in the estimated local market selling prices used would result in increase in the fair value measurement of the heifers and calves, and vice versa.</p> <p>An increase in the incremental costs used would result in a decrease in the fair value measurement of heifers and calves younger than 24 months, and vice versa.</p> <p>An increase in the incremental costs used would result in an increase in the fair value measurement of heifers older than 24 months, and vice versa.</p>

APPENDIX I

ACCOUNTANTS’ REPORT

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
(b) Milkable cows for dairy cows	The fair values of milkable cows are determined using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	<p>The estimated feed costs per kg of raw milk used in the valuation process are RMB2.03, RMB2.03 and RMB2.03 as of December 31, 2024, 2025 and March 31, 2026, respectively.</p> <p>Estimated average prices of raw milk per kg are RMB3.33, RMB3.33 and RMB3.35 as of December 31, 2024, 2025 and March 31, 2026, respectively.</p> <p>A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield per head at each lactation cycle ranges from 29.36 kg to 34.98 kg as of December 31, 2024, 2025 and March 31, 2026.</p> <p>Discount rate for estimated future cash flows used was 14%, 14% and 14% as of December 31, 2024, 2025 and March 31, 2026, respectively.</p>	<p>An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>An increase in the estimated average price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated average daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in fair value measurement of milkable cows, and vice versa.</p>
Milkable cows for buffaloes	The fair values of milkable cows are determined using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	<p>The estimated feed costs per kg of raw milk used in the valuation process were RMB2.35, RMB2.87, RMB4.12, RMB4.30 as of December 31, 2023, 2024, 2025 and March 31, 2026.</p> <p>Estimated average prices of raw milk per kg are RMB10.80, RMB11.98, RMB12.40 and RMB12.40 as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively.</p> <p>A milkable cow could have as many as ten lactation cycles. Estimated average daily milk yield per head at each lactation cycle ranges from 3.22 kg to 5.03 kg, from 3.18 kg to 4.97 kg, from 3.25 kg to 5.09 kg and from 3.25 kg to 5.09 kg as of December 31, 2023, 2024, 2025 and March 31, 2026.</p> <p>Discount rate for estimated future cash flows used were 14%, 14%, 14% and 14% as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively.</p>	<p>An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>An increase in the estimated average price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated average daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in fair value measurement of milkable cows, and vice versa.</p>
Unlisted wealth management products	The fair value of unlisted wealth management products were determined using discounted cash flows method which estimated based on expected return and market interest rate	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i> <i>(Note 29)</i>	<i>RMB’000</i>
As at January 1, 2023	10,000	1,940	11,940
Interest expense	185	43	228
Lease remeasurement	–	(1,216)	(1,216)
Financing cash flows	(10,185)	–	(10,185)
As at December 31, 2023 and January 1, 2024	–	767	767
New leases entered	–	7,456	7,456
Interest expense	–	120	120
Financing cash flows	–	(535)	(535)
As at December 31, 2024 and January 1, 2025	–	7,808	7,808
New leases entered	–	20,817	20,817
Interest expense	–	521	521
Financing cash flows	–	(401)	(401)
Lease remeasurement	–	(655)	(655)
As at December 31, 2025 and January 1, 2026	–	28,090	28,090
Interest expense	–	247	247
Financing cash flows	–	(179)	(179)
Lease remeasurement	–	(1,226)	(1,226)
As at March 31, 2026	–	26,932	26,932

40. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party and/ or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under control or joint control by the same party. Members of key management of the Group and their close family members are also considered as related parties.

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions carried out between the Group and Baifei Naniu (Shanghai) Dairy Co., Ltd. (百菲那麼牛(上海)乳業有限公司) (“**Baifei Naniu**”), an associate company of the Group in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at December 31, 2023, 2024 and 2025 and March 31, 2026 respectively.

- a. **Save as disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:**

(a) Transaction with Baifei Naniu

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)	<i>RMB’000</i>
Sales of dairy products to Baifei Naniu	–	2,164	1,348	673	196

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Balances with Baifei Naniu

	As at December 31,			As at
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
Trade receivables	—	1,204	248	461
Less: Allowance for credit loss	—	(60)	(12)	(23)
	—	1,144	236	438

(c) Compensation of key management personnel

The remuneration of the Directors who are also the members of key management personnel during the Track Record Period was disclosed in Note 11.

41. PARTICULAR OF PRINCIPAL SUBSIDIARIES

The Group

Details of the principal subsidiaries directly and indirectly held by the Company at the date of report are set out below.

		Paid up issued/registered capital				Shareholding/equity interest attributable to the Group					
		As at December 31,			As at March 31,	As at December 31,			As at March 31,	At the date of this report	
Name of the subsidiary	Place of incorporation/ establishment	2023	2024	2025	2026	2023	2024	2025	2026		Principal activities
Directly held											
浙江百菲乳業有限公司 Zhejiang Baifei Dairy Co., Ltd.	PRC, August 14, 2019	RMB368,880,000/ RMB368,880,000	RMB368,880,000/ RMB368,880,000	RMB368,880,000/ RMB368,880,000	RMB368,880,000/ RMB368,880,000	100%	100%	100%	100%	100%	Manufacturing and sales of dairy products
浙江百菲電子商務科技有限 公司 Zhejiang Baifei E-commerce Technology Co., Ltd.	PRC, July 26, 2022	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	100%	Online sales of dairy products
廣西百菲貿易有限公司 Guangxi Baifei Trading Co., Ltd.	PRC, February 1, 2024	N/A	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	N/A	100%	100%	100%	100%	Procurement of packaging materials
寧夏塞上百菲牧業有限公司 Ningxia Saishang Baifei Animal Husbandry Co., Ltd.	PRC, September 23, 2020	N/A	RMB100,000,000/ RMB100,000,000	RMB180,000,000/ RMB180,000,000	RMB180,000,000/ RMB180,000,000	N/A	60%	60%	60%	60%	Raising and breeding of dairy cows, and raw milk production
Indirectly held											
浙江百菲貿易有限公司 Zhejiang Baifei Trading Co., Ltd.	PRC, January 25, 2022	RMB10,000/ RMB58,000,000	RMB10,000/ RMB58,000,000	RMB10,000/ RMB58,000,000	RMB10,000/ RMB58,000,000	100%	100%	100%	100%	100%	Sales of dairy products

Notes:

i. No audited statutory financial statements were prepared for these subsidiaries for the Track Record Period as there are no statutory audit requirements.

