THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **YuanShengTai Dairy Farm Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

CONTINUING CONNECTED TRANSACTIONS:
2026 FEIHE MASTER AGREEMENT

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 40 of this circular.

A notice convening the SGM of YuanShengTai Dairy Farm Limited to be held at EAST Beijing, Workshop 2, No. 22, Jiuxianqiao Road, Chaoyang District, Beijing, the PRC on Friday, 28 November 2025 at 10:00 a.m. is set out on pages 45 to 46 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the meeting (i.e. no later than 10:00 a.m. (Hong Kong time) on Wednesday, 26 November 2025) or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

31 October 2025

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2013 Feihe Master Agreement"	a master agreement dated 1 November 2013 entered into between (a) Ruixinda and Ruixincheng on the one part and (b) Feihe Dairy HLJ (for itself and on behalf of its subsidiaries) in relation to the supply of raw milk
"2014 Announcement"	announcement of the Company dated 31 October 2014 in relation to, among others, the revision of the annual caps for the transactions contemplated under the 2013 Feihe Master Agreement
"2014 Circular"	circular of the Company dated 21 November 2014 in relation to, among others, the revision of the annual caps for the transactions contemplated under the 2013 Feihe Master Agreement
"2015 Announcement"	announcement of the Company dated 14 December 2015 in relation to, among others, the renewal of the 2013 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2015 Feihe Master Agreement
"2015 Circular"	circular of the Company dated 31 December 2015 in relation to, among others, the renewal of the 2013 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2015 Feihe Master Agreement
"2015 Feihe Master Agreement"	a master agreement dated 14 December 2015 entered into between (a) Ruixinda and Ruixincheng (for themselves and on behalf of their subsidiaries) on the one part and (b) Feihe Dairy HLJ and Feihe Gannan (for themselves and on behalf of their subsidiaries) in relation to the supply of raw milk
"2017 Announcement"	announcement of the Company dated 12 May 2017 in relation to, among others, the renewal of the 2015 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2017 Feihe Master Agreement
"2017 Circular"	circular of the Company dated 30 June 2017 in relation to, among others, the renewal of the 2015 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2017 Feihe Master Agreement

"2017 Feihe Master Agreement"	a master agreement dated 12 May 2017 entered into between (a) the Company (for itself and on behalf of its subsidiaries) and (b) China Feihe (for itself and on behalf of its subsidiaries) in relation to the supply of raw milk
"2019 Announcement"	announcement of the Company dated 23 September 2019 in relation to, among others, the entering into of the 2020 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2020 Feihe Master Agreement
"2019 Circular"	circular of the Company dated 16 October 2019 in relation to, among others, the entering into of the 2020 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2020 Feihe Master Agreement
"2020 Feihe Master Agreement"	a master agreement dated 23 September 2019 entered into between (a) the Company (for itself and on behalf of its subsidiaries) and (b) China Feihe (for itself and on behalf of its subsidiaries) in relation to the supply of raw milk
"2021 Announcement"	announcement of the Company dated 4 November 2021 in relation to, among others, the revision of the original annual caps for the continuing connected transactions under the 2020 Feihe Master Agreement
"2021 Circular"	circular of the Company dated 25 November 2021 in relation to, among others, the revision of the original annual caps for the continuing connected transactions under the 2020 Feihe Master Agreement
"2022 Announcement"	announcement of the Company dated 14 October 2022 in relation to, among others, the entering into of the 2023 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2023 Feihe Master Agreement
"2022 Circular"	circular of the Company dated 23 November 2022 in relation to, among others, the entering into of the 2023 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2023 Feihe Master Agreement
"2023 Feihe Master Agreement"	a master agreement dated 14 October 2022 entered into between (a) the Company (for itself and on behalf of its subsidiaries) and (b) China Feihe (for itself and on behalf of its subsidiaries) in relation to the supply of raw milk

"2024 Announcement"	announcement of the Company dated 18 November 2024 in relation to, among others, the revision of the original annual caps for the continuing connected transactions under the 2023 Feihe Master Agreement
"2024 Circular"	circular of the Company dated 4 December 2024 in relation to, among others, the revision of the original annual caps for the continuing connected transactions under the 2023 Feihe Master Agreement
"2025 Announcement"	announcement of the Company dated 29 September 2025 in relation to, among others, the entering into of the 2026 Feihe Master Agreement and the proposed annual caps for the transactions contemplated under the 2026 Feihe Master Agreement
"2026 Feihe Master Agreement"	a master agreement dated 29 September 2025 entered into between (a) the Company (for itself and on behalf of its subsidiaries) and (b) China Feihe (for itself and on behalf of its subsidiaries) in relation to the supply of raw milk
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"China Feihe"	China Feihe Limited (中國飛鶴有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 October 2012, the ordinary shares of which are listed on the main board of the Stock Exchange (stock code: 6186)
"Commencement Date"	1 January 2026
"Company"	YuanShengTai Dairy Farm Limited (原生態牧業有限公司), an exempted company incorporated with limited liability under Bermuda Law on 1 May 2012, the ordinary shares of which are listed on the main board of the Stock Exchange
"connected person"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Feihe Dairy Group"	the group of companies comprising China Feihe and its subsidiaries (as the context may require, excluding the Group)

"Feihe Dairy HLJ"	Heilongjiang Feihe Dairy Co., Ltd.* (黑龍江飛鶴乳業有限公司), a company incorporated in the PRC, which is a wholly-owned subsidiary of China Feihe
"Feihe Gannan"	Feihe (Gannan) Dairy Products Co., Ltd.* (飛鶴(甘南)乳品有限公司), a company incorporated in the PRC, which is a wholly-owned subsidiary of China Feihe
"Feihe Master Agreements"	collectively, the 2013 Feihe Master Agreement, the 2015 Feihe Master Agreement, the 2017 Feihe Master Agreement, the 2020 Feihe Master Agreement and the 2023 Feihe Master Agreement
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2026 Feihe Master Agreement and the transactions contemplated thereunder (including the proposed annual caps relating thereto)
"Group"	the Company together with its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company formed to consider the transactions contemplated under the 2026 Feihe Master Agreement and the proposed annual caps relating thereto
"Independent Shareholders"	shareholders who are not required to abstain from voting at the SGM to approve the continuing connected transactions
"Independent Third Parties"	an individual(s) or a company(ies) who or which is/are not a connected person
"Latest Practicable Date"	24 October 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"PRC"	the People's Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
"Prospectus"	prospectus of the Company dated 14 November 2013
"Ruixincheng"	Harbin Ruixincheng Commercial Trade Co., Ltd.* (哈爾濱市瑞信誠商貿有限公司), a wholly foreign owned enterprise incorporated in the PRC on 3 May 2013 and an indirect wholly owned subsidiary of the Company
"Ruixinda"	Harbin Ruixinda Dairy Farming Co., Ltd.* (哈爾濱市瑞信達牧業有限公司), a wholly foreign owned enterprise incorporated in the PRC on 9 December 2010 and an indirect wholly owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened to consider and approve the transactions contemplated under the 2026 Feihe Master Agreement and the proposed annual caps relating thereto
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"shareholder(s)"	registered holder(s) of ordinary share(s) of HK$0.01 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules

