

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our historical financial information, included in the Accountants’ Report in Appendix I, together with the respective accompanying notes. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Document, including the sections headed “Risk Factors” and “Business,” and elsewhere in this Document.

OVERVIEW

We are a reputable dairy company in China, drawing on more than 30 years of deep industry experience. Today, we have grown into a nationwide dairy company with a comprehensive value chain and diversified product offerings. Leveraging consumer insights and R&D capabilities, we have successfully captured the growth in the low-temperature liquid dairy segment and introduced differentiated low-temperature yogurt and fresh milk products that align closely with consumer preferences. Beyond our strong performance in the fast-growing low-temperature liquid dairy segment, our primary products include formula, ambient liquid dairy products and other dairy products, serving consumers across all age groups with dairy offerings.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with the requirements of all applicable China Accounting Standards for Business Enterprises (“CASBE”), which are also referred to as China Accounting Standards, issued by the Ministry of Finance of the PRC. MOF has issued a number of new and revised CASBEs. For the purpose of preparing the historical financial information, we have consistently applied all applicable new and revised CASBEs, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2026, throughout the Track Record Period. The historical financial information also complies with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial conditions are affected by a number of general factors influencing the overall dairy industry in China. These factors include macroeconomic trends, consumer purchasing power, industry development and competitive dynamics. Any adverse development in these areas can have a negative impact on our results of operations. In addition to these general factors, our results of operations are affected by the following company-specific factors:

Product Portfolio and Continuous Product Upgrade

Our revenue growth and profitability are substantially influenced by our product portfolio and innovation capabilities. The revenue contribution of our low-temperature liquid dairy products, which benefited from stronger product differentiation, continued to increase and contributed 35.9%, 38.2%, 42.5%, 39.6% and 46.5% of our revenue in 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, with gross profit margins of 32.7%, 33.7%, 34.1%, 34.5% and 34.4%, respectively. Our ambient liquid dairy products contributed 19.2%, 19.8%, 18.5%, 18.9% and 19.3% of our revenue, with gross profit margins of 24.9%, 22.5%, 19.3%, 20.8% and 22.4%, respectively, for the same years/periods. Our formula products contributed 30.9%, 27.1%, 21.9%, 24.0% and 19.0% of our revenue, with gross profit margins of 52.6%, 56.6%, 57.5%, 60.7% and 57.8%, respectively, for the same years/periods.

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Continuous product upgrade is essential to sustaining our competitive position and revenue growth. Leveraging our consumer insights and R&D capabilities, we continuously introduce products that align closely with consumer preferences for health-oriented nutrition. For example, we have successfully captured growth opportunities in the low-temperature liquid dairy segment, with our innovation efforts enabling us to build differentiated brands including Freshjoy (悦鲜活) and SimPurity (简醇). The market recognition of these brands demonstrates our ability to translate consumer insights into competitive products. Our comprehensive product portfolio spans multiple categories and price points, serving consumers across all age groups with diverse nutritional needs. Our gross profit margin for dairy products remained relatively stable at 37.5%, 37.8%, 36.3%, 38.3% and 36.3% in 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, respectively, supported by our product mix and operational efficiency. We believe that sustaining our product upgrade capabilities and maintaining strong performance across our diversified portfolio is critical to revenue growth and profitability improvement.

Sales Network Expansion and Channel Execution

We reach consumers through an extensive multi-channel sales network integrating both distributor and direct sales channels. Effective management and continuous expansion of these channels enable us to deeply penetrate diverse markets, covering different consumption scenarios and geographic regions, thereby supporting revenue growth and market share gains.

Our sales network consisted of approximately 5,200 distributors as of June 30, 2026, comprising offline distributors who further distribute our products to a wide range of retail terminals including chain supermarkets, convenience stores, grocery stores and mother-and-baby chain stores, and online distributors who sell primarily through e-commerce platforms. Revenue from distributor channels, which accounted for 74.4%, 72.0%, 67.4%, 68.6% and 66.2% of revenue in 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, respectively, amounted to RMB13,053.6 million, RMB14,276.0 million, RMB13,736.3 million, RMB6,829.1 million and RMB7,022.3 million for the same years/periods.

Our direct sales channels included KA customers, e-commerce platforms, online self-operated stores, and corporate and institutional clients. These direct channels enable us to maintain closer consumer relationships, gather first-hand market insights. Revenue from direct sales channels, which represented 20.3%, 24.1%, 25.4%, 23.1% and 28.7% of revenue in 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, respectively, amounted to RMB3,570.4 million, RMB4,780.8 million, RMB5,173.5 million, RMB2,297.5 million and RMB3,041.4 million for the same years/periods.

Our channel penetration effectiveness is enhanced by our disciplined channel management strategy, characterized by strong in-store activation, precision outlet and channel management, across different cities. This approach concentrates resources on securing optimal shelf positioning and promotional visibility at strategic retail outlets, with systematic store visits and point-of-sale management coordinated closely with our location-targeted media placements. This integrated model creates reinforcing cycles between brand presence and retail performance. We believe that continuing to deepen distributor network penetration through disciplined channel execution while expanding direct sales channels across multiple formats is essential to sustaining revenue growth and improving channel efficiency.

Brand Building and Marketing Efficiency

Our brand equity and marketing effectiveness significantly influence our financial performance. We employ a “master brand plus specialized brands” architecture to build strong market positions, with our master brand Junlebao (君樂寶) establishing our corporate identity as a national dairy company, while our specialized brands — including Freshjoy (悦鲜活), SimPurity (简醇), Youcui (优萃), Purjoy (纯享) and others — address specific consumer segments and category positioning. This architecture enables efficient resource allocation and cross-brand synergies, with our master brand providing trust endorsement that enhances consumer awareness across our portfolio. In 2024, we became the official partner of ten Chinese national sports teams, which reinforces our brand positioning and strengthens consumer association with quality and trust.

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Our marketing strategy prioritizes cost-efficient channels that align with our distribution strategy, reflecting our strategic shift from broad-reach media to high-conversion channels. We conduct nationwide television advertising campaigns and collaborate with leading variety shows with broad audiences, employing outdoor media advertising to concentrate resources near target retail locations. This strategy enhances the in-store execution of our sales teams while reallocating sales promotion resources towards top-performing distributors and retail stores with higher sales efficiency. In 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, our advertising expenses and selling and promotion expenses amounted to RMB2,306.2 million, RMB1,956.6 million, RMB1,861.7 million, RMB935.8 million and RMB958.8 million, representing 13.1%, 9.9%, 9.1%, 9.4% and 9.0% of our revenue for the same years/periods. This overall decrease was driven by enhanced marketing precision and our strategic shift toward high-conversion channels. The combination of revenue growth and declining marketing-related expense ratio demonstrates improved marketing return on investment. We believe that maintaining strong brand recognition while continuously optimizing marketing efficiency through integrated brand-sales execution and data-driven resource allocation is critical to sustaining revenue growth and expanding operating margins.

Raw Milk Self-sufficiency and Comprehensive Value Chain

Our cost structure and profitability are substantially influenced by our raw milk self-sufficiency and comprehensive value chain. Raw milk production of our farms reached 1,157 thousand tons in 2025. This vertical integration provides stable supply of raw milk and reduces exposure to market price volatility. During the Track Record Period, our gross profit margin for dairy products remained relatively stable at 37.5%, 37.8%, 36.3%, 38.3% and 36.3% in 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, respectively, reflecting the benefits of our comprehensive value chain.

Our integrated farming operations deliver operational efficiencies and cost advantages. Through economies of scale in feed procurement, optimized herd structure and refined feed formulations enabled by scientific management, we maintain cost competitiveness across our operations. Our disciplined approach to procurement and farm management enables us to manage cost pressures effectively and preserve our competitive position. We believe that maintaining high raw milk self-sufficiency and continuously optimizing our comprehensive value chain is essential to preserving cost competitiveness and sustaining profitability improvement.

Cost Structure and Operational Efficiency

Our profitability depends largely on our ability to effectively control costs and enhance operational efficiency. In 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, our operating costs amounted to RMB11,542.6 million, RMB12,958.7 million, RMB13,907.2 million, RMB6,646.5 million and RMB7,137.9 million, representing 65.8%, 65.3%, 68.2%, 66.8% and 67.3% of revenue, respectively. In addition, our operating efficiency is affected by our ability to control the aggregate of selling and distribution expenses, general and administrative expenses, research and development expenses and financial expenses. As our business continues to grow, we expect total operating costs and expenses to increase in absolute terms while we expect to benefit from economies of scale to improve our operational efficiency in the long term.

Our digitalization initiatives support cost control and operational efficiency improvements. We have established integrated digital systems across our value chain. These systems support the automation of procurement workflows, optimization of logistics route planning, and enhancement of mobile-based outlet management, facilitating more efficient resource allocation and cost control throughout our operations. Our enterprise resource planning system supports the integration of operational data across functions, while financial shared services platforms facilitate process automation. We believe that continuously enhancing supply chain management capabilities, improving operational efficiency through digitalization, and benefiting from economies of scale are essential to sustaining our gross profit margin profile and achieving long-term profitability improvement.

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SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates, and we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We believe the accounting policies that are of critical importance to us include those relating to (i) revenue; (ii) biological assets; (iii) inventories; (iv) business combinations involving enterprises not under common control and goodwill; (v) fixed assets; (vi) construction in progress; (vii) government grants; and (viii) financial instruments. We believe the accounting policies involve the most significant estimates and judgments used in the preparation of our consolidated financial statements include those relating to (i) credit loss allowance for accounts receivable; (ii) provision for write-down of inventories; (iii) depreciation and amortization; (iv) impairment of long-term assets (other than goodwill); (v) impairment of goodwill; and (vi) recognition of deferred tax assets. For details, see Notes (III) and (IV) to the Accountants’ Report in Appendix I to this Document.

DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED INCOME STATEMENT

The following table sets forth selected items of our consolidated income statement for the years/periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this Document. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Revenue	17,546,175	19,832,490	20,382,443	9,951,209	10,608,740
Operating costs	(11,542,582)	(12,958,710)	(13,907,157)	(6,646,543)	(7,137,889)
Gross profit	6,003,593	6,873,780	6,475,286	3,304,666	3,470,851
Taxes and surcharges	(140,102)	(151,933)	(151,772)	(78,322)	(75,339)
Selling and distribution expenses	(3,600,984)	(3,377,111)	(3,366,682)	(1,637,970)	(1,714,388)
General and administrative expenses	(853,298)	(856,309)	(897,197)	(438,055)	(429,778)
Research and development expenses	(106,003)	(98,747)	(91,580)	(44,151)	(41,638)
Financial expenses	(928,527)	(401,632)	(268,010)	(135,691)	(139,470)
Investment income	31,014	12,475	79,961	43,368	41,947
Other income	235,352	222,386	239,955	103,602	100,789
Losses from changes in fair values	(318)	(15,146)	–	–	–
Credit impairment (losses)/reversal	(41,584)	19,173	(19,039)	(2,345)	(14,363)
Asset impairment losses	(253,132)	(435,142)	(180,836)	(105,782)	(108,215)
Losses from asset disposals	(205,364)	(397,170)	(454,171)	(274,597)	(264,532)
Operating profit	140,647	1,394,624	1,365,915	734,723	825,864
Non-operating income	41,526	52,954	37,427	19,308	31,024
Non-operating expenses	(36,142)	(22,005)	(15,909)	(7,801)	(14,119)
Profit before income tax	146,031	1,425,573	1,387,433	746,230	842,769
Income tax expenses	(140,451)	(311,056)	(190,761)	(111,188)	(135,439)
Net profit	5,580	1,114,517	1,196,672	635,042	707,330
Net (loss)/profit attributable to:					
– Owners of the Company	(21,442) ⁽¹⁾	1,017,484	1,115,807	595,439	654,414
– Non-controlling interests	27,022	97,033	80,865	39,603	52,916

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Note:

- (1) The net loss attributable to the owners of the Company in 2023 was primarily due to the interest expenses on financial liabilities related to shareholders’ special rights of RMB554.4 million, which were fully attributable to the owners of the Company. Such interest expenses arose from certain special rights granted to certain Pre-[REDACTED] investors before the Track Record Period, which were terminated in 2023, resulting in the derecognition of the relevant liabilities and no such interest expenses were subsequently incurred.

NON-CASBE FINANCIAL MEASURES

To supplement our consolidated financial statements presented in accordance with CASBE, we use adjusted net profit (*non-CASBE measure*) as an additional financial measure, which is not required by or presented in accordance with CASBE. We believe that this non-CASBE measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of this non-CASBE measure may not be comparable to similarly titled measures presented by other companies. The use of such non-CASBE measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under CASBE.

We define adjusted net profit (*non-CASBE measure*) as net profit adding back (i) interest expenses on financial liabilities related to shareholders’ special rights, arising from certain special rights granted to certain Pre-[REDACTED] investors which were terminated in 2023, resulting in the reclassification of the relevant liabilities into equity; (ii) share-based payment expenses, which are non-cash in nature; and (iii) [REDACTED] incurred in connection with the [REDACTED].

The following table shows reconciliation from our profit for the years/periods to our adjusted net profit (*non-CASBE measure*) for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Net profit	5,580	1,114,517	1,196,672	635,042	707,330
Adjustments:					
– Interest expenses on financial liabilities related to shareholders’ special rights	554,428	–	–	–	–
– Share-based payment expenses	41,828	40,172	39,623	21,419	24,200
– [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (non-CASBE measure)	602,957	1,160,569	1,262,116	660,963	745,010

Our adjusted net profit (non-CASBE measure) was RMB603.0 million in 2023, primarily reflecting (i) a relatively lower revenue base prior to the revenue contribution from our geographic expansion and the consolidation of Yinqiao (銀橋) and LESSON (來思爾) in July 2023, which contributed revenue of RMB748.4 million in 2023 following such consolidation, and RMB1,493.0 million in 2024, representing 4.3% and 7.5% of our total revenue, respectively; and (ii) higher advertising expenses incurred during the year in connection with our brand building initiatives. Our adjusted net profit increased significantly from RMB603.0 million in 2023 to RMB1,160.6 million in 2024, primarily attributable to (i) an increase in gross profit driven by revenue growth resulting from our organic business growth and expansion into emerging markets; and (ii) a decrease in selling and distribution expenses, primarily reflecting improved advertising placement efficiency and a shift toward media channels with higher reach efficiency. Taking into account the impact of the adjustments for interest expenses on financial liabilities related to shareholders’ special rights, share-based payment expenses and [REDACTED], our net profit increased significantly from

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RMB5.6 million in 2023 to RMB1,114.5 million in 2024. In addition to the factors described above, our net profit in 2023 was further affected by interest expenses on financial liabilities related to shareholders’ special rights of RMB554.4 million, arising from certain special rights granted to certain Pre-[REDACTED] investors which were terminated in 2023, resulting in the derecognition of the relevant liabilities and no such interest expenses were subsequently incurred.

Revenue

By Product Categories

During the Track Record Period, we generated our revenue primarily from sales of (i) dairy products, comprising low-temperature liquid dairy products, ambient liquid dairy products, formula and other dairy products such as lactic acid bacteria beverages, yogurt drinks, cheese and whipping cream; (ii) dairy farming products, primarily including raw milk, feed and beef cattle. In addition, we also generated revenue from other businesses, primarily including (i) sales of semi-processed dairy ingredients; (ii) sales of eggs and non-staple food products; (iii) sales of packaging materials; (iv) contract manufacturing services; and (v) sales of residential units primarily to our employees.

The following table sets forth a breakdown of our revenue by product categories, in absolute amounts and as percentages of our total revenue, for the years/periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	(unaudited)									
	(RMB in thousands, except for percentages)									
Liquid dairy products	9,664,255	55.1%	11,503,060	58.0%	12,413,691	61.0%	5,819,402	58.5%	6,975,116	65.7%
Low-temperature liquid dairy products	6,287,370	35.9%	7,580,948	38.2%	8,648,362	42.5%	3,936,631	39.6%	4,930,204	46.5%
– Low-temperature yogurt	4,713,784	26.9%	5,306,447	26.7%	5,479,988	26.9%	2,623,919	26.4%	2,890,669	27.2%
– Fresh milk	1,573,586	9.0%	2,274,501	11.5%	3,168,374	15.6%	1,312,713	13.2%	2,039,535	19.2%
Ambient liquid dairy products	3,376,885	19.2%	3,922,112	19.8%	3,765,329	18.5%	1,882,770	18.9%	2,044,913	19.3%
– Ambient yogurt	1,084,961	6.2%	1,065,961	5.4%	1,041,509	5.1%	570,455	5.7%	679,697	6.4%
– Ambient milk	2,291,924	13.0%	2,856,151	14.4%	2,723,820	13.4%	1,312,316	13.2%	1,365,216	12.9%
Formula	5,429,189	30.9%	5,370,792	27.1%	4,464,300	21.9%	2,384,081	24.0%	2,020,061	19.0%
– Infant formula	4,551,537	25.9%	4,660,398	23.5%	3,850,694	18.9%	2,091,878	21.0%	1,685,137	15.9%
– Child formula	638,095	3.6%	486,455	2.5%	290,218	1.4%	159,466	1.6%	127,700	1.2%
– Adults formula	226,921	1.3%	138,701	0.7%	145,623	0.7%	75,789	0.8%	92,386	0.9%
– Other formula ⁽¹⁾	12,636	0.1%	85,238	0.4%	177,765	0.9%	56,948	0.6%	114,838	1.1%
Other dairy products ⁽²⁾	689,496	4.0%	791,279	4.0%	830,592	4.1%	384,672	3.9%	458,471	4.3%
Subtotal – dairy products	15,782,940	90.0%	17,665,131	89.1%	17,708,583	87.0%	8,588,154	86.3%	9,453,648	89.1%
Dairy farming	841,024	4.7%	1,391,763	7.0%	1,201,179	5.9%	538,396	5.4%	610,039	5.8%
Raw milk	647,032	3.7%	928,855	4.7%	491,022	2.4%	225,286	2.3%	250,792	2.4%
Feed and beef cattle	193,992	1.0%	462,908	2.3%	710,157	3.5%	313,109	3.1%	359,247	3.4%
Other business	922,211	5.3%	775,596	3.9%	1,472,681	7.1%	824,659	8.3%	545,053	5.1%
Semi-processed dairy ingredients	271,915	1.5%	236,881	1.2%	436,465	2.1%	240,585	2.4%	261,487	2.4%
Eggs and non-staple food products	324,270	1.8%	227,771	1.1%	134,135	0.7%	73,913	0.7%	60,214	0.6%
Sales of packaging materials	85,612	0.5%	108,941	0.5%	116,526	0.6%	55,729	0.6%	68,000	0.6%
Contract manufacturing services	195,946	1.1%	117,488	0.6%	96,676	0.5%	69,352	0.7%	71,665	0.7%
Sales of residential units	–	–	–	–	557,055	2.7%	323,827	3.3%	8,955	0.1%
Others	44,468	0.4%	84,515	0.5%	131,824	0.5%	61,253	0.6%	74,732	0.7%
Total	17,546,175	100.0%	19,832,490	100.0%	20,382,443	100.0%	9,951,209	100.0%	10,608,740	100.0%

Notes:

- (1) Other formula consisted of FSMP formula, which is designed for special medical purposes, maternal formula, which is designed for pregnant and breastfeeding women to meet their nutritional needs, and contract manufactured formula, which is produced for third-party companies.
- (2) Other dairy products primarily included products such as lactic acid bacteria beverages, yogurt drinks, cheese and whipping cream.