* English name is for identification purpose only.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries . .	451,860	584,940	641,920	643,840
Amounts due from subsidiaries	145,274	368,468	624,613	729,662
Amounts due to subsidiaries .	—	8,212	92,683	89,335

Note:

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayments. The amounts which are not expected to be settled/recover within twelve months at the end of the reporting date are classified as non-current.

42. RESERVES OF THE COMPANY

	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2023	35,832	207,624	9,638	31,905	512,887	797,886
Profit and total comprehensive income for the year	—	—	—	—	246,234	246,234
Capitalization issue	129,670	(129,670)	—	—	—	—
Recognition of equity-settled share-based payments . . .	—	—	3,353	—	—	3,353
Transfer to statutory reserve	—	—	—	24,623	(24,623)	—
Dividends recognized as distributions	—	—	—	—	(20,026)	(20,026)
As at December 31, 2023 . .	165,502	77,954	12,991	56,528	714,472	1,027,447

	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024	165,502	77,954	12,991	56,528	714,472	1,027,447
Profit and total comprehensive income for the year	—	—	—	—	307,012	307,012
Recognition of equity-settled share-based payments . . .	—	—	3,367	—	—	3,367
Transfer to statutory reserve	—	—	—	30,701	(30,701)	—
As at December 31, 2024 . .	165,502	77,954	16,358	87,229	990,783	1,337,826

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2025	165,502	77,954	16,358	87,229	990,783	1,337,826
Profit and total comprehensive income for the year	—	—	—	—	231,182	231,182
As at December 31, 2025 . .	<u>165,502</u>	<u>77,954</u>	<u>16,358</u>	<u>87,229</u>	<u>1,221,965</u>	<u>1,569,008</u>

	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2026	165,502	77,954	16,358	87,229	1,221,965	1,569,008
Profit and total comprehensive income for the period	—	—	—	—	68,050	68,050
As at March 31, 2026	<u>165,502</u>	<u>77,954</u>	<u>16,358</u>	<u>87,229</u>	<u>1,290,015</u>	<u>1,637,058</u>

	Share capital	Capital reserve	Share based payment reserve	Statutory reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2025	165,502	77,954	16,358	87,229	990,783	1,337,826
Profit and total comprehensive income for the period	—	—	—	—	50,472	50,472
As at March 31, 2025 (unaudited)	<u>165,502</u>	<u>77,954</u>	<u>16,358</u>	<u>87,229</u>	<u>1,041,255</u>	<u>1,388,298</u>

APPENDIX I

ACCOUNTANTS’ REPORT

43. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year/period allocated to non-controlling interests				
Saishang Baifei	5,137	(2,150)	(2,943)	1,529
Individually immaterial subsidiaries with non-controlling interests	88	656	415	(86)
	<u>5,225</u>	<u>(1,494)</u>	<u>(2,528)</u>	<u>1,443</u>

	As at December 31,		As at March 31,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated non-controlling interests at the reporting date			
Saishang Baifei	45,470	75,320	76,849
Individually immaterial subsidiaries with non-controlling interests	508	813	625
	<u>45,978</u>	<u>76,133</u>	<u>77,474</u>

The following tables illustrate the summarised financial information for Saishang Baifei since its acquisition by the Group which has a material non-controlling interest. The amounts disclosed are before any inter-company eliminations:

	As at December 31,		As at March 31,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Percentage of equity interest held by non-controlling interests	40%	40%	40%
Current assets	26,214	57,868	43,392
Non-current assets	99,516	139,140	158,082
Current liabilities	(13,213)	(8,619)	(9,276)
Non-current liabilities	–	(1,245)	(1,235)

APPENDIX I

ACCOUNTANTS’ REPORT

	Three months ended December 31, 2024 <i>RMB'000</i>	Year ended December 31, 2025 <i>RMB'000</i>	Three months ended March 31, 2025 <i>RMB'000</i> <i>(unaudited)</i>		2026 <i>RMB'000</i>
Revenue	14,041	87,915	13,975		33,887
Total expenses	(1,199)	(93,290)	(21,331)		(30,066)
Profit/(loss) for the year	12,842	(5,374)	(7,357)		3,821
Total comprehensive profit/(loss) for the year	<u>12,842</u>	<u>(5,374)</u>	<u>(7,357)</u>		<u>3,821</u>
Net cash flows (used in)/ from operating activities	(13,701)	(1,472)	439		15,380
Net cash flows used in investing activities . .	(76,417)	(56,265)	(7,146)		(24,227)
Net cash flows from financing activities . .	<u>91,200</u>	<u>79,152</u>	<u>10,700</u>		<u>—</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,083</u>	<u>21,414</u>	<u>3,992</u>		<u>(8,846)</u>

Note:

Except Saishang Baifei, no other subsidiaries had non-controlling interests that are material to the Group for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026.

44. EVENT AFTER REPORTING PERIOD

Save as disclosed elsewhere the Company has no other significant event after the reporting period that needs to be disclosed.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to March 31, 2026.