* *For identification purposes only*

YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

Executive Directors:
Mr. Zhang Yongjiu (張永久)
Mr. Chen Xiangqing (陳祥慶)
Mr. Liu Gang (劉剛)

Non-Executive Directors:
Mr. Leng Youbin (冷友斌)
Mr. Liu Hua (劉華)
Mr. Cai Fangliang (蔡方良)

Independent Non-Executive Directors:
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)
Mr. Zhang Yuezhou (張月周)
Ms. Lin Jinping (劉晉萍)

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31 October 2025

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: 2026 FEIHE MASTER AGREEMENT

INTRODUCTION

We refer to the Prospectus, the 2014 Announcement, the 2014 Circular, the 2015 Announcement, the 2015 Circular, the 2017 Announcement, the 2017 Circular, the 2019 Announcement, the 2019 Circular, the 2021 Announcement, the 2021 Circular, the 2022 Announcement, the 2022 Circular, the 2024 Announcement, the 2024 Circular and the 2025 Announcement, in relation to, among other matters, the continuing connected transaction under the Feihe Master Agreements and the 2026 Feihe Master Agreement.

The Group has, since 1 November 2013, been selling raw milk to Feihe Dairy Group pursuant to the Feihe Master Agreements. The Board is pleased to announce that on 29 September 2025 (after trading hours), the Company entered into the 2026 Feihe Master Agreement with China Feihe, a member of Feihe Dairy Group, to confirm the Group's supply of raw milk to Feihe Dairy Group for a term commencing from the Commencement Date and ending on 31 December 2028 subject to the terms and conditions contained therein.

The transactions contemplated under the 2026 Feihe Master Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) the letter from the Board containing further information on the 2026 Feihe Master Agreement, the transactions contemplated thereunder and the proposed annual caps relating thereto, (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from Gram Capital, (iv) the notice convening the SGM and the proxy form, and (v) other information as required under the Listing Rules.

PRINCIPAL TERMS OF THE 2026 FEIHE MASTER AGREEMENT

On 29 September 2025 (after trading hours), the 2026 Feihe Master Agreement was entered into between the Company and China Feihe (in their respective capacity as stated below) to confirm the Group's supply of raw milk to Feihe Dairy Group.

The principal terms of the 2026 Feihe Master Agreement are summarised as follows:

Date:	29 September 2025 (after trading hours)
Parties:	(a) the Company (for itself and on behalf of its subsidiaries); and (b) China Feihe (for itself and on behalf of its subsidiaries).
Contract period:	The initial term of the 2026 Feihe Master Agreement shall commence from the Commencement Date and shall end on 31 December 2028. The 2026 Feihe Master Agreement may be extended for a period of three years after the expiry of the initial term, subject to approval of such extension and the transactions contemplated thereunder (including the related annual caps) by the Independent Shareholders (if required) in accordance with the Listing Rules.

Condition precedent:	The 2026 Feihe Master Agreement shall become effective since the Commencement Date, subject to the approval of the 2026 Feihe Master Agreement and the transactions contemplated thereunder (including the proposed annual caps relating thereto) by the Independent Shareholders in accordance with the Listing Rules.
Subject matter:	Supply of raw milk by the Group to Feihe Dairy Group
Pricing term:	For each calendar year during the term of the 2026 Feihe Master Agreement, member(s) of the Group and member(s) of Feihe Dairy Group will enter into an annual sale contract specifying, among other things, the pricing mechanism, the quantity and quality of raw milk expected to be purchased by Feihe Dairy Group during the calendar year and payment terms (the "**Annual Sales Contract**"). Further details of the pricing mechanism are set out in "– Pricing Method and Procedures" below.
Priority:	In the event that the Group receives purchase orders from Feihe Dairy Group and other purchasers concurrently, the Group shall give priority to Feihe Dairy Group for purchase of raw milk on terms and conditions no less favourable to the Group than that offered by the other purchasers.
Payment term:	Generally, to be settled on accrual basis, with a credit term of no more than one month, during which no interest will accrue.
Early termination:	Both parties may, at any time during the continuance of the 2026 Feihe Master Agreement, give the other party not less than three months' prior written notice to terminate the 2026 Feihe Master Agreement.

PRICING METHOD AND PROCEDURES

Under the 2026 Feihe Master Agreement, the pricing mechanism of raw milk for the next calendar year will be set out in the Annual Sales Contract, pursuant to which, the unit selling price for the raw milk sold by the Group is determined by the formula below:

Unit selling price of raw milk	=	Unit base price of raw milk *(Note 1)*	+	Adjustments taking into account certain safety and quality standards *(Note 2)*

Notes:

1. In determining the unit base price of raw milk, the parties to the Annual Sales Contract take into account the indicative price determined quarterly by the Heilongjiang Fresh Milk Price Coordination Committee* (黑龍江省生鮮乳價格協調委員會) (the "**Indicative Price**"), which is issued quarterly on the website of the Department of Agriculture and Rural Affairs of Heilongjiang Province* (黑龍江省農業農村廳) at nynct.hlj.gov.cn.

2. The adjustment factors included, among other things, the microbe count, the level of protein content and fat content and the freezing point of raw milk.

The unit selling price of raw milk will be negotiated by the parties on arm's length basis and in good faith with reference to the Indicative Price, the aforesaid adjustment factors and the prevailing market prices offered by the Group to its Independent Third Parties customers for products of similar quality. The Group's pricing mechanism with its customers (including Feihe Dairy Group and other Independent Third Party customers of the Group) are generally the same, and therefore the selling price of the raw milk contemplated under the 2026 Feihe Master Agreement would be no less favourable than that offered by Independent Third Party customers of the Group.

In order to ensure that the terms of sales of raw milk (including the unit selling price) to Feihe Dairy Group would be on normal commercial terms and on terms no less favourable to the Group than that offered by Independent Third Party customers, the Group has adopted the following pricing procedures:

(1) the Group will check the latest Indicative Price quarterly;

(2) due to the super premium quality of the Group's raw milk and the resulting demand from the Group's customers for the production of their high-end dairy products, the Group has been able to charge raw milk prices that are higher than the Indicative Price. In determining the unit base price of the raw milk to be sold, the Group will take into account the correlation between and trends of the historical and latest Indicative Prices and unit base prices of raw milk sold to Feihe Dairy Group and the Group's other Independent Third Party customers; and

(3) the Group will check with laboratories of the Group to ascertain the actual safety and quality standard of the raw milk of the Group to be sold, such as the microbe count, the level of protein content and fat content and the freezing point of raw milk. In determining the extent of adjustment to the unit base price attributable to these adjustment factors, the Group will take into account the correlation between and trends of the historical selling prices of raw milk of comparable safety and quality standard sold to Feihe Dairy Group and the Group's other Independent Third Party customers.