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Sales Volume and Average Selling Price

The following table sets forth a breakdown of our sales volume and average selling price by product categories for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	Sales volume (tons)	ASP (RMB/Kg)	Sales volume (tons)	ASP (RMB/Kg)	Sales volume (tons)	ASP (RMB/Kg)	Sales volume (tons)	ASP (RMB/Kg)	Sales volume (tons)	ASP (RMB/Kg)
Liquid dairy products										
Low-temperature liquid dairy products										
– Low-temperature yogurt	534,887	8.8	602,737	8.8	630,578	8.7	303,628	8.6	328,469	8.8
– Fresh milk	145,881	10.8	227,397	10.0	337,736	9.4	139,071	9.4	216,116	9.4
Ambient liquid dairy products										
– Ambient yogurt	91,322	11.9	93,977	11.3	97,214	10.7	52,291	10.9	65,950	10.3
– Ambient milk	309,320	7.4	425,504	6.7	439,365	6.2	205,057	6.4	216,592	6.3
Formula										
– Infant formula	43,407	104.9	42,889	108.7	34,553	111.4	18,631	112.3	14,980	112.5
– Child formula	7,382	86.4	6,016	80.9	3,440	84.4	1,834	87.0	1,358	94.0
– Adults formula	4,239	53.5	3,265	42.5	3,359	43.4	1,664	45.5	2,251	41.0
– Other formula	193	65.6	2,633	32.4	4,189	42.4	1,215	46.9	2,710	42.4
Other dairy products	117,594	5.9	136,377	5.8	130,418	6.4	65,175	5.9	67,408	6.8
Dairy farming										
Raw milk	154,888	4.2	230,584	4.0	127,444	3.9	57,718	3.9	65,952	3.8
Feed and beef cattle										
– Feed ⁽¹⁾	83,179	1.2	329,855	1.3	318,446	2.2	131,748	2.4	138,023	2.6
– Beef cattle	2,672	22.0	2,311	19.6	– ⁽²⁾	– ⁽²⁾	– ⁽²⁾	– ⁽²⁾	– ⁽²⁾	– ⁽²⁾
Other business	NA*	NA*	NA*	NA*	NA*	NA*	NA*	NA*	NA*	NA*

Note:

NA*: Not applicable.

- (1) Feed comprises a wide range of categories which differ in terms of product nature and unit price. The average selling price presented above represents the blended average selling price across all feed categories.
- (2) We ceased to sell beef cattle in 2024.

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The following table sets forth a breakdown of our revenue from dairy products by brand, in absolute amounts and as percentages of our total dairy products revenue, for the years/periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	(unaudited)									
	(RMB in thousands, except for percentages)									
Low-temperature yogurt	4,713,784	29.9%	5,306,447	30.0%	5,479,988	30.9%	2,623,919	30.6%	2,890,669	30.6%
SimPurity (簡醇)	2,195,422	13.9%	2,411,019	13.6%	2,511,521	14.2%	1,171,479	13.7%	1,351,365	14.3%
Junlebao (君樂寶)*	2,097,798	13.3%	2,155,187	12.2%	2,177,489	12.3%	1,068,374	12.4%	1,110,342	11.8%
Others ⁽¹⁾	420,564	2.7%	740,241	4.2%	790,978	4.4%	384,066	4.5%	428,962	4.5%
Fresh milk	1,573,586	10.0%	2,274,501	12.9%	3,168,374	17.9%	1,312,713	15.2%	2,039,535	21.6%
Freshjoy (悅鮮活)	1,362,715	8.6%	1,881,186	10.6%	2,617,421	14.8%	1,060,353	12.3%	1,771,834	18.8%
Junlebao (君樂寶)*	177,675	1.1%	319,337	1.8%	489,073	2.8%	222,652	2.6%	238,067	2.5%
Others ⁽²⁾	33,196	0.3%	73,978	0.5%	61,880	0.3%	29,708	0.3%	29,634	0.3%
Ambient yogurt	1,084,961	6.9%	1,065,961	6.0%	1,041,509	5.9%	570,455	6.6%	679,697	7.2%
SimPurity (簡醇)	665,519	4.2%	661,845	3.7%	633,765	3.6%	343,766	4.0%	420,176	4.5%
Junlebao (君樂寶)*	397,003	2.5%	368,872	2.1%	376,061	2.1%	211,808	2.4%	229,293	2.4%
Others ⁽³⁾	22,439	0.2%	35,244	0.2%	31,683	0.2%	14,881	0.2%	30,228	0.3%
Ambient milk	2,291,924	14.5%	2,856,151	16.2%	2,723,820	15.4%	1,312,316	15.3%	1,365,216	14.4%
Junlebao (君樂寶)*	1,924,885	12.2%	2,115,780	12.0%	2,115,914	11.9%	1,007,002	11.7%	1,062,391	11.2%
Others ⁽⁴⁾	367,039	2.3%	740,371	4.2%	607,906	3.5%	305,314	3.6%	302,825	3.2%
Formula	5,429,189	34.4%	5,370,792	30.4%	4,464,300	25.2%	2,384,081	27.8%	2,020,061	21.4%
Junlebao (君樂寶)*	4,763,007	30.2%	4,757,878	26.9%	3,917,356	22.1%	2,134,199	24.9%	1,714,273	18.1%
Banner (旗幟)	593,431	3.8%	506,739	2.9%	375,403	2.1%	197,819	2.3%	197,445	2.1%
Others ⁽⁵⁾	72,751	0.4%	106,175	0.6%	171,541	1.0%	52,063	0.6%	108,343	1.1%
Other dairy products	689,496	4.3%	791,279	4.5%	830,592	4.7%	384,672	4.5%	458,471	4.8%
Subtotal – dairy products	15,782,940	100.0%	17,665,131	100.0%	17,708,583	100.0%	8,588,154	100.0%	9,453,648	100.0%

Notes:

* Junlebao (君樂寶) includes products sold under our master brand Junlebao and its sub-brands, primarily including (i) for low-temperature yogurt, Duoguoli (多果麗), Manchun (慢醇), Chewing Bar (嚼吧) and Zhangzhishila (漲芝士啦); (ii) for fresh milk, Hexiannai (喝鮮奶); (iii) for ambient yogurt, KEFIR (開啡爾); (iv) for ambient milk, Junlebao Baixiaochun (君樂寶白小純) and Junlebao Excellent Pasture (君樂寶優佳牧場); and (v) for formula, Zhizhen (至臻), Tianshi (恬適), Lebo (樂鉅), Youcui (優萃), Xiaoxiaoluban (小小魯班) and Youcui Baoai (優萃寶愛).

- (1) Others under low-temperature yogurt primarily comprises products sold under the specialized brands Purjoy (純享), Yinqiao (銀橋) and LESSON (來思爾).
- (2) Others under fresh milk primarily comprises products sold under the specialized brands Yinqiao (銀橋) and LESSON (來思爾).
- (3) Others under ambient yogurt primarily comprises products sold under the specialized brands Yinqiao (銀橋) and LESSON (來思爾).
- (4) Others under ambient milk primarily comprises products sold under the specialized brands Yinqiao (銀橋) and LESSON (來思爾).
- (5) Others under formula primarily comprises formula products sold under the specialized brand Yinqiao (銀橋) and contract manufactured formula produced for third-party companies.

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By Geographic Market

During the Track Record Period, we generated substantially all of our revenue from Chinese Mainland.

The following table sets forth a breakdown of our revenue by geographic market based on delivery location, in absolute amounts and as percentages of our total revenue, for the years/periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	(RMB in thousands, except for percentages)						(unaudited)			
North China	5,263,224	30.0%	5,785,393	29.1%	5,902,525	29.0%	2,876,824	28.9%	3,023,062	28.5%
East China	4,423,066	25.2%	4,841,102	24.4%	4,735,568	23.3%	2,201,546	22.1%	2,541,967	24.0%
Central China	1,916,938	10.9%	2,127,251	10.7%	2,098,247	10.3%	1,000,682	10.1%	1,179,034	11.1%
Northwest China	1,238,342	7.1%	1,596,729	8.1%	1,488,716	7.3%	758,666	7.6%	734,305	6.9%
Southwest China	1,074,877	6.1%	1,447,611	7.3%	1,385,337	6.8%	710,358	7.1%	770,778	7.3%
South China	956,664	5.5%	1,200,736	6.1%	1,292,484	6.3%	615,340	6.2%	709,324	6.7%
Northeast China	801,424	4.6%	935,852	4.7%	871,935	4.3%	433,380	4.4%	466,602	4.4%
Online ⁽¹⁾	947,661	5.3%	1,121,991	5.7%	1,133,317	5.6%	528,805	5.3%	626,240	5.9%
Overseas ⁽²⁾	1,768	0.0%	229	0.0%	1,633	0.0%	949	0.0%	12,375	0.1%
Other business ⁽³⁾	922,211	5.3%	775,596	3.9%	1,472,681	7.1%	824,659	8.3%	545,053	5.1%
Total	17,546,175	100.0%	19,832,490	100.0%	20,382,443	100.0%	9,951,209	100.0%	10,608,740	100.0%

Notes:

- (1) Represents revenue generated from online channels where the geographic location of the end customers cannot be distinctly identified.
- (2) Represents revenue derived from overseas markets during the Track Record Period, namely Hong Kong, Macau, Laos and Singapore.
- (3) Other business primarily consisted of (i) sales of semi-processed dairy ingredients; (ii) sales of eggs and non-staple food products; (iii) sales of packaging materials; (iv) contract manufacturing services; and (v) sales of residential units primarily to our employees, all of which were derived from Chinese Mainland.

For the breakdown of our revenue by sales channel, see “Business — Sales and Distribution.”

Operating Costs

By Nature

Our operating costs primarily consisted of (i) costs of direct raw materials, mainly including raw milk and ingredients; (ii) packaging materials, mainly aseptic packaging materials, formula cans, cartons, caps and labels; (iii) manufacturing expenses, mainly representing utilities and depreciation of property, plant and equipment used for production; (iv) transportation expenses, incurred for delivering our products to customers; (v) direct labor, mainly representing employee compensation, including share-based payment expenses for our production personnel; (vi) others under dairy products and dairy farming, mainly including cost of raw milk products, as well as OEM tolling fees and procurement cost of dairy products; and (vii) operating costs of other business.

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The following table below sets forth a breakdown of our operating costs by nature, in absolute amounts and as a percentage of our total operating costs, for the years/periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
<i>(RMB in thousands, except for percentages)</i>										
							<i>(unaudited)</i>			
Direct raw materials	5,864,729	50.7%	6,200,826	47.8%	6,227,601	44.8%	2,890,930	43.5%	3,362,630	47.1%
Packaging materials	1,796,754	15.6%	2,010,011	15.5%	2,044,325	14.7%	989,821	14.9%	1,106,752	15.5%
Manufacturing expenses	1,113,950	9.7%	1,398,388	10.8%	1,400,524	10.1%	683,830	10.3%	715,165	10.0%
Transportation expenses	803,948	7.0%	966,055	7.5%	1,032,842	7.4%	480,499	7.2%	569,063	8.0%
Direct labor	339,481	2.9%	413,938	3.2%	407,562	2.9%	205,904	3.1%	223,551	3.1%
Others under dairy products and dairy farming	714,912	6.2%	1,193,204	9.2%	1,234,723	8.9%	522,310	7.9%	590,669	8.3%
Other business ⁽¹⁾	908,808	7.9%	776,288	6.0%	1,559,580	11.2%	873,249	13.1%	570,059	8.0%
Total	11,542,582	100.0%	12,958,710	100.0%	13,907,157	100.0%	6,646,543	100.0%	7,137,889	100.0%

Note:

- (1) Other business primarily consisted of operating costs for (i) sales of semi-processed dairy ingredients; (ii) sales of eggs and non-staple food products; (iii) sales of packaging materials; (iv) contract manufacturing services; and (v) sales of residential units primarily to our employees.

By Product Categories

The following table below sets forth a breakdown of our operating costs by product categories, in absolute amounts and as a percentage of our total operating costs, for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
<i>(RMB in thousands, except for percentages)</i>										
							<i>(unaudited)</i>			
Liquid dairy products	6,765,466	58.6%	8,065,841	62.2%	8,735,015	62.8%	4,071,434	61.3%	4,821,806	67.6%
Low-temperature liquid dairy products	4,230,459	36.6%	5,028,034	38.8%	5,695,185	40.9%	2,580,185	38.8%	3,234,711	45.3%
– Low-temperature yogurt	3,279,285	28.4%	3,617,474	27.9%	3,686,353	26.5%	1,748,747	26.3%	1,947,676	27.3%
– Fresh milk	951,174	8.2%	1,410,560	10.9%	2,008,832	14.4%	831,437	12.5%	1,287,035	18.0%
Ambient liquid dairy products	2,535,007	22.0%	3,037,807	23.4%	3,039,830	21.9%	1,491,249	22.4%	1,587,095	22.2%
– Ambient yogurt	753,535	6.5%	738,660	5.7%	718,099	5.2%	385,058	5.8%	468,908	6.6%
– Ambient milk	1,781,472	15.5%	2,299,147	17.7%	2,321,731	16.7%	1,106,191	16.6%	1,118,187	15.7%
Formula	2,571,143	22.3%	2,329,902	18.0%	1,897,005	13.6%	937,934	14.1%	852,743	11.9%
– Infant formula	2,075,748	18.0%	1,937,939	14.9%	1,518,525	10.9%	773,651	11.6%	639,276	9.0%
– Child formula	339,640	2.9%	219,244	1.7%	127,949	0.9%	66,439	1.0%	56,173	0.8%
– Adults formula	148,070	1.3%	99,059	0.8%	108,704	0.8%	55,829	0.8%	71,812	1.0%
– Other formula	7,685	0.1%	73,660	0.6%	141,827	1.0%	42,015	0.6%	85,482	1.2%
Other dairy products	526,463	4.5%	591,397	4.6%	649,862	4.7%	289,508	4.4%	346,713	4.9%
Subtotal – dairy products	9,863,072	85.4%	10,987,140	84.8%	11,281,882	81.1%	5,298,875	79.7%	6,021,262	84.4%
Dairy farming	770,702	6.7%	1,195,282	9.2%	1,065,695	7.7%	474,418	7.1%	546,568	7.7%
Other business⁽¹⁾	908,808	7.9%	776,288	6.0%	1,559,580	11.2%	873,249	13.1%	570,059	8.0%
Total	11,542,582	100.0%	12,958,710	100.0%	13,907,157	100.0%	6,646,543	100.0%	7,137,889	100.0%

Note:

- (1) Other business primarily consisted of operating costs for (i) sales of semi-processed dairy ingredients; (ii) sales of eggs and non-staple food products; (iii) sales of packaging materials; (iv) contract manufacturing services; and (v) sales of residential units primarily to our employees.

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Gross Profit and Gross Profit Margin

By Product Categories

During the Track Record Period, our gross profit represents our revenue less our operating costs, and our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by product categories for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Liquid dairy products	2,898,789	30.0%	3,437,219	29.9%	3,678,676	29.6%	1,747,968	30.0%	2,153,310	30.9%
Low-temperature liquid dairy products	2,056,911	32.7%	2,552,914	33.7%	2,953,177	34.1%	1,356,447	34.5%	1,695,492	34.4%
– Low-temperature yogurt	1,434,499	30.4%	1,688,973	31.8%	1,793,635	32.7%	875,171	33.4%	942,992	32.6%
– Fresh milk	622,412	39.6%	863,941	38.0%	1,159,542	36.6%	481,276	36.7%	752,500	36.9%
Ambient liquid dairy products	841,878	24.9%	884,305	22.5%	725,499	19.3%	391,521	20.8%	457,818	22.4%
– Ambient yogurt	331,426	30.5%	327,301	30.7%	323,410	31.1%	185,396	32.5%	210,789	31.0%
– Ambient milk	510,452	22.3%	557,004	19.5%	402,089	14.8%	206,125	15.7%	247,029	18.1%
Formula	2,858,046	52.6%	3,040,890	56.6%	2,567,295	57.5%	1,446,147	60.7%	1,167,318	57.8%
– Infant formula	2,475,789	54.4%	2,722,459	58.4%	2,332,169	60.6%	1,318,227	63.0%	1,045,861	62.1%
– Child formula	298,455	46.8%	267,211	54.9%	162,269	55.9%	93,027	58.3%	71,528	56.0%
– Adults formula	78,851	34.7%	39,642	28.6%	36,919	25.4%	19,960	26.3%	20,574	22.3%
– Other formula	4,951	39.2%	11,578	13.6%	35,938	20.2%	14,933	26.2%	29,356	25.6%
Other dairy products	163,033	23.6%	199,882	25.3%	180,730	21.8%	95,164	24.7%	111,757	24.4%
Subtotal – dairy products	5,919,868	37.5%	6,677,991	37.8%	6,426,701	36.3%	3,289,279	38.3%	3,432,386	36.3%
Dairy farming	70,322	8.4%	196,481	14.1%	135,484	11.3%	63,977	11.9%	63,471	10.4%
Other business ⁽¹⁾	13,403	1.5%	(692)	(0.1)%	(86,899)	(5.9)%	(48,590)	(5.9)%	(25,006)	(4.6)%
Total	6,003,593	34.2%	6,873,780	34.7%	6,475,286	31.8%	3,304,666	33.2%	3,470,851	32.7%

Note:

- (1) Other business primarily consisted of (i) sales of semi-processed dairy ingredients; (ii) sales of eggs and non-staple food products; (iii) sales of packaging materials; (iv) contract manufacturing services; and (v) sales of residential units primarily to our employees. As these semi-processed dairy ingredients are generally sold at prevailing market prices that are lower than the related production costs, our other business recorded a gross loss in 2024, 2025 and for the six months ended June 30, 2025 and 2026. Semi-processed dairy ingredients mainly include whole milk powder, skimmed milk powder and cream that produced from surplus raw milk. Semi-processed dairy ingredients are integral by-products of our integrated dairy operations rather than a standalone profit-oriented business. As raw milk has a short shelf life, temporary surplus raw milk may arise when raw milk supply exceeds downstream production demand for dairy products. In such circumstances, we process surplus raw milk into semi-processed dairy ingredients for external sale to recover a portion of the associated value and production costs that would otherwise be lost if such raw milk could not be utilized in time. Such production and sale will therefore continue in the ordinary course of our business.

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The following table sets forth a breakdown of our gross profit and gross profit margin from dairy products by brand for the years/periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Low-temperature yogurt	1,434,499	30.4%	1,688,973	31.8%	1,793,635	32.7%	875,171	33.4%	942,992	32.6%
SimPurity (簡醇)	752,420	34.3%	895,991	37.2%	935,550	37.3%	424,707	36.3%	514,114	38.0%
Junlebao (君樂寶)	597,047	28.5%	655,589	30.4%	659,296	30.3%	351,408	32.9%	328,304	29.6%
Others	85,032	20.2%	137,393	18.6%	198,789	25.1%	99,057	25.8%	100,575	23.4%
Fresh milk	622,412	39.6%	863,941	38.0%	1,159,542	36.6%	481,276	36.7%	752,500	36.9%
Freshjoy (悅鮮活)	568,338	41.7%	784,913	41.7%	1,062,101	40.6%	431,514	40.7%	698,729	39.4%
Junlebao (君樂寶) ⁽¹⁾	48,431	27.3%	72,307	22.6%	84,428	17.3%	43,661	19.6%	49,201	20.7%
Others ⁽²⁾	5,643	17.0%	6,721	9.1%	13,013	21.0%	6,100	20.5%	4,570	15.4%
Ambient yogurt	331,426	30.5%	327,301	30.7%	323,410	31.1%	185,396	32.5%	210,789	31.0%
SimPurity (簡醇)	216,270	32.5%	211,400	31.9%	206,890	32.6%	116,665	33.9%	149,395	35.6%
Junlebao (君樂寶) ⁽³⁾	115,336	29.1%	111,781	30.3%	113,874	30.3%	67,864	32.0%	59,354	25.9%
Others ⁽⁴⁾	(180)	(0.8%)	4,120	11.7%	2,646	8.4%	867	5.8%	2,040	6.7%
Ambient milk	510,452	22.3%	557,004	19.5%	402,089	14.8%	206,125	15.7%	247,029	18.1%
Junlebao (君樂寶) ⁽⁵⁾	447,703	23.3%	421,947	19.9%	265,514	12.5%	135,458	13.5%	175,701	16.5%
Others	62,749	17.1%	135,057	18.2%	136,575	22.5%	70,667	23.1%	71,328	23.6%
Formula	2,858,046	52.6%	3,040,890	56.6%	2,567,295	57.5%	1,446,147	60.7%	1,167,318	57.8%
Junlebao (君樂寶)	2,500,502	52.5%	2,705,923	56.9%	2,332,768	59.5%	1,326,453	62.2%	1,037,436	60.5%
Banner (旗幟)	333,119	56.1%	317,474	62.7%	208,500	55.5%	110,923	56.1%	111,611	56.5%
Others ⁽⁶⁾	24,425	33.6%	17,493	16.5%	26,027	15.2%	8,771	16.8%	18,271	16.9%
Other dairy products	163,033	23.6%	199,882	25.3%	180,730	21.8%	95,164	24.7%	111,757	24.4%
Subtotal – dairy products	5,919,868	37.5%	6,677,991	37.8%	6,426,701	36.3%	3,289,279	38.3%	3,432,386	36.3%

Notes:

* For details of the brand composition of Junlebao (君樂寶) and others under each product category, see the notes to the revenue by brand table above.

- (1) The decrease in gross profit margin of Junlebao (君樂寶) under fresh milk in 2024, 2025 and for the six months ended June 30, 2026 was primarily due to the increasing revenue contribution from large-size formats launched since 2024, which carried a lower gross profit margin.
- (2) The decrease in gross profit margin of others under fresh milk in 2024 was primarily due to the trial launch of a new product during the year with limited production volume and higher unit costs.
- (3) The decrease in gross profit margin of Junlebao (君樂寶) under ambient yogurt for the six months ended June 30, 2026 was primarily due to our proactive pricing strategy on certain products under this brand to increase market penetration.
- (4) The negative gross profit margin of others under ambient yogurt in 2023 was primarily attributable to the lower production volume of LESSON (來思爾) during the year, which resulted in higher unit manufacturing expenses.
- (5) The decrease in gross profit margin of Junlebao (君樂寶) under ambient milk in 2024 and 2025 was primarily due to our proactive pricing strategy to increase market penetration in the ambient milk market.
- (6) The decrease in gross profit margin of others under formula during the Track Record Period was primarily due to the increasing proportion of contract manufactured formula since 2024, which carried a lower gross profit margin.

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By Sales Channel

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Distributors	4,996,798	38.3%	5,485,496	38.4%	5,060,421	36.8%	2,646,153	38.7%	2,631,124	37.5%
– Offline distributors	4,404,424	37.9%	4,877,561	38.3%	4,579,125	36.9%	2,409,589	38.7%	2,366,431	37.8%
– Online distributors	592,374	41.5%	607,935	39.7%	481,296	36.1%	236,563	38.8%	264,694	34.6%
Direct sales	993,392	27.8%	1,388,976	29.1%	1,501,764	29.0%	707,104	30.8%	864,732	28.4%
– KA customers	290,133	32.6%	398,997	34.3%	475,425	33.3%	202,084	32.7%	289,833	31.7%
– E-commerce platforms	248,838	43.1%	325,987	44.4%	390,386	45.2%	194,517	48.3%	171,319	39.8%
– Online self-operated stores	253,032	48.0%	312,661	47.4%	309,714	46.2%	144,859	47.6%	189,193	45.7%
– Corporate and institutional clients and others	201,389	12.8%	351,331	15.8%	326,239	14.8%	165,645	17.0%	214,387	16.7%
Other business ⁽¹⁾	13,403	1.5%	(692)	(0.1)%	(86,899)	(5.9)%	(48,590)	(5.9)%	(25,006)	(4.6)%
Total	6,003,593	34.2%	6,873,780	34.7%	6,475,286	31.8%	3,304,666	33.2%	3,470,851	32.7%

Note:

- (1) Other business primarily consisted of (i) sales of semi-processed dairy ingredients; (ii) sales of eggs and non-staple food products; (iii) sales of packaging materials; (iv) contract manufacturing services; and (v) sales of residential units primarily to our employees.

Taxes and Surcharges

During the Track Record Period, our taxes and surcharges primarily consisted of (i) urban maintenance and construction tax; (ii) real estate tax; (iii) education surcharge; (iv) stamp tax; (v) local education surcharge; (vi) land use tax; and (vii) other taxes.

The table below sets forth a breakdown of our taxes and surcharges, in absolute amounts and as a percentage of our total taxes and surcharges, for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Urban maintenance and construction tax	44,846	32.0%	47,940	31.6%	46,710	30.8%	24,629	31.4%	20,530	27.3%
Real estate tax	24,429	17.4%	27,573	18.1%	28,315	18.7%	14,132	18.0%	15,942	21.2%
Education surcharge	20,343	14.5%	21,494	14.1%	20,833	13.7%	10,974	14.0%	9,079	12.1%
Stamp tax	20,518	14.6%	20,761	13.7%	21,730	14.3%	10,155	13.0%	13,386	17.8%
Local education surcharge	13,605	9.7%	14,331	9.4%	13,889	9.2%	7,412	9.5%	6,114	8.1%
Land use tax	12,895	9.2%	14,028	9.2%	14,867	9.8%	7,316	9.3%	7,355	9.7%
Other taxes	3,466	2.6%	5,806	3.9%	5,428	3.5%	3,704	4.8%	2,933	3.8%
Total	140,102	100.0%	151,933	100.0%	151,772	100.0%	78,322	100.0%	75,339	100.0%

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (i) advertising expenses; (ii) employee remuneration, representing salaries, bonuses, social security contributions, share-based payment expenses and other benefits for our selling and marketing personnel; (iii) selling and promotion expenses, mainly representing expenses for in-store sales promoters and promotional activities conducted through online and offline channels; (iv) travel and business development expenses; (v) advisory service fee, representing fees paid to professional institutions for strategic consulting and market research; and (vi) others.

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The table below sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as a percentage of our total selling and distribution expenses, for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	(unaudited)									
	(RMB in thousands, except for percentages)									
Advertising expenses	1,552,361	43.1%	1,108,143	32.8%	909,489	27.0%	498,016	30.4%	421,782	24.6%
Employee remuneration	873,952	24.3%	988,189	29.3%	1,071,943	31.8%	508,487	31.0%	537,646	31.4%
Selling and promotion expenses . . .	753,822	20.9%	848,496	25.1%	952,251	28.3%	437,800	26.7%	537,028	31.3%
Travel and business development expenses	134,955	3.7%	159,618	4.7%	151,203	4.5%	71,209	4.3%	75,599	4.4%
Advisory service fee	137,165	3.8%	122,328	3.6%	121,355	3.6%	58,732	3.6%	67,348	3.9%
Others ⁽¹⁾	148,729	4.2%	150,337	4.5%	160,440	4.8%	63,726	4.0%	74,985	4.4%
Total	3,600,984	100.0%	3,377,111	100.0%	3,366,682	100.0%	1,637,970	100.0%	1,714,388	100.0%

Note:

- (1) Others primarily consisted of (i) storage and handling fee; (ii) depreciation and amortization; (iii) conference fee; and (iv) others.

General and Administrative Expenses

During the Track Record Period, our general and administrative expenses consisted of (i) employee remuneration, mainly including salaries, bonuses, social security contributions, share-based payment expenses and other benefits for our management and administrative personnel; (ii) depreciation and amortization, relating to property, plant and office equipment, right-of-use assets and intangible assets used for administrative purposes; (iii) general operating expenses, mainly representing expenses incurred for the daily operations of our headquarters and administrative functions, including energy expenses, office expenses, and inspection and maintenance costs; (iv) travel and business development expenses; (v) [REDACTED]; (vi) disability employment security fund; (vii) advisory service fee, representing fees paid to professional institutions for legal and other consulting services; and (viii) others.

The table below sets forth a breakdown of our general and administrative expenses, in absolute amounts and as a percentage of our total general and administrative expenses, for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	(unaudited)									
	(RMB in thousands, except for percentages)									
Employee remuneration	510,152	59.8%	529,925	61.8%	549,672	61.3%	276,672	63.2%	274,178	63.8%
Depreciation and amortization	122,975	14.4%	129,576	15.2%	129,470	14.4%	65,632	15.0%	69,302	16.1%
General operating expenses	65,073	7.7%	44,798	5.2%	45,346	5.0%	20,351	4.7%	20,314	4.7%
Travel and business development expenses	35,766	4.2%	35,088	4.1%	35,482	4.0%	16,343	3.7%	16,937	3.9%
[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Disability employment security fund .	14,620	1.7%	17,090	2.0%	10,028	1.1%	7,907	1.8%	1,340	0.3%
Advisory service fee	44,606	5.2%	16,086	1.9%	14,402	1.6%	8,331	1.9%	6,382	1.5%
Others ⁽¹⁾	58,985	6.9%	77,866	9.1%	86,976	9.7%	38,317	8.7%	27,845	6.6%
Total	853,298	100.0%	856,309	100.0%	897,197	100.0%	438,055	100.0%	429,778	100.0%

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Note:

- (1) Others primarily included environmental governance fees, labor service fees, information technology service fees and lease expenses.

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) employee remuneration, representing salaries, bonuses, social security contributions, share-based payment expenses and other benefits for personnel engaged in our R&D activities; (ii) technical R&D and testing expenses, representing expenses of consumables, materials and testing fees incurred during the R&D process; (iii) depreciation and amortization, relating to property, laboratories and equipment used for R&D purposes; (iv) advisory service fee, representing fees paid to external institutions for technical cooperation and consulting; and (v) others.

The table below sets forth a breakdown of our research and development expenses, in absolute amounts and as a percentage of our total research and development expenses, for the years/periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2023		2024		2025		2025		2026	
	(unaudited)									
	(RMB in thousands, except for percentages)									
Employee remuneration	39,983	37.7%	44,653	45.2%	42,294	46.2%	22,553	51.1%	19,935	47.9%
Technical R&D and testing expenses .	28,242	26.6%	23,970	24.3%	22,716	24.8%	9,063	20.5%	8,720	20.9%
Depreciation and amortization	14,464	13.6%	14,457	14.6%	13,026	14.2%	6,614	15.0%	6,115	14.7%
Advisory service fee	13,864	13.1%	8,258	8.4%	7,074	7.7%	2,906	6.6%	3,924	9.4%
Others ⁽¹⁾	9,450	9.0%	7,409	7.5%	6,470	7.1%	3,015	6.8%	2,944	7.1%
Total	106,003	100.0%	98,747	100.0%	91,580	100.0%	44,151	100.0%	41,638	100.0%

Note:

- (1) Others primarily included office expenses, repair and maintenance costs, utility expenses and insurance expenses related to research and development.

Financial Expenses

During the Track Record Period, our financial expenses primarily consisted of (i) interest expenses, mainly arising from bank borrowings and lease liabilities, as well as interest expenses on financial liabilities related to shareholders’ special rights arising from certain special rights granted to some Pre-[REDACTED] investors before the Track Record Period and subsequently terminated in 2023; (ii) bank charges; (iii) foreign exchange (losses)/gains, primarily arising from the translation of our US dollar-denominated bank borrowings at the prevailing exchange rates; and (iv) interest income, derived from bank deposits. The table below sets forth a breakdown of our financial expenses for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	(unaudited)				
	(RMB in thousands)				
Interest expenses	940,419	404,835	277,149	141,463	139,302
Bank charges	2,126	1,480	1,442	549	594
Foreign exchange losses/(gains)	15,486	7,537	(910)	(1,090)	1,649
Less:					
Interest income	(29,504)	(12,220)	(9,671)	(5,231)	(2,075)
Total	928,527	401,632	268,010	135,691	139,470

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Investment Income

Our investment income primarily included: (i) gains (losses) arising from remeasuring the original equity interests/remained equity interests at fair value due to the acquisition/disposal of subsidiaries; (ii) (losses)/gains from long-term equity investments accounted for using the equity method; (iii) gains (losses) from disposal of long-term equity investments; (iv) interests income from entrusted loans; (v) interests income and disposal income from derivative financial instruments; (vi) dividends income from other equity instruments; and (vii) others.

The following table sets forth a breakdown of our investment income for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Gains/(losses) arising from remeasuring the original equity interests/remained equity interests at fair value due to the acquisition/ disposal of subsidiaries	19,404	(1,229)	–	–	–
(Losses)/gains from long-term equity investments accounted for using the equity method	(8,042)	(3,613)	76,755	42,151	41,947
Gains/(losses) from disposal of long- term equity investments	7,039	(164)	578	588	–
Interests income from entrusted loans	5,895	–	–	–	–
Interests income and disposal income from derivative financial instruments	4,532	8,352	–	–	–
Dividends income from other equity instruments	2,152	994	2,325	308	–
Others ⁽¹⁾	34	8,135	303	321	1
Total	31,014	12,475	79,961	43,368	41,947

Note:

(1) Others primarily represents reversal on credit losses from our acquired subsidiaries.

Other Income

Our other income included (i) government grants directly recognized as other income; and (ii) government grants transferred from deferred income. Our government grants primarily comprised (i) asset-related government grants, principally for dairy processing capacity construction and dairy farm development; and (ii) income-related government grants, principally for industrial policy support, talent development and research projects. Such government grants were generally non-recurring in nature and were subject to the applicable policies and assessment criteria of the relevant government authorities. The following table sets forth a breakdown of our other income for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Government grants directly recognized as other income	70,855	55,011	69,027	20,809	18,762
Government grants transferred from deferred income	164,497	167,375	170,929	82,793	82,027
Total	235,352	222,386	239,955	103,602	100,789

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Losses from Changes in Fair Values

Our losses from changes in fair values represented losses from changes in fair values of derivative financial instruments, primarily arising from interest rate swaps and foreign exchange forward contracts in connection with our foreign currency borrowings. In 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, we recorded losses from changes in fair values of RMB0.3 million, RMB15.1 million, nil, nil and nil, respectively.

Credit Impairment (Losses)/Reversal

We recorded expected credit impairment (losses)/reversal on (i) accounts receivable; (ii) other receivables; and (iii) long-term receivables. Our credit impairment losses amounted to RMB41.6 million and RMB19.0 million in 2023 and 2025, respectively. In 2024, we recorded a credit impairment reversal of RMB19.2 million, primarily due to the reversal of impairment losses on accounts receivable, reflecting the reduced credit risk associated with certain customers following the implementation of credit enhancement measures. Our credit impairment losses amounted to RMB2.3 million and RMB14.4 million for the six months ended June 30, 2025 and 2026, respectively.

Asset Impairment Losses

We recorded asset impairment losses mainly on (i) loss on inventories write-down, being the write-down of inventories recognized when their net realizable value was below cost; (ii) loss on productive biological assets impairment; (iii) loss on fixed assets impairment; (iv) loss on long-term equity investment impairment; (v) loss on goodwill impairment; and (vi) loss on intangible assets impairment. The following table sets forth a breakdown of our asset impairment losses for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Loss on inventories write-down . . .	136,291	66,938	148,065	103,902	96,703
Loss on productive biological assets impairment	98,447	35,070	28,632	1,880	3,520
Loss on fixed assets impairment . . .	14,336	27,468	4,140	–	7,992
Loss on long-term equity investment impairment	4,058	64,000	–	–	–
Loss on goodwill impairment ⁽¹⁾ . . .	–	229,666	–	–	–
Loss on intangible assets impairment	–	12,000	–	–	–
Total	253,132	435,142	180,836	105,782	108,215

Note:

- (1) Loss on goodwill impairment was recognized in 2024 in respect of certain companies acquired in prior years, due to their underperformance against expectations. See Note (VI) 17 to the Accountants’ Report in Appendix I to this Document.

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Losses from Asset Disposals

Our losses from asset disposals are mainly related to (i) disposal of biological assets; (ii) disposal of fixed assets; and (iii) disposal of right-of-use assets. The following table sets forth a breakdown of our losses from asset disposals for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Losses on disposal of biological assets	(213,706)	(394,095)	(452,850)	(275,248)	(265,082)
Gains/(losses) on disposal of fixed assets	7,946	(4,682)	(1,726)	274	396
Gains on disposal of right-of-use assets	396	1,607	405	377	154
Total	(205,364)	(397,170)	(454,171)	(274,597)	(264,532)

Non-Operating Income

Our non-operating income primarily consisted of (i) scrap income; and (ii) others, mainly including gains on write-off of non-current assets and insurance claim proceeds. In 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, our non-operating income amounted to RMB41.5 million, RMB53.0 million, RMB37.4 million, RMB19.3 million and RMB31.0 million, respectively.

Non-Operating Expenses

Our non-operating expenses primarily consisted of (i) donation expenditure; and (ii) others, mainly including losses on write-off of non-current assets. In 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, our non-operating expenses amounted to RMB36.1 million, RMB22.0 million, RMB15.9 million, RMB7.8 million and RMB14.1 million, respectively.

Income Tax Expenses

Our income tax expenses included current tax expenses and deferred tax expenses. In 2023, 2024, 2025 and for the six months ended June 30, 2025 and 2026, our income tax expenses was RMB140.5 million, RMB311.1 million, RMB190.8 million, RMB111.2 million and RMB135.4 million, respectively.

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

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Current tax expenses	89,872	126,985	164,646	148,609	88,067
Deferred tax expenses	50,579	184,071	26,116	(37,421)	47,372
Total	140,451	311,056	190,761	111,188	135,439

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Our effective tax rates were approximately 96%, 22% and 14% in 2023, 2024 and 2025, respectively. Our effective tax rate in 2023 was significantly higher than the statutory rate of 25%, primarily due to the recognition of non-deductible financial expenses of RMB554.4 million on financial liabilities related to shareholders’ special rights, which had a disproportionately significant impact on the effective tax rate given our profit before income tax of RMB146.0 million in 2023. Our effective tax rate decreased to approximately 22% in 2024, primarily due to the significant increase in profit before income tax, which substantially diluted the impact of non-deductible items. Our effective tax rate further decreased to approximately 14% in 2025, primarily due to the increased profit contribution from our tax-exempt dairy farming subsidiaries pursuant to the EIT Law. The impact of such non-taxable operations grew from 2023 to 2025 alongside the improved profitability of our animal husbandry business. Excluding the impact of all non-taxable operations, the effective tax rates from 2023 to 2025 would have been approximately 27%, 25%, and 25%, respectively. Our effective tax rate remained relatively stable at approximately 15% and 16% for the six months ended June 30, 2025 and 2026, respectively.