Pricing Adjustment and Review Mechanism

Similar to other customers of the Group, Feihe Dairy Group may, monthly or quarterly (depending on the volatility of market price of raw milk) after noting any change in the market conditions and the demand and supply of raw milk, issue a price adjustment notice to the sales department of the Group to request for adjustment to the unit selling price of raw milk. Upon receiving such notice, the sales department of the Group shall seek approval from both of the deputy general manager in charge and the general manager of the Group for the relevant price adjustment. For the purpose of determining whether the price adjustment request is justifiable, the deputy general manager in charge and the general manager of the Group, who are experienced in the dairy farming industry, will, among other things, (i) take into account the correlation between and trends of the historical and latest Indicative Prices and selling prices of raw milk sold to Feihe Dairy Group and Independent Third Party customers; and (ii) check with laboratories of the Group to ascertain the actual quality of the raw milk of the Group to be supplied, and take into account the correlation between and trends of the historical selling prices of raw milk of comparable safety and quality standard sold to Feihe Dairy Group and the Group's other Independent Third Party customers. Subject to obtaining such approval, the price of the raw milk sold by the Group to Feihe Dairy Group may be adjusted.

Apart from the price adjustment controls as stated above, designated members of the Group's senior management, namely deputy general manager in charge of sales department and general manager, will (i) monthly review the raw milk price agreed between the Group and Feihe Dairy Group, and compare it with the raw milk prices (of similar quality and during the same period of time) being agreed between the Group and other Independent Third Party customers, and (ii) review other trading terms of purchase orders received from Feihe Dairy Group and other Independent Third Party customers, to ensure that (a) the unit selling prices of raw milk for all of the Group's customers remain comparable, (b) other trading terms offered by Feihe Dairy Group, such as unit base price, adjustment factor, payment term and driving distance, are no less favourable to the Group than that offered by Independent Third Party customers; and (c) the contemplated transactions between Feihe Dairy Group and our Group are conducted on normal commercial terms.

Taking into account that (i) the Group's pricing mechanism with its customers (including Feihe Dairy Group and other Independent Third Party customers of the Group) are generally the same, and that the selling price of the raw milk contemplated under the 2026 Feihe Master Agreement would be comparable to that of the other Independent Third Party customers of the Group; and (ii) the Group's policy on review of raw milk prices agreed between the Group and its customers (including Feihe Dairy Group) as mentioned above, the Directors consider such pricing mechanism will be able to ensure the transactions contemplated under the 2026 Feihe Master Agreement be conducted on normal commercial terms or on terms no less favourable to the Group than that offered by Independent Third Party customers.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

The following table sets out the historical annual caps and the historical transaction amount in respect of the transactions contemplated under the 2023 Feihe Master Agreement for each of the three years ending 31 December 2025:

	Historical annual caps *(RMB million)*	**Historical transaction amount** *(RMB million)*	**% of total revenue**	**Utilisation rate of historical annual caps**
Year ended 31 December 2023	2,500	1,975	89.4%	79.0%
Year ended 31 December 2024	3,000	2,398	94.0%	79.9%
Year ending 31 December 2025	3,400	1,304*(note)*	N/A	N/A

Note: Unaudited figure for the six months ended 30 June 2025

As far as the Directors are aware, the annual cap in respect of the transactions contemplated under the 2023 Feihe Master Agreement for the year ending 31 December 2025 is not expected to be exceeded as at the expected date of the SGM as set out in the notice of the SGM.

The following table sets out the proposed new annual caps in respect of the transactions contemplated under the 2026 Feihe Master Agreement for each of the three years ending 31 December 2028:

Year ending 31 December	**Sales of raw milk to Feihe Dairy Group pursuant to the 2026 Feihe Master Agreement** *(RMB million)*	**% of total revenue**
2026	3,100	96%
2027	3,400	96%
2028	3,700	96%

The proposed annual caps in respect of the transactions contemplated under the 2026 Feihe Master Agreement have been determined with reference to:

(a) the historical transaction amount and sales volume in respect of the sales of raw milk contemplated under the 2023 Feihe Master Agreement for each of the two years ended 31 December 2024 and for the six months ended 30 June 2025;

(b) the projected quantities of sales volume of raw milk by the Group to Feihe Dairy Group of approximately 663,000 tonnes, 732,000 tonnes and 795,000 tonnes for each of the three years ending 31 December 2028, based on our discussion with China Feihe, the historical purchase volume of China Feihe and China Feihe's expected production and sales volume of dairy products for the three years ending 31 December 2028;

(c) the prospect of the PRC domestic dairy industry following the introduction of the three-child policy by the PRC government, and the China Food and Nutrition Development Outline (2025–2030) (《中國食物與營養發展綱要 (2025–2030年)》) jointly issued by the Ministry of Agriculture and Rural Affairs, the National Health Commission and the Ministry of Industry and Information Technology in early 2025, which proposes that, among other things, (i) one of the key tasks during the following five years is to increase the supply and consumption of high-quality protein foods; and (ii) by 2030, per capita annual milk consumption is expected to reach 47 kilograms, as well as taking into consideration the new five-year plan of the 15th Five-Year Plan expected to be introduced in 2026;

(d) the prevailing and expected future market price of raw milk. The average Indicative Price decreased by approximately 6.6% during the first three quarters of 2025 when compared to the corresponding period in 2024 (where available). Although the raw milk price has bottomed out, the structural contradiction between rapid growth in raw milk supply and sluggish consumption demand of dairy products remains unresolved. As such, the Company expects that the price for raw milk will continue to remain at relatively low level during the three years ending 31 December 2028; and

(e) a buffer of 5% to cover any unforeseen circumstances, for instance, the unexpected increment of the market price of raw milk and unexpected substantial increase in demand of raw milk by Feihe Dairy Group.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

Feihe Dairy Group has been the Group's largest customer for nine consecutive years since 2017. Along with Feihe Dairy Group's fast business growth in recent years, its demand for raw materials such as raw milk has also been increasing. The Board believes that the sales of raw milk to Feihe Dairy Group is important to the business of the Group. It is expected that the long-term and continuing supply of raw milk products to Feihe Dairy Group will further enhance the stability of the Group's customer base and ensure future demand for the Group's raw milk product.

The proposed grant of priority in favour of Feihe Dairy Group in the supply of raw milk (the "**Priority Rights**") and the extension of the existing term of the 2023 Feihe Master Agreement to beyond 31 December 2025 were initially proposed and requested by Feihe Dairy Group. By entering into the 2026 Feihe Master Agreement for the grant of the Priority Right and extending the term to beyond 2025, the Group will be able to further reinforce the business relationship with Feihe Dairy Group.

The Directors consider that, by entering into the 2026 Feihe Master Agreement, the Group is not unduly reliant on Feihe Dairy Group for the following reasons:

(a) Mutually beneficial and complementary relationship

The Group is the largest supplier of raw milk for Feihe Dairy Group in 2024, offering excellent geographical advantages given the Group's farms are in close proximity of Feihe Dairy Group's downstream processing plants in Heilongjiang province, which enables the freshness of the fresh milk supplied to be optimally preserved. For the year ended 31 December 2024 and the six months ended 30 June 2025, the raw milk purchased by Feihe Dairy Group from the Group accounted for more than 75% of the total amount of raw milk purchased by Feihe Dairy Group. At the same time, Feihe Dairy Group is also the largest customer of the Group in 2024, providing a stable source of revenue for the Group.

As the largest and leading infant milk formula manufacturer in the PRC, Feihe Dairy Group has stringent quality control requirements in respect of, among others, the hygiene and safety conditions of the dairy herds of its suppliers and requires the raw milk supplied by its suppliers to meet high quality standards. Besides, given the perishable nature of raw milk, in order to maintain its freshness and to minimise the risk of contamination, it is not feasible for Feihe Dairy Group to either keep significant inventory of raw milk, or to procure raw milk from suppliers which are too far away. It will also generate substantial costs for Feihe Dairy Group to communicate and purchase raw milk from a large number of mid to small size dairy farms. In terms of herd size and production volume, the Company is one of the leading dairy farming companies in the PRC and it has a strong supply capacity in high-quality raw milk. As at 30 June 2025, the Group had 11 dairy cow farms in operation with over 108,000 dairy cows, and for the year ended 31 December 2024, the total sales volume of raw cow milk of the Group amounted to 566,704 tonnes. As the Group is one of the limited raw milk suppliers in Heilongjiang, the PRC with over 108,000 dairy cows and the capability of producing super premium raw milk and considering the long-term and close relationship with the Group, it is natural and advisable for Feihe Dairy Group to choose to procure more raw milk from the Group to meet its strong demand. For the year ended 31 December 2024 and the six months ended 30 June 2025, Feihe Dairy Group's purchases from the Group amounted to RMB2,398 million and RMB1,304 million, respectively.

Based on the above-mentioned reasons, it is believed that the business relationship between Feihe Dairy Group and the Group is mutually beneficial, and Feihe Dairy Group and the Group are mutually reliant on each other. It is beneficial to the Group in securing stable and long-term demand from Feihe Dairy Group, a high-quality customer and leading player in China's infant formula industry, and also strategically important to Feihe Dairy Group by ensuring a reliable source of high-quality raw milk for producing high-end infant formula products.

(b) Solid long-term relationship and extremely low risk of termination

Feihe Dairy Group has maintained solid and long-term business relationship with the Group in order to ensure the security of the raw milk supplies. Since the Group started to supply super premium raw milk in 2010, Feihe Dairy Group has been the Group's major customer for more than 14 years.

High quality and stable fresh milk supply is essential to the continued success of Feihe Dairy Group's infant milk formula products. In order to further strengthen Feihe Dairy Group's leading position in high-end infant milk formula market and provide enhanced protection and security on the future raw milk supplies, Feihe Dairy Group acquired 3,342,320,920 Shares through a conditional voluntary general offer in 2020, representing approximately 71.26% of the total issued share capital of the Company.

Taking into consideration the above-mentioned factors, it is highly certain that Feihe Dairy Group and the Group will maintain a stable and long-term business relationship, and there is an extremely low risk that the relationship between Feihe Dairy Group and the Group will materially adversely change or terminate.

(c) Strong capability to develop dairy farms

Thanks to the long-term operation experience in the dairy market and good leadership skills of the management team, the Company has developed a strong capability to develop its own dairy farms. Other than Gannan Farm and Kedong Heping Farm which were acquired from China Feihe in 2011 and Longjiang Ruixincheng Farm and Longjiang Jinyuan Farm whose assets were acquired from Independent Third Parties in 2021, the Company has developed all the remaining seven dairy farms in operation by itself, including two new dairy farms which commenced operation since 2023.

The table below sets out the percentage of total sale volume of raw cow milk produced by the dairy farms acquired from China Feihe to the total sale volume of raw cow milk produced by the Group for each of the three years ended 31 December 2024 and the six months ended 30 June 2025:

	Total sale volume of raw cow milk produced by the two dairy farms acquired from China Feihe *(tonnes)*	**Total sale volume of raw cow milk produced by the Group** *(tonnes)*	**Percentage**
Year ended 31 December 2022	109,585	409,975	26.7%
Year ended 31 December 2023	109,723	459,950	23.9%
Year ended 31 December 2024	117,300	566,704	20.7%
Six months ended 30 June 2025	52,809	304,729	17.3%

(d) Limited priority arrangement

Despite the unfavourable market conditions, the Company is still able to maintain and develop its business relationship with other customers other than Feihe Dairy Group, and the Company could sell its raw milk to other customers other than Feihe Dairy Group who offered better terms. Under the priority arrangement, the Group will only give priority to Feihe Dairy Group for purchase of raw milk when the terms and conditions offered by Feihe Dairy Group are no less favourable than that offered by the other purchasers. In addition, China Feihe has undertaken to the Company that the Company is allowed to suspend the priority arrangement when it needs to sell more raw milk to third party customers for the purpose of ensuring that the Group will not generate more than 96% of its annual revenue from Feihe Dairy Group.

(e) Reduction of reliance

It is also believed that the Company is able to reduce the percentage of revenue contribution from China Feihe for the following reasons:

(i) regardless of the increase in the sales of raw milk to China Feihe, the Company will still maintain and develop its business relationship with other customers other than China Feihe. Other than Feihe Dairy Group, the Group has maintained long-term business relationship with five dairy product manufacturers, including Mengniu Group and Yili Group. Such customers have huge demand in high quality raw milk and the capacity to take up the raw milk originally supplied to Feihe Dairy Group. In addition, the Group will take various measures to broaden its customer base, including (i) expanding its sales team to actively search for new customers; (ii) providing extensive training to its sales team in relation to skills to approach and draw in new clients; and (iii) arranging the sales team to visit nearby potential customers regularly. To the best of the Directors' knowledge, there are more than ten dairy products manufacturers (other than Feihe Dairy Group) located within 200 km of the Group's farms with the estimated aggregate daily raw milk demand exceeding 5,000 tonnes. The Group plans to allocate more resources on the above mentioned measures to better explore opportunities to cooperate with other dairy product manufacturers in the future, so we can further lower our customer concentration risks;