PRC

Under the EIT Law and the Implementation Regulation of the EIT Law, the EIT rate of our Company and our PRC subsidiaries is 25% unless subject to tax exemption or preferential treatment. During the Track Record Period, the income derived from the breeding of livestock and poultry, as well as the primary processing of dairy products generated by certain of our subsidiaries, was exempted from enterprise income tax in accordance with the EIT Law and relevant regulations. Pursuant to a clarification issued by the competent tax authority in June 2026 on the scope of application of such preferential treatment, income derived from dairy products manufactured using membrane filtration and vacuum concentration processes ceased to be eligible for such exemption with effect from 2025. In addition, certain of our subsidiaries located in the western region of China met the requirements stipulated in the Preferential Tax Policies for Development of China’s Western Regions and were subject to a reduced EIT rate of 15%. Furthermore, in accordance with the relevant tax circulars issued by the MOF and the State Taxation Administration, certain of our subsidiaries qualified as small and low-profit enterprises and were entitled to a preferential EIT rate of 20% on their taxable income during the Track Record Period.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

Our revenue increased by 6.6% from RMB9,951.2 million for the six months ended June 30, 2025 to RMB10,608.7 million for the six months ended June 30, 2026, primarily driven by an increase in sales volumes across our liquid dairy products, mainly attributable to the continued rapid growth of our fresh milk products and the steady growth of our low-temperature yogurt and ambient liquid dairy products. The foregoing was partially offset by (i) a decrease in revenue from formula due to a decrease in sales volumes; and (ii) a decrease in revenue from other business, primarily due to the decrease in revenue from sales of residential units following the cessation of our property development activities.

Low-temperature liquid dairy products

Our revenue from low-temperature liquid dairy products increased by 25.2% from RMB3,936.6 million for the six months ended June 30, 2025 to RMB4,930.2 million for the six months ended June 30, 2026, primarily due to an increase in sales volumes from 442.7 thousand tons to 544.6 thousand tons. This increase in sales volumes was mainly attributable to (i) the continued robust performance of our fresh milk products, with sales volumes increasing significantly from 139.1 thousand tons to 216.1 thousand tons, driven by rising consumer preferences for fresh milk products, the market leadership of our Freshjoy (悦鲜活) brand, and the sales growth to freshly made coffee and tea chains; and (ii) the steady growth of our low-temperature yogurt, with sales volumes increasing from 303.6 thousand tons to 328.5 thousand tons, and average selling price increasing from RMB8.6 per kilogram to RMB8.8 per kilogram, driven by an increased proportion of our SimPurity (简醇) products, including its newly launched products with higher average selling prices.

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Ambient liquid dairy products

Our revenue from ambient liquid dairy products increased by 8.6% from RMB1,882.8 million for the six months ended June 30, 2025 to RMB2,044.9 million for the six months ended June 30, 2026, primarily due to an increase in sales volumes from 257.3 thousand tons to 282.5 thousand tons. This increase in sales volumes was mainly attributable to (i) the strong growth of our ambient yogurt, with sales volumes increasing from 52.3 thousand tons to 66.0 thousand tons, primarily driven by the robust growth of our SimPurity (簡醇) products, supported by our optimized sales and marketing strategies; and (ii) the steady growth of our ambient milk, with sales volumes increasing from 205.1 thousand tons to 216.6 thousand tons, primarily attributable to organic growth from certain ambient milk product lines. The foregoing was partially offset by a decrease in average selling price of ambient yogurt from RMB10.9 per kilogram to RMB10.3 per kilogram, primarily reflecting our proactive pricing strategy on certain ambient yogurt products to increase market penetration.

Formula

Our revenue from formula decreased by 15.3% from RMB2,384.1 million for the six months ended June 30, 2025 to RMB2,020.1 million for the six months ended June 30, 2026, primarily due to a decrease in sales volumes of our infant formula products from 18.6 thousand tons to 15.0 thousand tons, mainly attributable to the overall softening of market demand for infant formula products, partially offset by an increase in sales volumes of our other formula and adults formula products.

Other dairy products

Our revenue from other dairy products increased by 19.2% from RMB384.7 million for the six months ended June 30, 2025 to RMB458.5 million for the six months ended June 30, 2026, primarily due to (i) an increase in average selling price from RMB5.9 per kilogram to RMB6.8 per kilogram, mainly attributable to an increased proportion of butter and whipping cream products, which generally command higher average selling prices; and (ii) an increase in sales volumes from 65.2 thousand tons to 67.4 thousand tons.

Dairy farming

Our revenue from dairy farming increased by 13.3% from RMB538.4 million for the six months ended June 30, 2025 to RMB610.0 million for the six months ended June 30, 2026, primarily due to (i) an increase in revenue from feed from RMB313.1 million to RMB359.2 million, primarily attributable to the continued expansion of our feed processing business; and (ii) an increase in revenue from raw milk sales, alongside raw milk production volume increased in our self-operated farms.

Other business

Our revenue from other business decreased by 33.9% from RMB824.7 million for the six months ended June 30, 2025 to RMB545.1 million for the six months ended June 30, 2026, primarily due to the decrease in revenue from sales of residential units, as we ceased our property development activities and reclassified the remaining residential units as self-owned properties in March 2026, partially offset by an increase in revenue from sales of semi-processed dairy ingredients.

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Operating Costs

Our operating costs increased by 7.4% from RMB6,646.5 million for the six months ended June 30, 2025 to RMB7,137.9 million for the six months ended June 30, 2026. The increase was primarily due to (i) an increase of RMB471.7 million in direct raw materials and an increase of RMB116.9 million in packaging materials, generally in line with the increase in our sales volumes across our liquid dairy products; and (ii) an increase of RMB88.6 million in transportation expenses, driven by the rapid growth in sales of low-temperature liquid dairy products, especially fresh milk, which entails higher transportation and cold-chain logistics costs. The foregoing was partially offset by a decrease of RMB303.2 million in operating costs of other business, mainly attributable to the decrease in costs associated with sales of residential units, as we ceased our property development activities and reclassified the remaining residential units as self-owned properties in March 2026.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased from RMB3,304.7 million for the six months ended June 30, 2025 to RMB3,470.9 million for the six months ended June 30, 2026, while our gross profit margin remained relatively stable at 33.2% and 32.7% for the same periods. Our gross profit of dairy products increased from RMB3,289.3 million to RMB3,432.4 million, while our gross profit margin of dairy products decreased from 38.3% to 36.3% for the same periods.

Low-temperature liquid dairy products

Our gross profit margin of low-temperature liquid dairy products remained relatively stable at 34.5% and 34.4% for the six months ended June 30, 2025 and 2026, respectively.

Ambient liquid dairy products

Our gross profit margin of ambient liquid dairy products increased from 20.8% for the six months ended June 30, 2025 to 22.4% for the six months ended June 30, 2026, primarily due to the increased gross profit margin of our ambient milk, mainly attributable to the optimization of our promotional activities and a decreased proportion of low-margin ambient milk products in our sales mix.

Formula

Our gross profit margin of formula decreased from 60.7% for the six months ended June 30, 2025 to 57.8% for the six months ended June 30, 2026, primarily due to a shift in product mix, with a decreased proportion of our infant formula products, which generally command a higher gross profit margin.

Other dairy products

Our gross profit margin of other dairy products remained relatively stable at 24.7% and 24.4% for the six months ended June 30, 2025 and 2026, respectively.

Dairy farming

Our gross profit margin of dairy farming decreased from 11.9% for the six months ended June 30, 2025 to 10.4% for the six months ended June 30, 2026, primarily due to (i) a decrease in the gross profit margin from sales of raw milk, primarily reflecting the decline in raw milk market prices; and (ii) a decrease in the gross profit margin from sales of feed, mainly attributable to an increased proportion of certain lower-margin feed products.

Other business

Our gross loss margin of other business decreased from 5.9% for the six months ended June 30, 2025 to 4.6% for the six months ended June 30, 2026, primarily due to the recovery in the prevailing market prices of semi-processed dairy ingredients.

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Taxes and Surcharges

Our taxes and surcharges remained relatively stable at RMB78.3 million and RMB75.3 million for the six months ended June 30, 2025 and 2026, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.7% from RMB1,638.0 million for the six months ended June 30, 2025 to RMB1,714.4 million for the six months ended June 30, 2026, primarily due to (i) an increase of RMB99.2 million in selling and promotion expenses, primarily driven by increased expenses for in-store sales promoters and promotional activities at retail outlets; and (ii) an increase of RMB29.2 million in employee remuneration, primarily attributable to the expansion of our sales team. The foregoing was partially offset by a decrease of RMB76.2 million in advertising expenses, primarily reflecting the improvement in advertising placement efficiency and a shift toward media channels with higher reach efficiency.

General and Administrative Expenses

Our general and administrative expenses remained relatively stable at RMB438.1 million and RMB429.8 million for the six months ended June 30, 2025 and 2026, respectively.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB44.2 million and RMB41.6 million for the six months ended June 30, 2025 and 2026, respectively.

Financial Expenses

Our financial expenses remained relatively stable at RMB135.7 million and RMB139.5 million for the six months ended June 30, 2025 and 2026, respectively.

Investment Income

Our investment income remained relatively stable at RMB43.4 million and RMB41.9 million for the six months ended June 30, 2025 and 2026, respectively.

Other Income

Our other income remained relatively stable at RMB103.6 million and RMB100.8 million for the six months ended June 30, 2025 and 2026, respectively.

Credit Impairment Losses

We recorded credit impairment losses of RMB2.3 million and RMB14.4 million for the six months ended June 30, 2025 and 2026, respectively, with the increase primarily due to (i) the increased credit risk of certain customers and the corresponding impairment provisions; and (ii) an increase in impairment provisions on accounts receivable in line with the growth of our sales to corporate and institutional clients, which generally involve credit terms.

Asset Impairment Losses

Our asset impairment losses remained relatively stable at RMB105.8 million and RMB108.2 million for the six months ended June 30, 2025 and 2026, respectively.

Losses from Asset Disposals

Our losses from asset disposals remained relatively stable at RMB274.6 million and RMB264.5 million for the six months ended June 30, 2025 and 2026, respectively.

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Non-Operating Income

Our non-operating income increased by 60.7% from RMB19.3 million for the six months ended June 30, 2025 to RMB31.0 million for the six months ended June 30, 2026, primarily due to (i) an increase of RMB9.0 million in other miscellaneous income; and (ii) an increase of RMB2.7 million in income from scrap sales.

Non-Operating Expenses

Our non-operating expenses increased by 81.0% from RMB7.8 million for the six months ended June 30, 2025 to RMB14.1 million for the six months ended June 30, 2026, primarily due to an increase in losses on write-off of non-current assets.

Income Tax Expenses

Our income tax expenses increased by 21.8% from RMB111.2 million for the six months ended June 30, 2025 to RMB135.4 million for the six months ended June 30, 2026, primarily due to (i) the increase in our profit before income tax; and (ii) certain of our subsidiaries ceasing to be eligible for preferential EIT policy.

Net Profit

As a result of the foregoing, our adjusted net profit (non-CASBE measure) increased by 12.7% from RMB661.0 million for the six months ended June 30, 2025 to RMB745.0 million for the six months ended June 30, 2026, with our adjusted net profit margin (*non-CASBE measure*) increasing from 6.6% to 7.0% for the same periods, and our net profit increased from RMB635.0 million to RMB707.3 million for the same periods.

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

Revenue

Our revenue remained relatively stable at RMB19,832.5 million and RMB20,382.4 million in 2024 and 2025, respectively.

Low-temperature liquid dairy products

Our revenue from low-temperature liquid dairy products increased by 14.1% from RMB7,580.9 million in 2024 to RMB8,648.4 million in 2025, primarily due to an increase in sales volumes from 830.1 thousand tons in 2024 to 968.3 thousand tons in 2025. This increase in sales volumes was mainly attributable to (i) the robust performance of our fresh milk products, whose sales volumes increased significantly from 227.4 thousand tons to 337.7 thousand tons, driven by rising consumer preferences for fresh milk products, our expanded cold-chain distribution capabilities, and the sales growth to freshly made coffee and tea chains; and (ii) the steady growth of our low-temperature yogurt, whose sales volumes increased from 602.7 thousand tons to 630.6 thousand tons, reflecting our brand recognition and enhanced marketing efforts. The foregoing was partially offset by a decrease in average selling price of fresh milk from RMB10.0 per kilogram in 2024 to RMB9.4 per kilogram in 2025, primarily due to our introduction of large-size formats with lower average selling price and an increased proportion of ingredient products supplied to freshly made coffee and tea chains, which generally command lower average selling price.

Ambient liquid dairy products

Our revenue from ambient liquid dairy products decreased by 4.0% from RMB3,922.1 million in 2024 to RMB3,765.3 million in 2025, primarily due to a decrease in average selling price of ambient milk from RMB6.7 per kilogram in 2024 to RMB6.2 per kilogram in 2025, primarily reflecting our proactive pricing strategy to increase market penetration and a shift in product mix towards more affordable products. The foregoing was partially offset by an increase in sales volumes from 519.5 thousand tons in 2024 to 536.6 thousand tons in 2025, primarily attributable to organic growth from certain ambient milk product lines.

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Formula

Our revenue from formula decreased by 16.9% from RMB5,370.8 million in 2024 to RMB4,464.3 million in 2025, primarily due to a decrease in sales volumes from 54.8 thousand tons in 2024 to 45.5 thousand tons in 2025. The decrease in sales volume was mainly due to (i) the overall softening of market demand for infant formula products, primarily attributable to the relatively low number of newborns in China. See “Industry Overview” for details; and (ii) the strategic adjustment of our sales channel, under which we discontinued cooperation with distributors that demonstrated underperformance in sales, insufficient capability to execute our marketing and promotion strategies, or inadequate retail terminal coverage and service capabilities, while shifting our sales focus toward core mother-and-baby chain store operators with broader retail terminal coverage and stronger service capabilities, as well as distributors mainly serving mother-and-baby chain stores in local markets. We discontinued cooperation with 555 and 281 distributors for infant formula business in 2024 and 2025, respectively, and such distributors in aggregate contributed revenue from formula of RMB280.7 million and RMB18.4 million in 2024 and 2025, respectively. While such adjustment resulted in a short-term decline in our revenue from formula, we proceeded with the adjustment to eliminate inefficient distributors that were not aligned with our business strategy and to redirect our marketing resources toward distributors with greater development potential. In 2024 and 2025, our revenue from formula generated through mother-and-baby chain store operators and distributors mainly serving mother-and-baby chain stores in local markets amounted to RMB454.6 million and RMB541.8 million, respectively. We conduct comprehensive evaluations of our formula distributors on a semi-annual basis and discontinue cooperation with those that fail to meet our requirements through our client account closure process.

Other dairy products

Our revenue from other dairy products remained relatively stable at RMB791.3 million and RMB830.6 million in 2024 and 2025, respectively.

Dairy farming

Our revenue from dairy farming decreased by 13.7% from RMB1,391.8 million in 2024 to RMB1,201.2 million in 2025, primarily due to a significant decrease in our revenue from raw milk sales, primarily attributable to a substantial decrease in sales volumes from 230.6 thousand tons to 127.4 thousand tons, due to an increased utilization of self-produced raw milk from our farms in the production of our own dairy product. The foregoing was partially offset by an increase in revenue from feed and beef cattle from RMB462.9 million in 2024 to RMB710.2 million in 2025, primarily attributable to the expansion of our feed processing business.

Other business

Our revenue from other business segments increased significantly by 89.9% from RMB775.6 million in 2024 to RMB1,472.7 million in 2025, mainly due to (i) the recognition of revenue from sales of residential units of RMB557.1 million upon delivery primarily to our employees in 2025; and (ii) an increase in revenue from sales of semi-processed dairy ingredients.

Operating Costs

Our operating costs increased by 7.3% from RMB12,958.7 million in 2024 to RMB13,907.2 million in 2025. The increase was primarily due to (i) an increase of RMB783.3 million in operating costs of other business, mainly attributable to the additional costs associated with the sales of residential units primarily to our employees and increased cost from sales of semi-processed dairy ingredients; (ii) an increase of RMB66.8 million in transportation expenses, driven by the rapid growth in sales of low-temperature liquid dairy products, especially fresh milk, which entails higher transportation and cold-chain logistics costs.

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Gross Profit and Gross Profit Margin

As a result of the above, our gross profit decreased from RMB6,873.8 million in 2024 to RMB6,475.3 million in 2025, while our gross profit margin decreased from 34.7% to 31.8% for the same years. Our gross profit of dairy products decreased from RMB6,678.0 million to RMB6,426.7 million, while our gross profit margin of dairy products decreased from 37.8% to 36.3% for the same years.

Low-temperature liquid dairy products

Our gross profit margin of low-temperature liquid dairy products increased from 33.7% in 2024 to 34.1% in 2025, primarily due to (i) a higher sales proportion of fresh milk, which has a higher gross profit margin and (ii) the increased gross profit margin of our low-temperature yogurt.

Ambient liquid dairy products

Our gross profit margin of ambient liquid dairy products decreased from 22.5% in 2024 to 19.3% in 2025, primarily due to our proactive pricing strategy to increase market penetration and a shift in product mix towards more affordable products.

Formula

Our gross profit margin of formula increased from 56.6% in 2024 to 57.5% in 2025, primarily attributable to (i) a favorable shift in product mix with an increased proportion of premium formula products; and (ii) a decrease in raw material costs, primarily reflecting lower costs for raw milk sourced from our own farms.

Other dairy products

Our gross profit margin of other dairy products decreased from 25.3% in 2024 to 21.8% in 2025, mainly due to an increased proportion of revenue from sales of dairy ingredients for food and dining customers, which generally command lower margins compared to our dairy products for end consumers.

Dairy farming

Our gross profit margin of dairy farming decreased from 14.1% in 2024 to 11.3% in 2025, primarily due to an increased proportion of revenue from sales of feed, which generally command lower margins compared to raw milk.

Other business

Our gross loss margin of other business increased from 0.1% in 2024 to 5.9% in 2025, primarily due to an increased revenue from certain semi-processed dairy ingredients in order to consume our self-supply raw milk, which carried a gross loss margin as these semi-processed dairy ingredients are an integral by-product of our dairy production process and are generally sold at prevailing market prices that are lower than the related production costs.

Taxes and Surcharges

Our taxes and surcharges remained relatively stable at RMB151.9 million and RMB151.8 million in 2024 and 2025, respectively.

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Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB3,377.1 million in 2024 and RMB3,366.7 million in 2025, respectively.

General and Administrative Expenses

Our general and administrative expenses remained relatively stable at RMB856.3 million in 2024 and RMB897.2 million in 2025, respectively.

Research and Development Expenses

Our research and development expenses decreased by 7.3% from RMB98.7 million in 2024 to RMB91.6 million in 2025, respectively, with the decrease primarily due to the consolidation of our research and development team and the improved operational efficiency.

Financial Expenses

Our financial expenses decreased by 33.3% from RMB401.6 million in 2024 to RMB268.0 million in 2025, primarily due to a decrease of RMB127.7 million in interest expenses, mainly as a result of repayment of certain higher-interest borrowings and optimization of our debt structure amid a declining interest rate environment.

Investment Income

Our investment income significantly increased from RMB12.5 million in 2024 to RMB80.0 million in 2025, primarily due to a shift from RMB3.6 million in losses from long-term equity investments accounted for using the equity method to RMB76.8 million in gains from long-term equity investments accounted for using the equity method, as a result of our disposal of partial equity interests in two subsidiaries, which subsequently became our associates.