(ii) the Company has been conducting certain downstream B2B (business-to-business) businesses and fresh milk high-consumption businesses, such as processing milk cream, skimmed milk powder and whole milk powder since the second half of 2025, aiming to (a) increase the use and consumption of raw milk produced by the Company, and (b) expand the revenue from Independent Third Party customers through selling milk cream and milk powder to them. Revenue from such Independent Third Party customers amounted to approximately RMB2.7 million for the nine months ended 30 September 2025, reflecting the overall weakness in the consumer market for milk products in the PRC. It is expected that the performance of such businesses will gradually improve as the supply-demand imbalance in the market stabilizes;

(iii) the Company has been expanding into the beef calf market by crossbreeding a portion of cows to produce beef calves since November 2024, thereby (a) reducing the growth rate of the herd and moderating the increase in total raw milk production volume of the Group, and (b) expand the revenue from Independent Third Party customers through selling beef calves to them; and

(iv) the Company plans to diversify its product portfolio by providing more customised products, such as A2 raw milk, organic raw milk and organic A2 raw milk, to seek new avenues for business growth and to expand the revenue from Independent Third Party customers with demands of customised milk products.

(f) Level of contribution

During the year ended 31 December 2024, Feihe Dairy Group contributed 94.0% of the Group's total revenue. Although the Group has taken, and plans to take additional measures to reduce the percentage of revenue contribution from China Feihe as detailed in "(e) Reduction of reliance" above, due to the structural contradiction between rapid growth in raw milk supply and sluggish consumption demand of dairy products, which has persisted since 2023 and is expected to continue in the foreseeable future, coupled with the stable demand from China Feihe based on its business performance, the Group expects that the revenue contribution from Feihe Dairy Group as a percentage of the Group's total revenue will remain as the similar level at around 96% for each of the three years ending 31 December 2028 (the "**96% Limit**").

As disclosed above, the 96% Limit forms part of the proposed annual caps for the three years ending 31 December 2028 in addition to the numerical figures. The Group will closely monitor its revenue contribution from Feihe Dairy Group, and it will reduce or suspend the transactions with China Feihe and supply the remaining raw milk to third party customers to ensure that the 96% Limit is fully complied with. The 96% Limit is a temporary arrangement for the three years ending 31 December 2028 and the Group will endeavour to reduce the percentage of revenue contribution from China Feihe as detailed in "(e) Reduction of reliance" above.

(g) Common market practice in the dairy industry

The upstream and downstream industry players in China's dairy industry are highly interdependent. On the one hand, as the competitive landscape in the downstream market of China's dairy industry has been increasingly concentrated, raw milk suppliers mainly sell their products to a limited number of top dairy products manufacturers in the downstream. On the other hand, large-scale dairy products manufacturers generally incline to establish long-term and stable relationships with trustful raw milk suppliers in the upstream to secure stable supply and product safety and quality. It is a common market practice in the dairy industry in China for a dairy farming company to have a high customer concentration.

Having considered (i) the background of Feihe Dairy Group; (ii) long-term business relationship between the Group and Feihe Dairy Group; (iii) that the Group will give priority to Feihe Dairy Group for purchase of raw milk on terms and conditions being no less favourable to the Group than that offered by Independent Third Party customers; and (iv) the Group's annual capacity of raw milk, the Directors (including the independent non-executive Directors whose views are being set out in the letter from the Independent Board Committee in this circular) consider that the 2026 Feihe Master Agreement (including the Priority Rights) are on normal commercial terms and fair and reasonable, and the transactions contemplated under the 2026 Feihe Master Agreement will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors whose views are being set out in the letter from the Independent Board Committee in this circular) are also of the view that the proposed annual caps for the transactions contemplated under the 2026 Feihe Master Agreement for each of the three years ending 31 December 2028 are fair and reasonable.

Each of Mr. Leng Youbin, Mr. Liu Hua and Mr. Cai Fangliang has abstained from voting at the relevant Board meeting for the approval of the 2026 Feihe Master Agreement due to their positions as executive director of China Feihe and their shareholding in China Feihe. Mr. Liu Gang, being a younger brother of Mr. Liu Hua, has abstained from voting at the relevant Board meeting for the approval of the 2026 Feihe Master Agreement to avoid any potential conflicts of interest. Ms. Liu Jinping, being an independent non-executive Director, is also an independent non-executive director of China Feihe and has abstained from voting at the relevant Board meeting for the approval of the 2026 Feihe Master Agreement to avoid any potential conflicts of interest. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under the 2026 Feihe Master Agreement or is required to abstain from voting on the relevant resolutions of the Board.

IMPLICATIONS OF THE LISTING RULES

As at the Latest Practicable Date, China Feihe held approximately 71.26% of the total issued share capital of the Company. Therefore, China Feihe is the controlling shareholder of the Company and hence a connected person of the Company. Thus, the transactions contemplated under the 2026 Feihe Master Agreement constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual caps under the 2026 Feihe Master Agreement exceed 25%, the 2026 Feihe Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the 2026 Feihe Master Agreement and the transactions contemplated thereunder (including the proposed annual caps relating thereto). Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL INFORMATION

The Company

The Company is a dairy farming company in the PRC dedicated to the production of super premium raw milk. The ordinary shares of the Company are listed on the main board of the Stock Exchange.

Feihe Dairy Group

Feihe Dairy Group is based in Heilongjiang province and is principally engaged in the production and sale of infant formula products in the PRC. The ordinary shares of China Feihe are listed on the main board of the Stock Exchange.

SGM

A resolution approving the transactions contemplated under the 2026 Feihe Master Agreement and the proposed annual caps relating thereto shall be proposed at the SGM.

A notice convening the SGM to be held at EAST Beijing, Workshop 2, No. 22, Jiuxianqiao Road, Chaoyang District, Beijing, the PRC on Friday, 28 November 2025 at 10:00 a.m. is set out on pages 45 to 46 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the 2026 Feihe Master Agreement and the transactions contemplated thereunder must abstain from voting on the resolution to approve the transactions contemplated under the 2026 Feihe Master Agreement and the proposed annual caps for the three years ending 31 December 2028 at the SGM.

China Feihe, being a connected person of the Company with material interests in the 2026 Feihe Master Agreement, will abstain from voting at the SGM on the ordinary resolution to approve the transactions contemplated under the 2026 Feihe Master Agreement (including the proposed annual caps relating thereto). As at the Latest Practicable Date, China Feihe held 3,342,320,920 Shares, representing approximately 71.26% of the total issued share capital of the Company. The Board confirms that China Feihe, who will abstain from voting on the resolution approving the transactions contemplated under the 2026 Feihe Master Agreement, controls the voting rights in respect of its Shares.

The voting of the SGM will be taken by poll.

A form of proxy for the SGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the SGM, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM (i.e. no later than 10:00 a.m. (Hong Kong time) on Wednesday, 26 November 2025) or any adjournment thereof. Completion and return of the form of proxy as instructed will not prevent Shareholders from subsequently attending and voting at the SGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Board considers that the transactions contemplated under the 2026 Feihe Master Agreement will be conducted by the Group in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the transactions contemplated under the 2026 Feihe Master Agreement are fair and reasonable. The Board therefore recommends the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the SGM.

FURTHER INFORMATION

The Independent Board Committee comprising two independent non-executive Directors has been appointed to recommend the Independent Shareholders in respect of the transactions contemplated under the 2026 Feihe Master Agreement (including the proposed annual caps relating thereto). Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

Accordingly, your attention is drawn to (i) the letter of recommendation from the Independent Board Committee to the Independent Shareholders set out on pages 21 to 22 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter of advice from Gram Capital set out on pages 23 to 40 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; (iii) the general information set out in the Appendix to this circular; and (iv) the notice of the SGM.

Yours faithfully,
For and on behalf of the Board of
YuanShengTai Dairy Farm Limited
Zhang Yongjiu
Chairman

YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

31 October 2025

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: 2026 FEIHE MASTER AGREEMENT

We refer to the circular of the Company dated 31 October 2025 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed by the Board to form the Independent Board Committee and advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the 2026 Feihe Master Agreement will be conducted by the Group on normal commercial terms and in its ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned, and as to whether the proposed annual caps for the transactions contemplated under the 2026 Feihe Master Agreement are fair and reasonable. In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2026 Feihe Master Agreement (including the proposed annual caps relating thereto).

We wish to draw your attention to the letter from the Board set out on pages 6 to 20 of the Circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 40 of the Circular which contains its opinion in respect of the transactions contemplated under the 2026 Feihe Master Agreement (including the proposed annual caps relating thereto).

Having taken into account the advice of Gram Capital and its recommendation in relation thereto, we consider that the transactions contemplated under the 2026 Feihe Master Agreement will be conducted by the Group on normal commercial terms and in its ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned, and the proposed annual caps for the transactions contemplated under the 2026 Feihe Master Agreement are fair and reasonable. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the SGM.

Yours faithfully,
Independent Board Committee of
YuanShengTai Dairy Farm Limited
Meng Jingzong **Zhang Yuezhou**

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

31 October 2025

To: The independent board committee and the independent shareholders of YuanShengTai Dairy Farm Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2026 Feihe Master Agreement (the "**Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 31 October 2025 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 September 2025 (after trading hours), the 2026 Feihe Master Agreement was entered into between the Company and China Feihe (in their respective capacity as stated below) to confirm the Group's supply of raw milk to Feihe Dairy Group for the three years ending 31 December 2028.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Meng Jingzong (alias Owens Meng) and Mr. Zhang Yuezhou (both being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of Transactions are on normal commercial terms and are fair and reasonable; (ii) whether Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to continuing connected transactions of the Company (details of which are set out in the Company's circular dated 4 December 2024). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only an independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the 2026 Feihe Master Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, China Feihe and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is a dairy farming company in the PRC dedicated to the production of super premium raw milk.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "**2024 Annual Report**") and for the six months ended 30 June 2025 (with comparative figures for the corresponding period in 2024) as extracted from the Company's interim report for the six months ended 30 June 2025 (the "**2025 Interim Report**"):

	For the year ended 31 December 2024 ("FY2024")	**For the year ended 31 December 2023 ("FY2023")**	**Year-on-year change**
	RMB'000	*RMB'000*	*%*
	(Audited)	(Audited)	
Revenue	2,551,898	2,208,581	15.5
Profit/(Loss) for the year	296,670	(339,699)	N/A

	For the six months ended 30 June 2025 ("1H2025")	**For the six months ended 30 June 2024 ("1H2024")**	**Year-on-year change**
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Revenue	1,311,814	1,204,776	8.9
Profit for the period	118,871	128,996	(7.8)

Performance for FY2024

The Group's revenue for FY2024 represented an increase of approximately 15.5% as compared to that for FY2023. With reference to the 2024 Annual Report, the aforesaid increase was primarily attributable to the growth of approximately 23.2% in sales volume of raw cow milk from 459,950 tonnes in 2023 to 566,704 tonnes in 2024, caused by the increases in (i) herd size of matured milkable cows; and (ii) average annual milk yield per cow, but offset by a decrease of 6.0% in average selling price of raw cow milk for FY2024.

Despite the increase in the Group's revenue for FY2024, the Group recorded a slight decrease in cost of sales, which was mainly driven by the decrease in feed cost as results of the decrease in the prices of hay feed.

Driven by the increase in the Group's revenue and decrease in cost of sales for FY2024, the Group recorded an increase of 59.9% in gross profit as compared with that for FY2023. The Group's gross profit margin also increased from 26.7% in 2023 to 37.0% in 2024.

The Group's changes in fair value less costs to sell of biological assets was a loss of RMB614.5 million for FY2024 as compared with a loss of RMB750.3 million for FY2023. The aforesaid decrease in loss was attributable to the increase in number of dairy cows.

Mainly driven by the above factors, the Group recorded a turnaround from loss making for FY2023 to profit making for FY2024.

Performance for 1H2025

The Group's revenue for 1H2025 represented an increase of approximately 8.9% as compared to that for 1H2024. With reference to the 2025 Interim Report, the aforesaid increase in revenue was mainly due to an increase of approximately 17.6% in sales volume of raw cow milk, from 259,180 tonnes for 1H2024 to 304,729 tonnes for 1H2025, but offset by a decrease of 7.4% in average selling price of raw cow milk for 1H2025. The growth in sales volume of raw cow milk was primarily attributable to the increases in (i) herd size of matured milkable cows and (ii) average annual milk yield per cow.

The Group's changes in fair value less costs to sell of biological assets was a loss of RMB423.4 million for 1H2025 as compared with a loss of RMB336.9 million for 1H2024. The increase in loss was attributable to the decrease in number and fair value of heifers and calves.

Mainly driven by the above factors, the Group recorded a decrease of approximately 7.8% in profit for 1H2025 as compared to that for 1H2024.

Information on China Feihe

With reference to the Board Letter, Feihe Dairy Group is based in Heilongjiang province and is principally engaged in the production and sale of infant formula products in the PRC. The ordinary shares of China Feihe are listed on the main board of the Stock Exchange. As at the Latest Practicable Date, China Feihe holds approximately 71.26% of the total issued share capital of the Company. Therefore, China Feihe is the controlling Shareholder and hence a connected person of the Company.