Other Income

Our other income increased by 7.9% from RMB222.4 million in 2024 to RMB240.0 million in 2025, primarily due to an increase of RMB14.0 million in government grants directly recognized as other income.

Loss from Changes in Fair Values

We recorded loss from changes in fair values of RMB15.1 million in 2024, primarily arising from changes in the fair value of derivative financial instruments. We did not record such loss in 2025.

Credit Impairment Losses/Reversal

We recorded net credit impairment loss of RMB19.0 million in 2025, as compared to credit impairment reversal of RMB19.2 million in 2024. This shift was primarily due to a shift from RMB19.0 million in credit impairment reversal on accounts receivable to RMB15.9 million in credit impairment losses on accounts receivable, mainly due to the significant increase in credit risk and subsequent impairment recognition arising from the financial difficulties of certain customers.

Asset Impairment Losses

Our asset impairment losses decreased by 58.4% from RMB435.1 million in 2024 to RMB180.8 million in 2025, primarily due to the recognition of (i) asset impairment losses on goodwill of RMB229.7 million recorded by certain historically acquired companies in 2024, which did not recur in 2025; and (ii) asset impairment losses on long-term equity investments of RMB64.0 million recorded in certain investee companies in 2024, which did not recur in 2025. The foregoing was partially offset by an increase of RMB81.1 million in losses on inventories write-down, primarily reflecting provisions made for inventories of certain projects expected to incur sales losses.

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Losses from Asset Disposals

Our losses from asset disposals increased by 14.4% from RMB397.2 million in 2024 to RMB454.2 million in 2025, primarily due to an increase of RMB58.8 million in losses on disposal of biological assets, primarily reflecting the increased volume of culled dairy cows in line with the expansion of our herd scale and fluctuations in market prices.

Non-Operating Income

Our non-operating income decreased by 29.3% from RMB53.0 million in 2024 to RMB37.4 million in 2025, primarily due to (i) a decrease of RMB8.9 million in income from scrap sales; and (ii) a decrease of RMB6.6 million in other miscellaneous income.

Non-Operating Expenses

Our non-operating expenses decreased by 27.7% from RMB22.0 million in 2024 to RMB15.9 million in 2025, primarily due to decrease in losses on write-off of non-current assets.

Income Tax Expenses

Our income tax expenses decreased by 38.7% from RMB311.1 million in 2024 to RMB190.8 million in 2025, primarily due to (i) non-deductible goodwill impairment losses and impairment of long-term equity investments recorded in 2024, which did not recur in 2025; and (ii) increased revenue from our tax exemption agricultural products.

Net Profit

As a result of the foregoing, our adjusted net profit (non-CASBE measure) increased by 8.7% from RMB1,160.6 million in 2024 to RMB1,262.1 million in 2025, with our adjusted net profit margin (*non-CASBE measure*) increasing from 5.9% to 6.2% for the same years, and our net profit increased from RMB1,114.5 million in 2024 to RMB1,196.7 million in 2025.

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

Revenue

Our revenue increased by 13.0% from RMB17,546.2 million in 2023 to RMB19,832.5 million in 2024, primarily driven by an increase in sales volumes across our liquid and other dairy products and dairy farming, mainly attributable to the organic growth from our low-temperature and ambient liquid dairy product lines, the consolidation of Yinqiao (銀橋) and LESSON (來思爾), the implementation of our disciplined channel management strategy and our expansion into emerging markets. The foregoing was partially offset by a slight decline in our revenue from formula due to a decrease in sales volumes.

Our revenue growth was achieved notwithstanding the contraction in the overall dairy product market in China in 2024, primarily reflecting (i) our relatively higher revenue contribution from low-temperature liquid dairy products, which continued to benefit from structural consumer preference shifts toward freshness and quality, representing the fastest-growing segment within the dairy industry; (ii) our rapid expansion into emerging markets in South, Central and East China with high consumption potential; (iii) the incremental revenue contribution from the consolidation of Yinqiao (銀橋) and LESSON (來思爾); and (iv) our expansion into new consumption channels such as freshly made coffee and tea chains.

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Low-temperature liquid dairy products

Our revenue from low-temperature liquid dairy products increased by 20.6% from RMB6,287.4 million in 2023 to RMB7,580.9 million in 2024, primarily due to an increase in sales volumes from 680.8 thousand tons in 2023 to 830.1 thousand tons in 2024, mainly driven by (i) strong growth in fresh milk sales volume attributable to rising consumer preferences for fresher and higher-quality dairy products, our expansion into emerging markets in South, Central and East China and freshly made coffee and tea chains, which represented a new and fast-growing consumption channel for our fresh milk products; and (ii) steady growth in low-temperature yogurt sales volume reflecting our brand recognition and enhanced marketing efforts. Our revenue growth in this segment was further supported by the implementation of our disciplined channel management model, which enhanced channel execution and deepened market penetration across markets with high consumption potential. The foregoing was partially offset by a decrease in average selling price of fresh milk from RMB10.8 per kilogram in 2023 to RMB10.0 per kilogram in 2024, primarily because we launched large-size formats with lower average selling price and increased the proportion of ingredient products supplied to freshly made coffee and tea chains, which generally have lower average selling prices.

Ambient liquid dairy products

Our revenue from ambient liquid dairy products increased by 16.1% from RMB3,376.9 million in 2023 to RMB3,922.1 million in 2024, primarily due to a substantial increase in sales volumes from 400.6 thousand tons in 2023 to 519.5 thousand tons in 2024, mainly driven by (i) our proactive strategy to increase market penetration of our ambient milk products from a low-base; (ii) our expansion into emerging markets and online channels; and (iii) the consolidation of Yinqiao (銀橋) and LESSON (來思爾), such consolidation provided meaningful incremental revenue contribution to this segment. The foregoing was partially offset by a decrease in average selling price of ambient milk from RMB7.4 per kilogram in 2023 to RMB6.7 per kilogram in 2024 and a decrease in average selling price of ambient yogurt from RMB11.9 per kilogram in 2023 to RMB11.3 per kilogram in 2024, primarily reflecting the product mix shift towards more affordable products in our proactive pricing strategy to increase market penetration and driven by the consolidation of Yinqiao (銀橋) and LESSON (來思爾), which generally command lower average selling prices compared to our pre-existing product portfolio.

Formula

Our revenue from formula remained relatively stable at RMB5,429.2 million and RMB5,370.8 million in 2023 and 2024, respectively.

Other dairy products

Revenue from our other dairy product increased by 14.8% from RMB689.5 million in 2023 to RMB791.3 million in 2024, primarily due to the incremental revenue contribution arising from the acquisition of Yinqiao (銀橋).

Dairy farming

Our revenue from dairy farming increased significantly by 65.5% from RMB841.0 million in 2023 to RMB1,391.8 million in 2024, primarily due to (i) an increase in our revenue from raw milk sales, primarily attributable to a substantial increase in sales volumes from 154.9 thousand tons in 2023 to 230.6 thousand tons in 2024, driven by increased raw milk production from our own farms, which was partially offset by a decrease in average selling price reflecting market price fluctuations for raw milk during the period; and (ii) an increase in our revenue from feed, primarily attributable to the expansion of our feed processing business.

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Other business

Our revenue from other business decreased by 15.9% from RMB922.2 million in 2023 to RMB775.6 million in 2024, primarily due to (i) a decrease in contract manufacturing services revenue as we prioritized production capacity for our own products; and (ii) a decrease in revenue from sales of eggs and non-staple food products in line with the reduced scale of our student milk program.

Operating Costs

Our operating costs increased by 12.3% from RMB11,542.6 million in 2023 to RMB12,958.7 million in 2024, which was primarily due to (i) an increase of RMB478.3 million in other costs under dairy products and dairy farming; (ii) an increase of RMB336.1 million in direct raw material costs; (iii) an increase of RMB284.4 million in manufacturing expenses; (iv) an increase of RMB213.3 million in packaging materials; and (v) an increase of RMB162.1 million in transportation expenses which were all generally in line with the increase in our sales volume.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 14.5% from RMB6,003.6 million in 2023 to RMB6,873.8 million in 2024, while our gross profit margin increased from 34.2% to 34.7% for the same years. Gross profit of our dairy products increased from RMB5,919.9 million to RMB6,678.0 million, while the gross profit margin of our dairy products increased from 37.5% to 37.8% for the same period.

Low-temperature liquid dairy products

Our gross profit margin of low-temperature liquid dairy products increased from 32.7% in 2023 to 33.7% in 2024, primarily attributable to (i) the increased proportion of high-margin fresh milk in our product mix; and (ii) the increased gross profit margin of our low-temperature yogurt.

Ambient liquid dairy products

Our gross profit margin of ambient liquid dairy products decreased from 24.9% in 2023 to 22.5% in 2024, primarily because ambient liquid dairy products of Yinqiao (銀橋) and LESSON (來思爾) command lower gross profit margins than our pre-existing ambient liquid dairy product portfolio.

Formula

Our gross profit margin of formula increased from 52.6% in 2023 to 56.6% in 2024, primarily attributable to (i) a decrease in feeding costs for self-supply raw milk sourced from our own farms; and (ii) the optimization of product mix with an increased proportion of high-margin formula products.

Other dairy products

Our gross profit margin of other dairy products increased from 23.6% in 2023 to 25.3% in 2024, primarily due to the introduction of dairy beverage products following our acquisition of Yinqiao (銀橋), which typically carry a higher gross profit margin.

Dairy farming

Our gross profit margin of dairy farming increased from 8.4% in 2023 to 14.1% in 2024, primarily attributable to a rise in gross profit margin from sales of raw milk as a result of lower feeding costs for raw milk produced from our self-operated dairy farms, as well as the relatively lower gross profit margin of our beef cattle business in 2023, which ceased in 2024.

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Other business

Our gross profit margin of other business was 1.5% in 2023, and shifted to a gross loss margin of 0.1% in 2024, primarily due to an increased proportion of certain semi-processed dairy ingredients in order to consume our self-supply raw milk, which carried a gross loss margin.

Taxes and Surcharges

Our taxes and surcharges increased by 8.4% from RMB140.1 million in 2023 to RMB151.9 million in 2024, primarily due to our business expansion and increased revenue.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 6.2% from RMB3,601.0 million in 2023 to RMB3,377.1 million in 2024, primarily due to a decrease of RMB444.2 million in advertising expenses, primarily reflecting the improvement in advertising placement efficiency and a shift toward media channels with higher reach efficiency. The foregoing was partially offset by (i) an increase of RMB114.2 million in employee remuneration, primarily attributable to the expansion of the sales team resulting from the implementation of the disciplined channel management strategy and the expansion into emerging markets; (ii) an increase of RMB94.7 million in selling and promotion expenses, primarily driven by increased expenses for in-store sales promoters and multiple promotional activities at retail outlets.

General and Administrative Expenses

Our general and administrative expenses remained relatively stable at RMB853.3 million and RMB856.3 million in 2023 and 2024, respectively.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB106.0 million in 2023 and RMB98.7 million in 2024, respectively, with the slight decrease primarily reflecting the completion of certain product development projects.

Financial Expenses

Our financial expenses decreased significantly by 56.7% from RMB928.5 million in 2023 to RMB401.6 million in 2024, primarily due to a decrease of RMB535.6 million in interest expenses, primarily due to the interest expenses on financial liabilities related to shareholders’ special rights of RMB554.4 million incurred in 2023, arising from certain special rights granted to some Pre-[REDACTED] investors before the Track Record Period. Such special rights were terminated in 2023, resulting in the derecognition of the relevant liabilities and no interest expenses were subsequently incurred. See Note (VI) 37 to the Accountants’ Report in Appendix I to this Document.

Investment Income

Our investment income decreased by 59.8% from RMB31.0 million in 2023 to RMB12.5 million in 2024, primarily due to a one-off gain of RMB19.4 million recognized in 2023 arising from the remeasurement of our previously held equity interests in a subsidiary upon the acquisition of its additional equity interests.

Other Income

Our other income remained relatively stable at RMB235.4 million in 2023 to RMB222.4 million in 2024, respectively.

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Losses from Changes in Fair Values

Our losses from changes in fair values increased from RMB0.3 million to RMB15.1 million, primarily due to changes in the fair values of interest rate swaps and foreign exchange forward contracts.

Credit Impairment Reversal/(Losses)

We recorded net credit impairment reversal of RMB19.2 million in 2024, as compared to credit impairment losses of RMB41.6 million in 2023. This shift was primarily due to the reversal of impairment losses on accounts receivable, primarily reflecting the reduced credit risk associated with certain customers following the implementation of credit enhancement measures.

Asset Impairment Losses

Our asset impairment losses increased by 71.9% from RMB253.1 million in 2023 to RMB435.1 million in 2024, primarily due to (i) an increase of RMB229.7 million in losses on goodwill impairment, primarily due to the performance fluctuations of certain acquired subsidiaries; and (ii) an increase of RMB59.9 million in losses on long-term equity investment impairment, primarily reflecting the provision made for certain associates due to their operational performance. The foregoing was partially offset by (i) a decrease of RMB63.4 million in losses on productive biological assets impairment, primarily reflecting the reduced impairment provision for our dairy herds as the operating performance of certain farms improved; and (ii) a decrease of RMB69.4 million in losses on inventories write-down, primarily due to a decrease in provision for whole milk powder resulting from the decreased inventory level.

Losses from Asset Disposals

Our losses from asset disposals increased by 93.4% from RMB205.4 million in 2023 to RMB397.2 million in 2024, primarily due to an increase of RMB180.4 million in losses on disposal of biological assets, primarily reflecting the increased volume of culled dairy cows in line with the expansion of our herd scale and fluctuations in market prices.

Non-Operating Income

Our non-operating income increased from RMB41.5 million in 2023 to RMB53.0 million in 2024, partially due to an increase in revenue from our scrap sales.

Non-Operating Expenses

Our non-operating expenses decreased from RMB36.1 million in 2023 to RMB22.0 million in 2024, primarily due to several larger donation expenses incurred in 2023.

Income Tax Expenses

Our income tax expenses increased significantly from RMB140.5 million in 2023 to RMB311.1 million in 2024. This increase was primarily due to (i) an increase of RMB133.5 million in deferred tax expenses, primarily reflecting the movements in temporary differences associated with our assets and liabilities; and (ii) an increase of RMB37.1 million in current tax expenses, primarily reflecting the increase in our taxable income following our business growth.

Net Profit

As a result of the foregoing, our adjusted net profit (non-CASBE measure) was RMB603.0 million in 2023, primarily reflecting (i) a relatively lower revenue base prior to the revenue contribution from our geographic expansion and the consolidation of Yinqiao (銀橋) and LESSON

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(來思爾) in July 2023, which contributed revenue of RMB748.4 million in 2023 following such consolidation, and RMB1,493.0 million in 2024, representing 4.3% and 7.5% of our total revenue, respectively; and (ii) higher advertising expenses incurred during the year in connection with our brand building initiatives. Our adjusted net profit increased significantly from RMB603.0 million in 2023 to RMB1,160.6 million in 2024, primarily attributable to (i) an increase in gross profit driven by revenue growth resulting from our organic business growth and expansion into emerging markets; and (ii) a decrease in selling and distribution expenses, primarily reflecting improved advertising placement efficiency and a shift toward media channels with higher reach efficiency. Taking into account the impact of the adjustments for interest expenses on financial liabilities related to shareholders’ special rights, share-based payment expenses and [REDACTED], our net profit increased significantly from RMB5.6 million in 2023 to RMB1,114.5 million in 2024. In addition to the factors described above, our net profit in 2023 was further affected by interest expenses on financial liabilities related to shareholders’ special rights of RMB554.4 million, arising from certain special rights granted to certain Pre-[REDACTED] investors which were terminated in 2023, resulting in the derecognition of the relevant liabilities and no such interest expenses were subsequently incurred.

DISCUSSION OF SELECTED ITEMS FROM OUR CONSOLIDATED BALANCE SHEET

The following table sets forth selected items from our consolidated balance sheet as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current assets				
Cash at bank and on hand . . .	1,488,990	1,584,606	1,306,116	1,311,487
Derivative financial assets . . .	24,827	—	—	—
Bills receivable	2,582	2,400	1,774	2,400
Accounts receivable	978,794	868,967	992,638	981,142
Accounts receivable financing	419	—	461	11,672
Prepayments	186,330	193,087	174,122	226,603
Other receivables	125,219	189,791	234,752	245,242
Inventories	3,325,366	3,270,289	2,696,271	1,584,359
Non-current assets due within				
one year	3,378	44,287	22,196	14,676
Other current assets	221,950	251,226	308,684	306,972
Total current assets	6,357,855	6,404,653	5,737,014	4,684,553
Non-current assets				
Long-term receivables	108,101	80,846	102,590	94,016
Long-term equity investments	339,654	647,026	700,670	741,007
Investments in other equity				
instruments	87,250	94,650	94,650	85,460
Fixed assets	8,127,525	7,993,463	7,751,241	8,485,393
Construction in progress	530,339	363,436	447,246	235,380
Productive biological assets . .	4,758,410	4,796,338	5,007,828	5,051,852
Right-of-use assets	558,822	500,557	487,251	469,467
Intangible assets	1,313,992	1,301,983	1,344,756	1,322,828
Goodwill	730,060	500,393	500,393	500,393
Long-term deferred expenses .	42,726	48,415	34,957	39,280
Deferred tax assets	788,231	595,180	563,418	543,468
Other non-current assets	154,769	122,666	165,199	253,029
Total non-current assets . . .	17,539,879	17,044,953	17,200,199	17,821,573
Current liabilities				
Short-term borrowings	1,939,949	2,241,125	1,788,691	2,207,291
Bills payable	277,266	359,125	215,239	2,390
Accounts payable	2,561,563	2,644,091	3,093,065	2,240,377

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	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Contract liabilities	1,963,202	1,928,398	1,175,951	1,048,967
Employee benefits payable . . .	254,042	272,574	250,399	199,375
Taxes payable	76,628	101,747	210,099	91,107
Other payables	2,167,673	1,543,445	1,504,816	1,474,618
Non-current liabilities due within one year	1,430,564	2,397,695	1,319,553	917,379
Other current liabilities	248,432	192,673	170,997	161,656
Total current liabilities	10,919,319	11,680,873	9,728,810	8,343,160
Net current liabilities	4,561,464	5,276,220	3,991,796	3,658,607
Non-current liabilities				
Long-term borrowings	6,525,487	5,116,351	7,184,788	7,437,783
Lease liabilities	387,572	336,821	332,935	319,545
Long-term payables	167,951	109,949	76,883	78,335
Provisions	19,652	22,145	22,961	23,516
Deferred income	1,064,730	1,020,868	941,768	869,966
Deferred tax liabilities	145,748	138,618	132,972	160,393
Total non-current liabilities . .	8,311,140	6,744,752	8,692,308	8,889,538
Total liabilities	19,230,459	18,425,625	18,421,118	17,232,698
Net assets	4,667,275	5,023,981	4,516,095	5,273,428

Accounts Receivable

Our accounts receivable primarily consisted of amounts due from our customers in the ordinary course of business. The following table sets forth a breakdown of our accounts receivable as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Accounts receivable	1,034,788	904,607	1,040,924	1,037,628
Less:				
Credit loss allowance	(55,994)	(35,640)	(48,286)	(56,485)
Total	978,794	868,967	992,638	981,142

Our accounts receivable decreased by 11.2% from RMB978.8 million as of December 31, 2023 to RMB869.0 million as of December 31, 2024, primarily due to a decrease in receivables from certain customers, primarily attributable to our enhanced collection efforts. Our accounts receivable increased by 14.2% from RMB869.0 million as of December 31, 2024 to RMB992.6 million as of December 31, 2025, primarily due to the growth of our sales to corporate and institutional clients, which generally involve credit terms. Our accounts receivable remained relatively stable at RMB992.6 million and RMB981.1 million as of December 31, 2025 and June 30, 2026, respectively.