As disclosed in the prospectus of the Company dated 14 November 2013, when the Group was in its initial stage of commercial production in 2010, Feihe Dairy Group accounted for all of the Group's revenue. As advised by the Directors, Feihe Dairy Group was one of the Group's top five customers since the shares of which were listed on the Main Board of the Stock Exchange in November 2013.

Reasons and basis for the Transactions

As disclosed in the prospectus of the Company dated 14 November 2013, when the Group was in its initial stage of commercial production in 2010, Feihe Dairy Group accounted for all of the Group's revenue. Throughout years of the Group's development, Feihe Dairy Group remained as one of the top five customers of the Group for the recent years. As confirmed by the Directors, the Board believes the sales of raw milk to the Feihe Dairy Group is important to the business of the Group. It is expected that for the long term, the Group's continuing supply of raw milk products to the Feihe Dairy Group will further enhance the stability of the Group's customer base and ensure future demand for the Group's raw milk.

In light of (i) the revenue contribution from Feihe Dairy Group, being one of the top five customers of the Group for over a decade; and (ii) the long-term business relationship between the Group and the Feihe Dairy Group, we consider that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transactions

Set out below are the principal terms of the Transactions, details of which are set out under the section headed "PRINCIPAL TERMS OF THE 2026 FEIHE MASTER AGREEMENT" in the Board Letter.

Date:	29 September 2025 (after trading hours)
Parties:	(a) the Company (for itself and on behalf of its subsidiaries); and (b) China Feihe (for itself and on behalf of its subsidiaries).
Contract period:	The initial term of the 2026 Feihe Master Agreement shall commence from the Commencement Date and shall end on 31 December 2028. The 2026 Feihe Master Agreement may be extended for a period of three years after the expiry of the initial term, subject to approval of such extension and the transactions contemplated thereunder (including the related annual caps) by the Independent Shareholders (if required) in accordance with the Listing Rules.
Subject matter:	Supply of raw milk by the Group to Feihe Dairy Group.
Priority:	In the event that the Group receives purchase orders from Feihe Dairy Group and other purchasers concurrently, the Group shall give priority to Feihe Dairy Group for purchase of raw milk on terms and conditions no less favourable to the Group than that offered by the other purchasers.
Payment term:	Generally, to be settled on accrual basis, with a credit term of no more than one month, during which no interest will accrue.

Pricing term, pricing method and procedures

For each calendar year during the term of the 2026 Feihe Master Agreement, member(s) of the Group and member(s) of Feihe Dairy Group will enter into an annual sale contract specifying, among other things, the pricing mechanism, the quantity and quality of raw milk expected to be purchased by Feihe Dairy Group during the calendar year and payment terms (the "**Annual Sales Contract**").

Under the 2026 Feihe Master Agreement, the pricing mechanism of raw milk for the next calendar year will be set out in the Annual Sales Contract. The unit selling price of raw milk generally comprises two elements, being (i) the unit base price; and (ii) certain price adjustment factors including, among others, the microbe count, the level of protein content and fat content and the freezing point of raw milk.

The unit selling price of raw milk will be negotiated by the parties on arm's length basis and in good faith with reference to the Indicative Price, the aforesaid adjustment factors and the prevailing market prices offered by the Group to its Independent Third Parties customers for products of similar quality. The Group's pricing mechanism with its customers (including Feihe Dairy Group and other Independent Third Party customers of the Group) are generally the same, and therefore the selling price of the raw milk contemplated under the 2026 Feihe Master Agreement would be no less favourable than that offered by Independent Third Party customers of the Group.

Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving purchase or sale of materials/products/services from/to their connected persons, we noted that comparing prices with those offered by/to independent third parties for the same/similar product/service is one of the commonly adopted pricing policies. Furthermore, we noted that all the Comparable Companies (as defined below) entered into raw milk supply framework agreements with their respective connected persons. Pursuant to the framework agreements, the selling prices determined by the Comparable Companies will be made with reference to, among other things, prevailing market conditions, quality grade of raw milk, raw milk prices available to the Comparable Companies' other clients.

Given that (i) the Indicative Price will be published on the website of the Department of Agriculture and Rural Affairs of Heilongjiang Province* (黑龍江省農業農村廳), a Provincial Government Information Disclosure Platform of Heilongjiang; (ii) the prevailing market prices offered by the Group to its Independent Third Parties customers for products of similar quality will be made reference to; and (iii) the Group's pricing mechanism with its customers (including Feihe Dairy Group and other Independent Third Party customers of the Group) are generally the same, we consider the unit selling price to be fair and reasonable.

In order to ensure that the terms of sales of raw milk (including the unit selling price) to Feihe Dairy Group would be on normal commercial terms and on terms no less favourable to the Group than those offered to Independent Third Parties customers, the Group adopted certain pricing procedures. Details of the pricing procedures are set out under the sub-section headed "Pricing method and procedures" in the Board Letter.

Apart from the price adjustment controls as stated above, designated members of the Group's senior management, namely deputy general manager in charge of sales department and general manager, will (i) monthly review the raw milk price agreed between the Group and Feihe Dairy Group, and compare it with the raw milk prices (of similar quality and during the same period of time) being agreed between the Group and other Independent Third Parties customers, and (ii) review other trading terms of purchase orders received from Feihe Dairy Group and other Independent Third Party customers, to ensure that (a) the unit selling prices of raw milk for all of the Group's customers remain comparable, (b) other trading terms offered by Feihe Dairy Group, such as unit base price, adjustment factor, payment term and driving distance, are no less favourable to the Group than that offered by Independent Third Party customers; and (c) the contemplated transactions between Feihe Dairy Group and the Group are conducted on normal commercial terms.

To assess the effectiveness of the implementation of the aforesaid measures, we requested the Company to provide us invoices (the "**Price Documents**") issued by the Group to (i) Feihe Dairy Group; and (ii) Independent Third Parties customers. We set the period from October 2024 to August 2025 as our sampling period after considering that (i) in November 2024, we assessed the effectiveness of the implementation of the above measures in 2024 based on relevant invoices in each quarter of 2023 and first three quarters of 2024; and (ii) the period from October 2024 to August 2025 commenced from the period immediately after the previous sampling period and to the full month immediately before the date of the 2026 Feihe Master Agreement. We further selected one invoice in each of the last quarter of 2024 and first three quarters of 2025 on a random selection basis. We noted from the Price Documents that the unit prices of the raw milk supplied by the Group to Feihe Dairy Group were not lower than those supplied to the Independent Third Parties customers in similar period.

We further requested the Company to provide documents in respect of the Group's review on unit base price for the relevant months of the Price Documents. We obtained documents showing the Group's review of the unit base price agreed between the Group and (i) Feihe Dairy Group; and (ii) other Independent Third Parties customers in last quarter of 2024 and each of first three quarters of 2025. According to the aforesaid documents, we noted that they were prepared by sales department's staff, reviewed by sale department's manager-level staff and approved by deputy general manager. After that, the deputy general manager will report to general manager.