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The following table sets forth an aging analysis of our accounts receivable based on the timing of revenue recognition, net of credit loss allowance as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 1 year (inclusive)	978,794	842,213	967,783	960,639
1-2 years (inclusive)	—	15,518	—	—
2-3 years (inclusive)	—	11,236	15,745	6,348
Over 3 years	—	—	9,110	14,155
Total	978,794	868,967	992,638	981,142

The following table sets forth our average accounts receivable turnover days for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2023	2024	2025	2026
	(days)			
Average accounts receivable turnover days ⁽¹⁾	18	18	17	18

Note:

- (1) Average accounts receivable turnover days equal the average of the opening and closing balances of the gross carrying amount of accounts receivable of the year/period indicated divided by the revenue of the same year/period and multiplied by 360 days for a full-year period or 180 days for a six-month period.

Our average accounts receivable turnover days remained relatively stable at 18 days, 18 days, 17 days and 18 days in 2023, 2024, 2025 and for the six months ended June 30, 2026, respectively.

As of July 31, 2026, RMB464.5 million, or 44.8%, of our accounts receivable outstanding as of June 30, 2026 had been subsequently settled.

Inventories

Our inventories primarily consisted of (i) raw materials; (ii) finished goods; (iii) turnover materials; (iv) packaging materials; and (v) properties under development and for sale. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Raw materials	1,756,284	1,547,431	1,496,757	1,150,048
Properties under development .	927,262	1,066,609	—	—
Properties for sale	—	—	668,505	—
Finished goods	287,700	335,726	247,535	159,229
Turnover materials	132,731	120,259	127,601	123,365
Packaging materials	100,909	117,990	105,997	107,562
Consumable biological assets .	49,996	—	—	—
Others ⁽¹⁾	70,484	82,274	49,876	44,155
Total	3,325,366	3,270,289	2,696,271	1,584,359

Note:

- (1) Others primarily included shipped-goods, low-value consumables, materials on consignment for further processing and costs to fulfill contracts.

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Our inventories remained relatively stable at RMB3,325.4 million and RMB3,270.3 million as of December 31, 2023 and 2024, respectively. Our inventories decreased by 17.6% from RMB3,270.3 million as of December 31, 2024 to RMB2,696.3 million as of December 31, 2025, primarily due to (i) a decrease of RMB398.1 million in properties under development and for sale, primarily attributable to the sales of residential units primarily to our employees; and (ii) a decrease of RMB88.2 million in finished goods, due to the different stockpiling schedules at year-end. Our inventories further decreased by 41.2% from RMB2,696.3 million as of December 31, 2025 to RMB1,584.4 million as of June 30, 2026, primarily due to (i) a decrease of RMB668.5 million in properties for sale, primarily attributable to the reclassification of the remaining residential units as fixed assets upon the change in their use to self-owned properties in March 2026, with a few residential units sold during January and February 2026; (ii) a decrease of RMB346.7 million in raw materials, primarily reflecting the seasonal pattern of our forage procurement, which is concentrated in September and October each year; and (iii) a decrease of RMB88.3 million in finished goods, primarily due to the higher stockpiling level at the end of 2025 for holiday sales.

The following table sets forth an aging analysis of our inventories relating to dairy products and dairy farming as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
<i>(RMB in thousands)</i>				
Within 1 year (inclusive)	2,398,300	2,087,381	1,990,877	1,553,516
1-2 years (inclusive)	79,499	123,572	66,816	53,346
2-3 years (inclusive)	49,312	16,741	17,928	20,298
Over 3 years	15,762	49,556	41,300	37,961
Less:				
Write-down provision	(144,769)	(73,570)	(89,155)	(80,761)
Total	2,398,104	2,203,680	2,027,766	1,584,359

The following table sets forth our average inventories turnover days and average inventories turnover days relating to dairy products and dairy farming for the years/periods indicated:

	For the Year ended December 31,			For the Six Months Ended June 30,
	2023	2024	2025	2026
<i>(days)</i>				
Average inventories turnover days ⁽¹⁾	104	92	77	54
Average inventories turnover days relating to dairy products and dairy farming ⁽²⁾	79	64	57	46

Notes:

- (1) Average inventories turnover days equal the average of the opening and closing inventory balances for the year/period indicated divided by the operating costs for the same year/period and multiplied by 360 days for a full-year period or 180 days for a six-month period.
- (2) Average inventories turnover days relating to dairy products and dairy farming equal the average of the opening and closing inventory balances relating to dairy products and dairy farming for the year/period indicated divided by the operating costs relating to dairy products and dairy farming for the same year/period and multiplied by 360 days for a full-year period or 180 days for a six-month period.

Our average inventories turnover days decreased from 104 days in 2023 to 92 days in 2024, primarily due to increased proportion of sales of liquid dairy products with shorter shelf life. Our average inventories turnover days decreased from 92 days in 2024 to 77 days in 2025, primarily due to (i) increased proportion of sales of liquid dairy products with shorter shelf life; and (ii) a decrease in balance of properties under development and for sale resulting from sales of residential units primarily to our employees. Our average inventories turnover days decreased from 77 days in 2025 to 54 days for the six months ended June 30, 2026, primarily due to the decrease in properties for sale following the cessation of our property development activities and the seasonal decrease in raw materials.

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The shelf life of our raw materials varies by category: (i) raw milk generally has a shelf life of 24 to 48 hours; (ii) fruit jam generally has a shelf life of 90 days; and (iii) packaging materials generally have a shelf life of 180 to 720 days. For the shelf life of our finished products by categories, see “Business — Our Brand and Product Portfolio.”

As of July 31, 2026, RMB852.3 million, or 51.2%, of our inventories relating to dairy products and dairy farming as of June 30, 2026 had been sold or utilized.

We have conducted inventory impairment testing at each reporting date in accordance with the Accounting Standard for Business Enterprises No. 1 — Inventories, and have made adequate inventory write-down provisions, with no impairment issues identified during the Track Record Period. Our inventories that remained unsold or unutilized as of July 31, 2026 primarily comprised forage for our biological assets, as well as whole milk powder and skimmed milk powder, and such remaining balances arose in the ordinary course of our business. As we procure forage primarily during September and October each year to meet our breeding requirements for the full year, the remaining balance of forage as of July 31, 2026 was in line with our normal operations, and such forage remained in good condition and suitable for our breeding use. Our whole milk powder and skimmed milk powder are processed from surplus raw milk through spray-drying, serving as a means of storing raw milk to utilize temporary surplus.

Other Current Assets

Our other current assets primarily consisted of (i) input VAT to be certified; (ii) prepaid expenses; (iii) input VAT to be deducted; and (iv) prepaid enterprise income tax. The following table sets forth a breakdown of our other current assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Input VAT to be certified	59,384	136,139	139,651	137,796
Prepaid expenses	64,596	47,607	53,918	74,812
Input VAT to be deducted	46,327	18,897	34,776	35,749
Prepaid enterprise income tax .	31,072	18,583	46,921	15,340
Prepaid VAT	8,781	14,708	7,648	995
Prepaid other taxes	7,272	11,363	12,774	25,332
Right to returned goods assets .	4,122	1,459	1,584	1,689
Others	396	2,470	11,411	15,259
Total	221,950	251,226	308,684	306,972

Our other current assets increased by 13.2% from RMB222.0 million as of December 31, 2023 to RMB251.2 million as of December 31, 2024, primarily due to an increase of RMB76.8 million in input VAT to be certified, primarily attributable to the timing difference in tax certification by relevant tax authorities. The foregoing was partially offset by (i) a decrease of RMB27.4 million in input VAT to be deducted, primarily reflecting the utilization of deductible input VAT; and (ii) a decrease of RMB17.0 million in prepaid expenses.

Our other current assets increased by 22.9% from RMB251.2 million as of December 31, 2024 to RMB308.7 million as of December 31, 2025, primarily due to (i) an increase of RMB28.3 million in prepaid enterprise income tax, primarily due to the timing of tax prepayments; and (ii) an increase of RMB15.9 million in input VAT to be deducted.

Our other current assets remained relatively stable at RMB308.7 million and RMB307.0 million as of December 31, 2025 and June 30, 2026, respectively.

As of July 31, 2026, RMB48.3 million, or 15.7%, of our other current assets outstanding as of June 30, 2026 had been subsequently settled.

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Fixed Assets

Our fixed assets primarily consisted of (i) plants and buildings; (ii) machinery and equipment; (iii) office equipment; and (iv) motor vehicles. The following table sets forth a breakdown of our fixed assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Plants and buildings	4,858,110	4,743,075	4,608,324	5,254,175
Machinery and equipment . . .	3,160,538	3,173,049	3,083,400	3,178,252
Office equipment	69,145	49,467	39,804	36,654
Motor vehicles	39,732	27,872	19,713	16,312
Total	8,127,525	7,993,463	7,751,241	8,485,393

Our fixed assets remained relatively stable at RMB8,127.5 million, RMB7,993.5 million and RMB7,751.2 million as of December 31, 2023, 2024 and 2025, respectively. Our fixed assets increased by 9.5% to RMB8,485.4 million as of June 30, 2026, primarily due to (i) the reclassification of the remaining residential units as fixed assets upon the change in their use to self-owned properties in March 2026; and (ii) the transfer of certain completed production facility projects from construction in progress.

Productive Biological Assets

Our productive biological assets primarily consisted of (i) immature productive biological assets, which primarily included calves and heifers; and (ii) mature productive biological assets, which primarily included milkable cows. The following table sets forth a breakdown of our productive biological assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Immature productive biological assets	2,815,853	2,034,999	2,295,053	2,343,132
Mature productive biological assets	1,942,557	2,761,339	2,712,775	2,708,720
Total	4,758,410	4,796,338	5,007,828	5,051,852

Our productive biological assets remained relatively stable at RMB4,758.4 million, RMB4,796.3 million, RMB5,007.8 million and RMB5,051.9 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

Intangible Assets

Our intangible assets primarily consisted of (i) land use rights; (ii) trademarks; (iii) patent and non-patented technology; (iv) computer software; and (v) others. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Land use right	548,489	534,044	577,903	570,111
Trademarks	510,794	498,419	498,301	498,140
Patent and non-patented technology	202,773	180,858	158,804	152,101
Computer software	51,895	88,662	109,748	102,476
Others	41	—	—	—
Total	1,313,992	1,301,983	1,344,756	1,322,828

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Our intangible assets remained relatively stable at RMB1,314.0 million, RMB1,302.0 million, RMB1,344.8 million and RMB1,322.8 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

Goodwill

As of December 31, 2023, 2024 and 2025 and June 30, 2026, the carrying amount of our goodwill was RMB730.1 million, RMB500.4 million, RMB500.4 million and RMB500.4 million, respectively. The decrease in 2024 was primarily due to goodwill impairment recognized based on impairment testing results, comprising (i) impairment of RMB55.0 million and RMB50.1 million for Banner Dairy and Banner Animal Husbandry, respectively, tested as of June 30, 2024 due to their underperformance against expectations; and (ii) impairment of RMB23.1 million and RMB101.4 million for Sikeqi and its subsidiaries and LESSON Dairy and its subsidiaries, respectively, recognized in the annual impairment tests as of December 31, 2024 due to their underperformance against expectations.

In determining the asset groups, we take into account factors such as the manner in which management manages or monitors production and operation activities and the approach to decision-making on the continuous use or disposal of assets, with reference to the smallest group of assets that can independently generate cash inflows.

Asset group	Segment to which the asset group belongs
Baoding Junlebao	Liquid milk and other dairy products business
Leshi Dairy	Liquid milk and other dairy products business
Banner Dairy	Formula business
Banner Animal Husbandry	Dairy farming business
Hebei Derong Plastic Packaging Products Co., Ltd. (河北德容塑料包裝製品股份有限公司) (“ Derong Packaging ”) and its subsidiaries	Other businesses
Sikeqi and its subsidiaries	Liquid milk and other dairy products business
LESSON Dairy and its subsidiaries	Liquid milk and other dairy products business
Xi’an Yinqiao and its subsidiaries	Liquid milk and other dairy products business

The recoverable amount of each asset group is determined based on the present value of its estimated future cash flows, with a forecast period of five years. The pre-tax discount rate reflects the specific risks of the relevant asset group. The revenue growth rates and gross margin ratios of the forecast period are determined with reference to factors including the business operations, performance, key financial indicators and market environment of the relevant asset group. The revenue growth rate of the stable period is determined with reference to the long-term average growth rates of the products, markets and industries in which the relevant asset group operates, and was 2.0% for the impairment tests conducted in 2023 and 2024 and 1.0% for the impairment tests conducted as of December 31, 2025. The gross margin ratio of the stable period is determined with reference to the forward-looking business operations, performance, key financial indicators and market environment of the relevant asset group. The key parameters used in the impairment tests are set out below:

As of December 31, 2023

Asset group	Pre-tax discount rate	Revenue growth rate (forecast period)	Gross margin ratio (forecast period)	Gross margin ratio (stable period)
Leshi Dairy	12.30%	3.0%-6.0%	5.2%-5.8%	6.1%
Banner Dairy	14.00%	(20.5)%-2.4%	42.3%-44.7%	43.9%
Banner Animal Husbandry	11.78%	5.7%-32.3%	19.7%-22.8%	24.0%

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Asset group	Pre-tax discount rate	Revenue growth rate (forecast period)	Gross margin ratio (forecast period)	Gross margin ratio (stable period)
Derong Packaging and its subsidiaries	13.86%	2.0%-18.7%	19.4%-22.2%	21.3%
Sikeqi and its subsidiaries	14.95%	(1.7)%-8.1%	32.8%-37.3%	38.4%
LESSON Dairy and its subsidiaries	12.74%	8.0%-15.3%	20.0%-23.2%	23.7%
Xi'an Yinqiao and its subsidiaries	13.07%	5.0%-11.0%	21.0%-21.3%	21.8%

As of June 30, 2024

Asset group	Pre-tax discount rate	Revenue growth rate (forecast period)	Gross margin ratio (forecast period)	Gross margin ratio (stable period)
Banner Dairy	14.27%	(25.2)%-0%	42.5%-45.2%	43.8%
Banner Animal Husbandry	11.25%	4.8%-13.2%	15.8%-21.9%	23.8%

As of December 31, 2024

Asset group	Pre-tax discount rate	Revenue growth rate (forecast period)	Gross margin ratio (forecast period)	Gross margin ratio (stable period)
Leshi Dairy	12.37%	0.5%-2.4%	5.7%-7.6%	6.3%
Derong Packaging and its subsidiaries	14.63%	(2.1)%-2.0%	21.7%-23.2%	21.9%
Sikeqi and its subsidiaries	13.08%	(11.7)%-15.2%	24.2%-27.4%	29.1%
LESSON Dairy and its subsidiaries	12.38%	2.9%-17.4%	21.2%-25.1%	25.8%
Xi'an Yinqiao and its subsidiaries	12.54%	2.0%-9.6%	19.4%-21.3%	21.9%

As of December 31, 2025

Asset group	Pre-tax discount rate	Revenue growth rate (forecast period)	Gross margin ratio (forecast period)	Gross margin ratio (stable period)
Leshi Dairy	11.84%	0.1%-1.8%	6.0%-6.8%	5.1%
Derong Packaging and its subsidiaries	15.78%	1.0%-1.4%	20.5%-22.6%	21.7%
LESSON Dairy and its subsidiaries	11.66%	2.4%-15.0%	20.5%-22.0%	22.8%
Xi'an Yinqiao and its subsidiaries	11.73%	1.5%-10.8%	20.6%-22.7%	23.0%

As of June 30, 2026

Asset group	Pre-tax discount rate	Revenue growth rate (forecast period)	Gross margin ratio (forecast period)	Gross margin ratio (stable period)
Xi'an Yinqiao and its subsidiaries	11.50%	1.5%-8.1%	19.2%-20.7%	21.2%

For details, please refer to Note (VI) 17 to the Accountants' Report in Appendix I to this Document.

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Accounts Payable

Our accounts payable primarily consisted of (i) payables for purchase of goods; (ii) payables for freight; and (iii) payables for constructions. The following table sets forth a breakdown of our accounts payable as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Payables for purchase of goods	2,291,851	2,279,740	2,768,412	1,987,495
Payables for freight	145,151	232,724	206,077	162,720
Payables for constructions	124,561	131,627	118,576	90,162
Total	2,561,563	2,644,091	3,093,065	2,240,377

Our accounts payable remained relatively stable at RMB2,561.6 million and RMB2,644.1 million as of December 31, 2023 and 2024, respectively. Our accounts payable increased by 17.0% from RMB2,644.1 million as of December 31, 2024 to RMB3,093.1 million as of December 31, 2025, primarily due to an increase of RMB488.7 million in payables for purchase of goods, driven by increased raw material procurement and inventory stockpiling to match the increased sales and production volumes. Our accounts payable decreased by 27.6% from RMB3,093.1 million as of December 31, 2025 to RMB2,240.4 million as of June 30, 2026, primarily due to a decrease of RMB780.9 million in payables for purchase of goods, mainly attributable to (i) the settlement of payables during the period in accordance with our payment arrangements; and (ii) a seasonal decline in raw material procurement.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 1 year (inclusive)	2,548,253	2,616,514	3,022,292	2,143,381
1-2 years (inclusive)	10,681	22,327	69,555	89,954
2-3 years (inclusive)	1,247	2,784	573	6,905
Over 3 years	1,382	2,466	645	137
Total	2,561,563	2,644,091	3,093,065	2,240,377

The following table sets forth our average accounts payables turnover days for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2023	2024	2025	2026
	(days)			
Average accounts payable turnover days ⁽¹⁾	80	72	74	67

Note:

(1) Average accounts payable turnover days equal the average of the opening and closing balances of accounts payable of the year/period indicated divided by the operating costs of the same year/period and multiplied by 360 days for a full-year period or 180 days for a six-month period.

Our average accounts payable turnover days decreased from 80 days in 2023 to 72 days in 2024, primarily due to our improved payment efficiency. Our average accounts payable turnover days remained relatively stable at 72 days in 2024 and 74 days in 2025. Our average accounts payable turnover days decreased from 74 days in 2025 to 67 days for the six months ended June 30, 2026, primarily reflecting the settlement of payables and the seasonal decline in raw material procurement.

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As of July 31, 2026, RMB1,076.1 million, or 48.1%, of our accounts payable as of June 30, 2026 had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily consisted of (i) receipts in advance on sales of goods; and (ii) other receipts in advance. The following table sets forth a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
<i>(RMB in thousands)</i>				
Receipts in advance on sales of goods	1,440,969	1,388,263	1,170,554	1,048,967
Other receipts in advance	522,233	540,135	5,397	—
Total	1,963,202	1,928,398	1,175,951	1,048,967

Our contract liabilities remained relatively stable at RMB1,963.2 million and RMB1,928.4 million as of December 31, 2023 and 2024, respectively, and decreased by 39.0% to RMB1,176.0 million as of December 31, 2025, primarily due to (i) a decrease of RMB534.7 million in other receipts in advance, primarily attributable to the recognition of revenue upon the delivery of completed residential units primarily to our employees; and (ii) a decrease of RMB217.7 million in receipts in advance on sales of goods, primarily due to the fulfillment of contract obligations. Our contract liabilities decreased by 10.8% from RMB1,176.0 million as of December 31, 2025 to RMB1,049.0 million as of June 30, 2026, primarily due to a decrease of RMB121.6 million in receipts in advance on sales of goods, primarily reflecting the seasonally higher receipts in advance for holiday sales at the end of 2025.

As of July 31, 2026, approximately RMB497.0 million, or 47.4%, of our contract liabilities as of June 30, 2026 had been recognized as revenue.

Other Payables

Our other payables primarily consisted of (i) payables for purchase of long-term asset; (ii) payables and accruals for advertising expenses; (iii) security deposits; (iv) out-of-pocket expenses payable to distributors; (v) dividends payable; (vi) accrued promotion and other expenses; and (vii) others.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
<i>(RMB in thousands)</i>				
Payables for purchase of long-term asset	529,463	587,999	479,323	397,929
Payables and accruals for advertising expenses	496,124	122,088	112,196	213,626
Security deposits	366,834	278,609	287,489	249,103
Out-of-pocket expenses payable to distributors	269,846	253,422	207,674	215,872
Payables for purchase of equity interests	—	602	—	—
Accrued promotion and other expenses	178,849	190,177	294,015	274,002
Others	121,094	110,548	116,192	123,958
Total	1,962,210	1,543,445	1,496,889	1,474,490

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Our other payables decreased by 21.3% from RMB1,962.2 million as of December 31, 2023 to RMB1,543.4 million as of December 31, 2024, primarily due to (i) a decrease of RMB374.0 million in payables and accruals for advertising expenses, primarily attributable to the settlement following the conclusion of certain major marketing campaigns; and (ii) a decrease of RMB88.2 million in security deposits, primarily due to the refund of deposits resulting from the termination of cooperation with certain distributors. The foregoing was partially offset by an increase of RMB58.5 million in payables for purchase of long-term asset, primarily due to our continued investment in production facilities. Our other payables remained relatively stable at RMB1,543.4 million, RMB1,504.8 million and RMB1,474.6 million as of December 31, 2024, 2025 and June 30, 2026, respectively.

As of July 31, 2026, RMB175.6 million, or 11.9% of our other payables outstanding as of June 30, 2026, had been subsequently settled.

Deferred Income

Our deferred income primarily consisted of (i) government grants related to assets; and (ii) government grants related to income. The following table sets forth a breakdown of our deferred income as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Government grants related to assets	1,035,636	1,000,909	932,019	861,177
Government grants related to income	29,094	19,959	9,749	8,789
Total	1,064,730	1,020,868	941,768	869,966

Our deferred income remained relatively stable at RMB1,064.7 million and RMB1,020.9 million as of December 31, 2023 and 2024, respectively. Our deferred income decreased by 7.7% from RMB1,020.9 million as of December 31, 2024 to RMB941.8 million as of December 31, 2025, and further decreased by 7.6% to RMB870.0 million as of June 30, 2026, primarily due to the amortization of government grants related to assets.

As of July 31, 2026, approximately RMB12.5 million, or 1.4%, of our deferred income as of June 30, 2026 had been subsequently recognized as other income.

NET CURRENT LIABILITIES

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current assets				
Cash at bank and on hand	1,488,990	1,584,606	1,306,116	1,311,487
Derivative financial assets	24,827	—	—	—
Bills receivable	2,582	2,400	1,774	2,400
Accounts receivable	978,794	868,967	992,638	981,142

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	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Accounts receivable financing	419	–	461	11,672
Prepayments	186,330	193,087	174,122	226,603
Other receivables	125,219	189,791	234,752	245,242
Inventories	3,325,366	3,270,289	2,696,271	1,584,359
Non-current assets due within one year	3,378	44,287	22,196	14,676
Other current assets	221,950	251,226	308,684	306,972
Total current assets	6,357,855	6,404,653	5,737,014	4,684,553
Current liabilities				
Short-term borrowings	1,939,949	2,241,125	1,788,691	2,207,291
Bills payable	277,266	359,125	215,239	2,390
Accounts payable	2,561,563	2,644,091	3,093,065	2,240,377
Contract liabilities	1,963,202	1,928,398	1,175,951	1,048,967
Employee benefits payable	254,042	272,574	250,399	199,375
Taxes payable	76,628	101,747	210,099	91,107
Other payables	2,167,673	1,543,445	1,504,816	1,474,618
Non-current liabilities due within one year	1,430,564	2,397,695	1,319,553	917,379
Other current liabilities	248,432	192,673	170,997	161,656
Total current liabilities	10,919,319	11,680,873	9,728,810	8,343,160
Net current liabilities	4,561,464	5,276,220	3,991,796	3,658,607

The majority of our net current liabilities consisted of non-interest-bearing operating liabilities, primarily comprising contract liabilities and accounts payable. Our contract liabilities primarily arose from the advance payment model adopted with our distributors, while our accounts payable primarily arose from the credit periods generally granted to us by our suppliers. Such operating liabilities have grown in line with the expansion of our business, which reflects our favorable bargaining position and supports the sustainable operation of our business.

We plan to further improve our net current liabilities position through the following measures: (i) fully utilizing the continuous net cash inflows generated from our operating activities to strengthen our current asset position; (ii) further optimizing our accounts receivable collection management and inventory turnover efficiency, such as actively managing our inventory levels to balance market demand against holding costs, and closely monitoring the collection of accounts receivable to accelerate cash collection; and (iii) proactively optimizing our capital structure by exercising prudent control over new short-term borrowings and prioritizing the use of operating cash flows and long-term financing to meet our funding needs, so as to ensure a steady reduction in the scale of our short-term borrowings. In addition, the estimated net [REDACTED] from the [REDACTED] will provide additional liquidity and further improve our net current liabilities position.

We had net current liabilities of RMB3,658.6 million as of June 30, 2026, which represented a decrease of RMB333.2 million from our net current liabilities of RMB3,991.8 million as of December 31, 2025. This decrease was primarily due to (i) a decrease of RMB852.7 million in accounts payable; (ii) a decrease of RMB402.2 million in non-current liabilities due within one year; and (iii) a decrease of RMB212.8 million in bills payable; and (iv) a decrease of RMB127.0 million in contract liabilities. This was partially offset by (i) a decrease of RMB1,111.9 million in inventories; and (ii) an increase of RMB418.6 million in short-term borrowings.

We had net current liabilities of RMB3,991.8 million as of December 31, 2025, which represented a decrease of RMB1,284.4 million from our net current liabilities of RMB5,276.2 million as of December 31, 2024. This decrease was primarily due to (i) a decrease of RMB1,078.1

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million in non-current liabilities due within one year; (ii) a decrease of RMB752.4 million in contract liabilities; and (iii) a decrease of RMB452.4 million in short-term borrowings. This was partially offset by (i) a decrease of RMB574.0 million in inventories; (ii) an increase of RMB449.0 million in accounts payable; and (iii) a decrease of RMB278.5 million in cash at bank and on hand.

We had net current liabilities of RMB5,276.2 million as of December 31, 2024, which represented an increase of RMB714.7 million from our net current liabilities of RMB4,561.5 million as of December 31, 2023. This increase was primarily due to (i) an increase of RMB967.1 million in non-current liabilities due within one year; (ii) an increase of RMB301.2 million in short-term borrowings; and (iii) a decrease of RMB109.8 million in accounts receivable. This was partially offset by (i) a decrease of RMB624.2 million in other payables; and (ii) an increase of RMB95.6 million in cash at bank and on hand.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our cash requirements principally from cash generated from our operating activities and bank borrowings. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2023, 2024, 2025 and June 30, 2026, our cash and cash equivalents were RMB1,354.5 million, RMB1,477.4 million, RMB1,267.5 million and RMB1,264.9 million, respectively.

Cash flows

The following table presents our selected consolidated cash flow data for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Net cash inflow from operating activities	2,023,010	3,530,528	3,393,931	534,389	776,750
Net cash outflow from investing activities	(3,760,155)	(2,333,336)	(2,135,511)	(620,576)	(824,695)
Net cash inflow/(outflow) from financing activities	<u>1,541,021</u>	<u>(1,074,238)</u>	<u>(1,468,187)</u>	<u>(669,059)</u>	<u>45,705</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>20</u>	<u>(30)</u>	<u>(141)</u>	<u>(118)</u>	<u>(377)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(196,104)</u>	<u>122,924</u>	<u>(209,908)</u>	<u>(755,365)</u>	<u>(2,618)</u>
Cash and cash equivalents at the beginning of the year/period . . .	1,550,567	1,354,463	1,477,387	1,477,387	1,267,479
Cash and cash equivalents at the end of the year/period	<u>1,354,463</u>	<u>1,477,387</u>	<u>1,267,479</u>	<u>722,023</u>	<u>1,264,861</u>

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Operating activities

For the six months ended June 30, 2026, we had net cash inflow from operating activities of RMB776.7 million, which represents our cash inflow from operations of RMB13,044.2 million, as adjusted by (i) payments for goods and services of RMB8,917.3 million; (ii) payment for other operating activities of RMB1,500.7 million, which primarily consisted of advertising expenses, selling and promotion expenses, payment of deposits, guarantees and advances paid by distributors; and (iii) payment to and for employees of RMB1,276.5 million.

In 2025, we had net cash inflow from operating activities of RMB3,393.9 million, which represents our cash inflow from operations of RMB24,532.2 million, as adjusted by (i) payment for goods and services of RMB14,491.8 million; (ii) payment for other operating activities of RMB3,160.9 million, which primarily consisted of advertising expenses, selling and promotion expenses, payment of deposits, guarantees and advances paid by distributors; and (iii) payment to and for employees of RMB2,462.4 million.

In 2024, we had net cash inflow from operating activities of RMB3,530.5 million, which represents our cash inflow from operations of RMB24,808.7 million, as adjusted by (i) payment for goods and services of RMB14,156.2 million; (ii) payment for other operating activities of RMB3,857.9 million, which primarily consisted of advertising expenses, selling and promotion expenses, payment of deposits, guarantees and advances paid by distributors; and (iii) payment to and for employees of RMB2,308.0 million.

In 2023, we had net cash inflow from operating activities of RMB2,023.0 million, which represents our cash inflow from operations of RMB21,729.9 million, as adjusted by (i) payment for goods and services of RMB13,266.2 million; (ii) payment for other operating activities of RMB3,552.2 million, which primarily consisted of advertising expenses, selling and promotion expenses, payment of deposits, guarantees and advances paid by distributors; and (iii) payment to and for employees of RMB1,972.1 million.

Investing activities

For the six months ended June 30, 2026, we had net cash outflow from investing activities of RMB824.7 million, which was primarily attributable to payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB1,126.4 million, partially offset by net proceeds from disposal of fixed assets, intangible assets and other long-term assets of RMB296.3 million.

In 2025, we had net cash outflow from investing activities of RMB2,135.5 million, which was primarily attributable to payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB2,561.6 million, partially offset by net proceeds from disposal of fixed assets, intangible assets and other long-term assets of RMB393.5 million.

In 2024, our net cash outflow from investing activities was RMB2,333.3 million, which was primarily attributable to payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB2,556.6 million, partially offset by net proceeds from disposal of fixed assets, intangible assets and other long-term assets of RMB331.8 million.

In 2023, our net cash outflow from investing activities was RMB3,760.2 million, which was primarily attributable to (i) payment for acquisition of fixed assets, intangible assets and other long-term assets of RMB3,285.2 million; and (ii) payments for investments of RMB956.8 million, primarily related to the purchase of wealth management products and investment in an associate; and (iii) net payments for acquisitions of subsidiaries of RMB654.9 million, primarily due to payments for our acquisition of certain subsidiaries, partially offset by (i) proceeds from disposal of investments of RMB653.4 million, primarily due to the redemption of wealth management products; and (ii) net proceeds from disposal of fixed assets, intangible assets and other long-term assets of RMB435.0 million.

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Financing activities

For the six months ended June 30, 2026, we had net cash inflow from financing activities of RMB45.7 million, which was primarily attributable to proceeds from borrowings of RMB2,301.8 million, partially offset by (i) repayments of borrowings of RMB2,034.4 million; and (ii) payments for dividends, profit distributions or interests of RMB206.1 million.

In 2025, we had net cash outflow from financing activities of RMB1,468.2 million, which was primarily attributable to (i) repayments of borrowings of RMB5,660.2 million; and (ii) payments for dividends, profit distributions or interests of RMB2,007.7 million, partially offset by proceeds from borrowings of RMB6,273.5 million.

In 2024, our net cash outflow from financing activities was RMB1,074.2 million, primarily attributable to (i) repayments of borrowings of RMB5,625.2 million; and (ii) payments for dividends, profit distributions or interests of RMB951.6 million, partially offset by proceeds from borrowings of RMB5,671.0 million.

In 2023, our net cash inflow from financing activities was RMB1,541.0 million, primarily attributable to proceeds from borrowings of RMB6,975.3 million, partially offset by (i) repayments of borrowings of RMB4,480.0 million; and (ii) payments for dividends, profit distributions or interests of RMB674.8 million.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to the Group, including the estimated net [REDACTED] from the [REDACTED] and the expected cash generated from operating activities, we have sufficient working capital for our current requirements and for the next 12 months from the date of this Document.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in millions)			
Current				
Short-term borrowings	1,939.9	2,241.1	1,788.7	2,207.3
Other current liabilities – obligation to repurchase non-controlling interests	135.0	125.0	125.0	125.0
Non-current liabilities due within one year .	1,430.6	2,397.7	1,319.6	917.4
Non-Current				
Long-term borrowings	6,525.5	5,116.4	7,184.8	7,437.8
Lease liabilities	387.6	336.8	332.9	319.5
Long-term payables	168.0	109.9	76.9	78.3
Provisions	19.7	22.1	23.0	23.5
Total	10,606.3	10,349.0	10,850.9	11,108.8

Our Directors confirmed that there has not been any material change in our indebtedness since June 30, 2026 to the date of this Document. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank loans, we did not have plans for other material external debt financing.

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Short-term and Long-term Borrowings

As of December 31, 2023, 2024, 2025 and June 30, 2026, we had short-term borrowings of RMB1,939.9 million, RMB2,241.1 million, RMB1,788.7 million and RMB2,207.3 million, respectively. As of the same dates, such borrowings were primarily denominated in Renminbi with effective interest rates ranging from 0.40% to 5.40%. During the Track Record Period, our short-term borrowings were primarily used for capital expenditures for the construction of our comprehensive value chain, including dairy production facilities and dairy farms. The following table sets forth a breakdown of short-term borrowing by category as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in millions)			
Unsecured borrowings	674.1	727.5	875.4	794.3
Guaranteed borrowings	1,207.8	1,493.6	913.3	1,413.0
Secured borrowings	50.0	20.0	—	—
Guaranteed and secured borrowings	8.0	—	—	—
Total	1,939.9	2,241.1	1,788.7	2,207.3

As of December 31, 2023, 2024, 2025 and June 30, 2026, we had long-term borrowings of RMB6,525.5 million, RMB5,116.4 million, RMB7,184.8 million and RMB7,437.8 million, respectively. As of the same dates, such borrowings were primarily denominated in Renminbi and US dollars with effective interest rates ranging from 2.30% to 5.40%. During the Track Record Period, our long-term borrowings were primarily used for capital expenditures for the construction of our comprehensive value chain, including dairy production facilities and dairy farms. The following table sets forth a breakdown of long-term borrowings by category as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in millions)			
Unsecured borrowings	1,946.7	1,854.8	2,242.8	1,912.1
Guaranteed borrowings	5,178.1	4,875.8	5,606.9	5,867.6
Guaranteed and secured borrowings	737.5	631.3	524.0	446.5
Secured borrowings	—	30.0	80.1	75.6
Subtotal	7,862.3	7,391.9	8,453.8	8,301.8
Less:				
Long-term borrowings due within one year	1,336.8	2,275.5	1,269.0	864.0
Total	6,525.5	5,116.4	7,184.8	7,437.8

As of June 30, 2026, our committed unutilized banking facilities amounted to RMB10,543.7 million.

Our Directors confirm that there was no material covenant on any of our outstanding debt as of the Latest Practicable Date and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of short-term and long-term borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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Other Current Liabilities — Obligation to Repurchase Non-controlling Interests

Our other current liabilities in relation to obligation to repurchase non-controlling interests primarily represented our equity repurchase obligations to the non-controlling shareholders of certain of our subsidiaries. Our other current liabilities in relation to obligation to repurchase non-controlling interests decreased by 7.4% from RMB135.0 million as of December 31, 2023 to RMB125.0 million as of December 31, 2024, primarily due to the completion of partial equity repurchase from the non-controlling shareholder of a subsidiary. Our other current liabilities in relation to obligation to repurchase non-controlling interests remained relatively stable at RMB125.0 million at December 31, 2024, 2025 and June 30, 2026.

Non-current Liabilities Due within One Year

Our non-current liabilities due within one year primarily comprise (i) long-term borrowings due within one year; (ii) lease liabilities due within one year; and (iii) long-term payables due within one year. Our non-current liabilities due within one year increased by 67.6% from RMB1,430.6 million as of December 31, 2023 to RMB2,397.7 million as of December 31, 2024, primarily due to an increase in long-term borrowings due within one year in accordance with the terms of our borrowing agreements with the relevant banks. Our non-current liabilities due within one year decreased by 45.0% from RMB2,397.7 million as of December 31, 2024 to RMB1,319.6 million as of December 31, 2025, primarily due to a decrease in long-term borrowings due within one year as we repaid borrowings upon maturity in accordance with the terms of our borrowing agreements with the relevant banks. Our non-current liabilities due within one year decreased by 30.5% from RMB1,319.6 million as of December 31, 2025 to RMB917.4 million as of June 30, 2026, primarily due to a decrease in long-term borrowings due within one year following the repayment of borrowings upon maturity.

Lease Liabilities

Our lease liabilities primarily comprise lease contracts for land, plant, building and equipment. Our lease liabilities decreased by 13.1% from RMB387.6 million as of December 31, 2023 to RMB336.8 million as of December 31, 2024, primarily due to a decrease in lease liabilities related to dairy farming equipment as a result of our disposal of partial equity interests in two subsidiaries, upon which such subsidiaries were reclassified as our associates. Our lease liabilities remained relatively stable at RMB336.8 million, RMB332.9 million and RMB319.5 million as of December 31, 2024, 2025 and June 30, 2026, respectively.

Long-term Payables

Our long-term payables mainly comprise fixed returns that we are required to pay periodically in respect of policy-related funding support and poverty alleviation funding support obtained for factory and farm construction. Our long-term payables decreased by 34.6% from RMB168.0 million as of December 31, 2023 to RMB109.9 million as of December 31, 2024, primarily due to (i) the repayment of certain long-term payables; and (ii) the reclassification of certain long-term payables to payables due within one year. Our long-term payables further decreased by 30.0% to RMB76.9 million as of December 31, 2025, primarily due to (i) the repayment of certain financing payables; and (ii) the absence of significant new long-term payables incurred in 2025. Our long-term payables remained relatively stable at RMB76.9 million and RMB78.3 million as of December 31, 2025 and June 30, 2026.

Provisions

Our provisions mainly comprise reclamation fees related to dairy farming land leases. Our provisions remained relatively stable at RMB19.7 million, RMB22.1 million, RMB23.0 million and RMB23.5 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively.

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Indebtedness Statement

Except as disclosed above and as otherwise disclosed in this Document, as of June 30, 2026, being our indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since June 30, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise expenditures for (i) construction of fixed assets, intangible assets and construction in progress, (ii) purchase and cultivation of biological assets, and (iii) payments for right-of-use assets. The following table sets forth our capital expenditures for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
Construction of fixed assets, intangible assets and construction in progress	1,540,196	1,095,558	863,357	327,530	365,576
Purchase and cultivation of biological assets	2,333,274	1,861,091	1,715,365	786,840	866,889
Payments for right-of-use assets . . .	1,414	6,741	–	2,971	1,171
Total	3,874,884	2,963,390	2,578,722	1,117,341	1,233,636

During the Track Record Period, our expenditures for construction of fixed assets, intangible assets and construction in progress decreased gradually from RMB1,540.2 million in 2023 to RMB863.4 million in 2025, primarily due to the gradual completion of construction of our dairy production facilities and dairy farms. Our expenditures for construction of fixed assets, intangible assets and construction in progress subsequently increased from RMB327.5 million for the six months ended June 30, 2025 to RMB365.6 million for the six months ended June 30, 2026, primarily due to the construction of our Jiangmen factory and Tianchang factory. Our expenditures for purchase and cultivation of biological assets decreased gradually from RMB2,333.3 million in 2023 to RMB1,715.4 million in 2025, primarily due to (i) a gradual decrease in capital expenditures related to the external purchase of biological assets as the construction of our dairy farms were progressively completed; and (ii) a decrease in feeding costs. Our expenditures for purchase and cultivation of biological assets subsequently increased from RMB786.8 million for the six months ended June 30, 2025 to RMB866.9 million for the six months ended June 30, 2026, primarily due to an increase in feeding costs in line with the expansion of our herd scale.

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

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CAPITAL COMMITMENTS

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Purchase of long-term asset commitments	727,186	379,493	264,346	390,969
Total	727,186	379,493	264,346	390,969

We expect to satisfy our capital commitments using financial resources currently available to us, cash generated from operations and net [REDACTED] to be received from the [REDACTED].

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note (XI) 5 to the Accountants’ Report included in Appendix I to this Document was conducted on an arm’s-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2023	2024	2025	2026
Gross profit margin (%) ⁽¹⁾	34.2	34.7	31.8	32.7
Gross profit margin of our dairy products (%) ⁽²⁾	37.5	37.8	36.3	36.3
Net profit margin ⁽³⁾	0.03	5.6	5.9	6.7
Adjusted net profit margin (non-CASBE measure) (%) ⁽⁴⁾	3.4	5.9	6.2	7.0

Notes:

- (1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.
- (2) Gross profit margin of dairy products equals gross profit of dairy products divided by revenue from dairy products and multiplied by 100%.
- (3) Net profit margin equals net profit divided by revenue and multiplied by 100%. Our net profit margin for 2023 was 0.03%, primarily due to the interest expenses on financial liabilities related to shareholders’ special rights of RMB554.4 million, arising from certain special rights granted to certain Pre-[REDACTED] investors before the Track Record Period. Such special rights were terminated in 2023, resulting in the derecognition of the relevant liabilities and no interest expenses were subsequently incurred. See Note (VI) 37 to the Accountants’ Report in Appendix I to this Document.
- (4) Adjusted net profit margin (non-CASBE measure) equals adjusted net profit (non-CASBE measure) divided by revenue and multiplied by 100%. See “— Non-CASBE Financial Measures.”

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BIOLOGICAL ASSETS AND VALUATION

Under the CASBE, our biological assets included (i) consumable biological assets and (ii) productive biological assets, and were measured at cost.

Consumable biological assets are biological assets held for sale or to be harvested as agricultural produce in the future, primarily including beef cattle. They are recognized in inventories and carried as the lower of the cost and net realizable value at the balance sheet date. See Note (III) 17.1 to the Accountants’ Report in Appendix I to this Document for the measurement method of consumable biological assets, basis for determining net realizable value and method for provision of consumable biological assets.

Productive biological assets are biological assets held for the production of agricultural produce, provision of services or rental, including immature productive biological assets and mature productive biological assets. Immature productive biological assets primarily include calves and heifers. Mature productive biological assets primarily include milkable cows. Such productive biological assets are presented as costs less accumulated depreciation and impairment provision. See Note (III) 17.2 to the Accountants’ Report in Appendix I to this Document for the basis of determining the cost, the depreciation method and impairment provision.

Pursuant to Chapter 4.10 under the Guide for New Listing Applicants published by the Stock Exchange, we have engaged Asia-Pacific Consulting and Appraisal Limited (“APA”) (the “Valuer”), a firm of independent qualified professional valuer, to determine the fair value of our biological assets. The valuation was carried out on a fair value basis, which is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. To derive the fair value of the biological assets, the Valuer adopted two valuation approaches, namely the market approach and the income approach.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Productive biological assets				
– Immature productive biological assets	2,159,104	1,653,787	2,046,558	2,124,826
– Mature productive biological assets	2,452,626	2,990,982	2,943,923	2,985,367
Subtotal	4,611,730	4,644,769	4,990,481	5,110,193
Consumable biological assets				
– Beef cattle	49,891	N/A	N/A	N/A
Total	4,661,621	4,644,769	4,990,481	5,110,193

The fair value of our biological assets remained relatively stable during the Track Record Period. The fair value of our productive biological assets increased from RMB4,611.7 million as of December 31, 2023 to RMB4,644.8 million as of December 31, 2024, and further increased to RMB4,990.5 million as of December 31, 2025 and RMB5,110.2 million as of June 30, 2026, primarily due to the increases in the number of dairy cows, the decrease of feed costs and the improved herd structure and quality. The fair value of our consumable biological assets was RMB49.9 million as of December 31, 2023, and we ceased to sell beef cattle in 2024.

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The following table sets forth the headcounts of our biological assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	June 30,
				2026
	<i>(heads)</i>			
Productive biological assets				
– Immature productive biological assets	104,959	91,454	97,927	97,473
– Mature productive biological assets	81,146	95,960	97,818	100,858
Subtotal	186,105	187,414	195,745	198,331
Consumable biological assets				
– Beef cattle	4,101	N/A	N/A	N/A
Total	190,206	187,414	195,745	198,331

Our biological assets were independently valued by the Valuer. The Valuer is an independent professional valuer not connected with us and has appropriate and extensive experience in the valuation of biological assets.

Information about the Independent Valuer of Our Biological Assets

We have engaged Asia-Pacific Consulting and Appraisal Limited (“APA”), an independent valuer, to determine the fair value of our biological assets as of December 31, 2023, 2024, 2025 and June 30, 2026 (the “Valuation Dates”), respectively. The key valuers of the APA team includes Mr. Jack W.J. Li.

Mr. Jack W.J. Li, Executive Director at APA, is a member of the Chartered Financial Analyst and a member of Royal Institution of Chartered Surveyors. He oversees the business valuation services of APA and has over 15 years of valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Jack has also participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of BIOCYTOGEN (stock code: 2315.hk), ZONBONG ENVIRO (stock code: 1855.hk), and UNI HEALTH (stock code: 2211.hk).

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

Valuation Methodology

In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and the income approach.

Market approach is adopted to value our calves, heifers and beef cattle. Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the conditions and utility of the appraised assets relative to the market comparatives. Assets for which there is an established used market may be valued by this approach.

Income Approach is adopted to value our milkable cows. APA understands from the Company that generally there is no reliable market-based price for dairy cow at maturity stage, therefore the fair value of the milkable cows is developed through the application of income approach technique known as multi-period excess earnings method (“MEEM”).

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MEEM is a derivative of the discounted cash flow (“DCF”) method. Using this technique, APA estimate the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefits, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are net off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Our Directors and Joint Sponsors confirmed that the components of the material cash flows used in the fair value measurement are consistent with market factors and assumptions used in the measurement.

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

Dairy cows

Calves and heifers

A market-based approach is adopted by APA to value our calves and heifers, because recent market-based prices for heifers at a certain age exist near each reporting date and therefore the fair value of the calves and heifers is developed through the application of the market approach with reasonable adjustments to reflect age differences.

Milkable Cows

An income-based approach is adopted by APA to value our milkable cows, primarily because there is no reliable market-based price for dairy cow at this stage. In general, raisers of dairy cows do not sell dairy cows that are milkable, as milking generate more profits in the long run than the sales of dairy cows. As a result, the fair value of the milkable cows is developed through the application of an income approach technique known as MEEM as described above.

Beef cattle

Market Approach is adopted by APA to value the beef cattle. Because the market-based prices for newborn beefs and mature beefs can be obtained as of the valuation date. Given the relatively short finishing cycle of beefs, the fair values of the beefs are developed through the application of market approach with reasonable adjustments to reflect the age differences.

Key Assumptions and Inputs

Dairy cows

Key inputs for valuing our dairy cows are the number and classification of dairy cows. Based on maturity stages, our dairy cow are classified into calves and heifers and milkable cows. Different valuation approaches are adopted for calves and heifers and milkable cows.

Calves and heifers

The key inputs and assumptions for valuing our calves and heifers are the market prices per head for 14 months old heifers, which was RMB22,800, RMB22,000, RMB22,000 and RMB21,500 as of December 31, 2023, 2024, 2025 and June 30, 2026.

Milkable cows

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

Beef cattle

The key inputs and assumptions for valuing the beef cattle are the historical average selling price of 20.84 RMB/Kg as of December 31, 2023. The fair values of the beef cattle are determined with reasonable adjustments to reflect the age differences.

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The following table sets forth a summary of key assumptions and inputs to the valuation of biological assets as of December 31, 2023, 2024, 2025 and June 30, 2026.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Heifers and Calves		
The fair value of 14 months old heifers and calves is determined by reference to the local market selling prices.	Estimated local market selling prices of 14 months old heifers were RMB22,800, RMB22,000, RMB22,000, and RMB21,500 per head as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	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.
For age groups of heifers and calves younger than 14 months old, incremental costs required to raise the cows from their respective age at the end of each of the Relevant Periods to 14 months were subtracted. . . .	Incremental costs for the age younger than 14 months old ranged from RMB10,860 to RMB20,403, from RMB9,076 to RMB20,645, from RMB8,890 to RMB18,264, and from RMB8,527 to RMB20,079 per head as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	An increase in the incremental costs used would result in a decrease in the fair value measurement of heifers and calves younger than 14 months, and vice versa.
For heifers between 14 and 24 months, incremental costs required to raise the heifers from 14 months to their respective age at the end of each of Relevant Periods were added.	Incremental costs for heifers between 14 and 24 months were RMB14,510, RMB14,215, RMB13,254, and RMB14,352 per head as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	An increase in the incremental costs used would result in an increase in the fair value measurement of heifers between 14 and 24 months, and vice versa.
Milkable 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.	The estimated feed costs per kg of raw milk used in the valuation process range from RMB2.51 to RMB2.83, from RMB2.17 to RMB2.56, from RMB2.07 to RMB2.22 and from RMB1.92 to RMB2.08 as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	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.
	Estimated average prices of raw milk per kg range from RMB4.24 to RMB4.94, from RMB3.85 to RMB4.66, from RMB3.76 to RMB4.44 and from RMB3.44 to RMB4.36 as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	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.

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Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
	A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield per head at each lactation cycle ranges from 29.69 kg to 35.90 kg, from 30.28 kg to 36.64 kg, from 30.53 kg to 37.37 kg and from 29.93 kg to 37.23 kg as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	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.
	Discount rate for estimated future cash flows used was 13%, 13%, 13% and 13% as of December 31, 2023, 2024, 2025, and June 30, 2026, respectively.	An increase in the discount rate used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.

Other Assumptions

In this valuation exercise, the Valuer assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. The Valuer also assumed that the historical trend and data will be maintained and there will be no material change in the existing political, legal, technological, fiscal or economic condition that may adversely affect our business.

The Valuer planned and performed the valuation so as to obtain all the information and explanations that the Valuer considered necessary in order to provide them with sufficient evidence to express the opinion on the subject asset. The Valuer is of the opinion that the valuation procedures they employed provide a reasonable basis for their opinion.

The Joint Sponsors have reviewed and considered the qualification and relevant valuation experience of APA and its professional valuers, and held various discussions with APA in relation to its valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process. In addition, the Joint Sponsors discussed with our management with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. Given the above, the Joint Sponsors are satisfied that the valuation techniques methodology and major inputs used in the valuation of our biological assets are appropriate and reasonable.

Sensitivity Analysis

A significant increase/decrease in the estimated raw milk price, feed cost, market selling price of 14 months old heifers and discount rate in isolation would result in a significant increase/decrease in the fair value of the biological assets. As of December 31, 2023, 2024, 2025 and June 30, 2026, if raw milk price increases by 10%, the estimated fair value of biological assets would have increased by 14.2% or RMB655 million, 17.7% or RMB823 million, 15.7% or RMB785 million and 14.6% or RMB746 million, respectively, and if raw milk price decreases by 10%, the estimated fair value of biological assets would have decreased by 14.2% or RMB655 million, 17.7% or RMB823 million, 15.7% or RMB785 million and 14.6% or RMB746 million, respectively.

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As of December 31, 2023, 2024, 2025 and June 30, 2026, if feed cost increases by 10%, the estimated fair value of biological assets would have decreased by 8.2% or RMB380 million, 10.2% or RMB474 million, 9.1% or RMB453 million and 8.5% or RMB436 million, respectively, and if feed cost decreases by 10%, the estimated fair value of biological assets would have increased by 8.2% or RMB380 million, 10.2% or RMB474 million, 9.1% or RMB453 million and 8.5% or RMB436 million, respectively.

As of December 31, 2023, 2024, 2025 and June 30, 2026, if market selling price of 14 months old heifers increases by 10%, the estimated fair value of biological assets would have increased by 7.8% or RMB357 million, 7.4% or RMB342 million, 7.0% or RMB350 million and 6.8% or RMB347 million, respectively, and if market selling price of 14 months old heifers decreases by 10%, the estimated fair value of biological assets would have decreased by 7.6% or RMB349 million, 7.4% or RMB342 million, 7.0% or RMB350 million and 6.8% or RMB347 million, respectively.

As of December 31, 2023, 2024, 2025 and June 30, 2026, if discount rate increases by 500 bps, the estimated fair value of biological assets would have decreased by 3.8% or RMB174 million, 4.7% or RMB219 million, 4.1% or RMB205 million and 4.0% or RMB204 million, respectively, and if discount rate decreases by 500 bps, the estimated fair value of biological assets would have increased by 4.4% or RMB205 million, 5.6% or RMB259 million, 4.8% or RMB241 million and 4.7% or RMB239 million, respectively.

Stock Take and Internal Control

We have established a standard internal protocol in relation to stock taking for all our dairy farms, which include scheduled and ad hoc stock take, so as to ensure the physical existence and accuracy of data and information of our biological assets. We perform a full stock take for each of our dairy farms on a monthly basis to collect the information such as headcount, gender and age-grouping, health and breeding status, milking process, and milk quality monitoring, which are accurately reflected in our farm management system. We also submit a monthly stock-take report to our financial department. Production personnel are responsible for the stock take process, and financial personnel supervise and review the data.

We have formulated a comprehensive policy for biological asset management, which covers the relevant accounting policies, transferring among age groups, purchase and disposal of biological assets, breeding, record keeping and stock take. For our dairy farms, the quantities of livestock entering the premises and that of livestock leaving are recorded electronically in our farm management system by our production personnel, which are reviewed by financial department at our headquarters.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of market and other financial risks, including market risk, credit risk, and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. See Note (IX) 1 to the Accountants’ Report included in Appendix I to this Document for more information. The discussion below provides a summary of our market and other financial risks.

Market Risk

Currency Risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. Our principal activities are denominated and settled in RMB. Currency risk arising from the assets and liabilities denominated in foreign currencies may have an impact on our performance.

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Interest Rate Risk

Risk of Changes in Cash Flows

Our cash flow interest rate risk of financial instruments relates primarily to variable-rate short-term borrowings and long-term borrowings. As of December 31, 2023, 2024, 2025 and June 30, 2026 our long-term borrowings bearing interest at floating rates and short-term borrowings under revolving credit facilities amounted to RMB6,234.9 million, RMB7,097.1 million, RMB7,808.8 million and RMB8,225.0 million, respectively. We continue to closely monitor the impact of interest rate changes on our interest rate risk.

Risk of Changes in Fair Value

Our risk of changes in fair value of financial instruments due to changes in interest rates relates primarily to fixed-rate financial assets and financial liabilities, including other receivables — third-party loans, long-term receivables, fixed-rate short-term and long-term borrowings, non-current liabilities due within one year, lease liabilities, and long-term payables. Our objective is to maintain an appropriate mix of fixed and floating rate instruments to manage interest rate risk, and to use derivatives such as interest rate swap contracts as appropriate for managing interest rate risk.

Other Price Risk

Our price risk mainly arises from investments in derivative financial instruments and other equity instruments. We reduce the price risk associated with investments in equity instruments by holding diversified equity securities portfolios.

Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us is due to the failure of counterparties to fulfill their an obligation, including the carrying amount of the financial assets recognized on our balance sheet.

In order to minimize credit risk, we have special personnels for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recovery of financial assets at each balance sheet date to ensure that adequate impairment provisions are provided for relevant financial assets. The credit risk on cash at bank and on hand is limited because it is only deposited with banks with high credit ratings.

As of December 31, 2023, 2024, 2025 and June 30, 2026, details of our accounts receivable from the top five customers and other receivables from the top five debtors are set out in Note (VI) 4 and Note (VI) 6 to the Accountants’ Report in Appendix I to this Document, respectively. Apart from these, we have no other significant concentration of credit risk.

Liquidity Risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

DIVIDENDS

In 2023, 2024, 2025 and for the six months ended June 30, 2026, we declared dividends of RMB530.0 million, RMB362.5 million, RMB1,800.0 million and nil, respectively, to our Shareholders, all of which have been fully paid.

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We do not currently have a dividend policy or a pre-determined dividend payout ratio. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial conditions, payments by our subsidiaries of cash dividends to us, business prospects, statutory and regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment of dividends, as well as the amount thereof, shall comply with our Articles of Association and the relevant PRC laws and regulations, and shall be approved by our Board of Directors and the Shareholders’ Meeting.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of any accumulated historical losses and allocations to the statutory reserve equivalent to 10% of our profit after tax.

DISTRIBUTABLE RESERVES

As of June 30, 2026, we had RMB1,857.5 million in distributable reserves available for distribution to our Shareholders.

[REDACTED]

Our [REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED] and the [REDACTED]. Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] Range, we estimate that our [REDACTED] and [REDACTED] will be approximately RMB[REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED], including (i) [REDACTED]-related expenses of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], comprising (a) sponsor fee of approximately RMB[REDACTED], (b) fees and expenses of legal advisors and Reporting Accountant of approximately RMB[REDACTED], and (c) other fees and expenses of approximately RMB[REDACTED]. As of June 30, 2026, we have incurred RMB[REDACTED] of [REDACTED] and [REDACTED] for the [REDACTED], including [REDACTED] of RMB[REDACTED] and [REDACTED] of RMB[REDACTED]. We expect to further incur [REDACTED] and [REDACTED] of approximately RMB[REDACTED] upon completion of the [REDACTED], out of which approximately RMB[REDACTED] is expected to be charged to our consolidated income statement and approximately RMB[REDACTED] is expected to be deducted from equity. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information” to this Document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our business, financial conditions and results of operations since June 30, 2026, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants’ Report included in Appendix I to this Document, and up to the date of this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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