Having considered the abovementioned measures and our findings on (a) Price Documents; and (b) documents showing the Group's review of the unit base price as mentioned above, we consider that there is sufficient pricing procedures to ensure the fair pricing of the 2026 Feihe Master Agreement and the pricing procedures is in place.

As stated in the Board Letter, the Group will closely monitor its revenue contribution from Feihe Dairy Group, and it will reduce or suspend the transactions with China Feihe and supply the remaining raw milk to third party customers to ensure that the 96% Limit is fully complied with. The 96% Limit is a temporary arrangement for the three years ending 31 December 2028 and the Group will endeavour to reduce the percentage of revenue contribution from China Feihe as detailed in section headed "(e) Reduction of reliance" of the Board Letter.

Payment term

Pursuant to the 2026 Feihe Master Agreement, generally, to be settled on accrual basis, with a credit term of no more than one month, during which no interest will accrue.

For our due diligence purpose, we searched for companies listed in Hong Kong which are engaged in similar line of business as the Group, being production and sale of raw milk in the PRC and derived a majority of their turnover from such business, based on their respective latest published financial information. Set out below are our findings on credit period of comparable listed companies (the "**Comparable Companies**"), which are exhaustive as far as we were aware of:

Company	**Principal business**	**Credit Period**
China Modern Dairy Holdings Limited (1117)	The group is mainly engaged in production and sales of milk, trading, production and sales of feeds, sales of breeding products and provision of platform services.	The group allows a credit period of 30 days to its customers of raw milk.
China Shengmu Organic Milk Limited (1432)	The group is principally engaged in dairy farming business.	In 2024, the credit period is generally one month, extending up to three months for major customers. However, the Group normally allows a credit limit to its customers credit terms which are adjustable in certain circumstances and closely monitors overdue balances.
AustAsia Group Ltd. (2425)	The group is mainly engaged in dairy farming business of producing and selling high-quality raw milk to dairy products manufacturers and processors, and beef cattle farming and fattening business.	The credit period of sales of raw milk and feed products is 30 days since the invoice date.
China Youran Dairy Group Ltd. (9858)	The group is primarily engaged in the production and sale of raw milk, and the production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.	As at 31 December 2024 and 30 June 2025, trade receivables from related parties are aged within 90 days based on the month of delivery.

Source: financial reports, announcements and/or circular of the Comparable Companies.

We noted from the above table that the credit periods of the Comparable Companies ranged from 30 days to 90 days. Accordingly, a credit term of no more than one month is in line with the market practice.

Based on the above, we consider the payment term under the 2026 Feihe Master Agreement to be fair and reasonable.

Priority

Pursuant to the 2026 Feihe Master Agreement, in the event that the Group receives purchase orders from Feihe Dairy Group and other purchasers concurrently, the Group shall give priority to Feihe Dairy Group for purchase of raw milk on terms and conditions no less favourable to the Group than that offered by the other purchasers (i.e. the Priority Rights).

We understood that designated members of the Group's senior management namely deputy general manager and general manager will review other trading terms of purchase orders received from Feihe Dairy Group and other Independent Third Parties customers, to ensure that other trading terms offered by Feihe Dairy Group, such as unit base price, adjustment factor, payment term and driving distance, are no less favourable to the Group than that offered by the other Independent Third Party customers before giving the Priority Rights to Feihe Dairy Group. Having considered that there will be other trading terms comparison procedures before giving the Priority Rights to Feihe Dairy Group, we are of the view that such procedures (i.e. review other trading terms of purchase orders received from Feihe Dairy Group and other Independent Third Parties customers by relevant personnel of the Group) are sufficient to ensure that the Priority Rights will be given to Feihe Dairy Group under the circumstances that terms and conditions are no less favourable to the Group than that offered by the other Independent Third Parties customer.

Upon our request, the Directors advised us that Feihe Dairy Group has been a customer of the Group for over a decade. To the best of the Directors knowledge, the Directors were not aware of any breach of individual contracts (i.e. delayed payment) under the Feihe Master Agreements regarding supply of raw milk by the Group or any order as placed by Feihe Dairy Group for recent three years.

To assess whether the Priority Rights is a normal commercial term, we performed our research of Hong Kong listed companies supplying/purchasing goods or services to/from connected persons with a priority supply/purchasing right. After taking into the consideration that the supply of raw milk by the Group to Feihe Dairy Group is by nature supplying/purchasing goods or services, we remove the industry restriction.

Despite that our findings may not be exhaustive, having considered (i) our research purpose is to identify if there are Hong Kong listed companies supplying/purchasing goods or services to/from connected persons with a priority supply/purchasing right; and (ii) the number of sample transactions are sufficient to demonstrate the situation, we are of the view that the sample transactions as listed out below are fair and representative. Set out below are our findings with announcement dates falling within three months prior to the date of 2026 Feihe Master Agreement for the Independent Shareholders' information purposes only.

Announcement date	**Company name**	**Nature of transactions**	**Priority term**
4 July 2025	China Eastern Airlines Corporation Limited (670 & SH600115)	Provision of comprehensive credit line services by the connected person company to the company.	The connected person shall give priority in satisfying the company's need for comprehensive credit line service according to its own financial capacity.
24 July 2025	Qilu Expressway Company Limited (1576)	The group and connected person group mutually provide the counterparty with the goods.	The group/connected person group shall give priority to the goods supplied by the connected person group/ the group so long as those supplied by third parties are on the same price and quality as theirs, except when the transaction counterparty of such goods available for bidding must be determined through bidding in accordance with the relevant laws and regulations.
28 August 2025	China National Building Material Company Limited (3323)	The connected person provides financial services to the group.	As a matter of principle, the group will give priority to using the services of the connect person if the connected person and PRC general commercial banks offer equivalent terms and conditions.

Announcement date	Company name	Nature of transactions	Priority term
9 September 2025	CIMC Enric Holdings Limited (3899)	The connected person group provide materials and services to the group.	If the terms and conditions proposed by third parties are the same as those proposed by the group or the connected person group, priority will be given to the sale of materials and provision of the services to or purchase of materials and receipt of the services from the group or the connected person group.
15 September 2025	Jiangsu Lopal Tech. Group Co., Ltd. (2465 & SH603906)	The group and connected person group mutually provide the counterparty with the goods and services.	The connected person group will prioritize cooperation with the group in its project development and supply of lithium iron phosphate cathode materials.

Having considered (i) there were Hong Kong listed companies supplying/purchasing goods or services to/from connected persons with a priority supply/purchasing right; (ii) the Group will give priority to Feihe Dairy Group for purchase of raw milk on terms and conditions being no less favourable to the Group than those offered by other Independent Third Parties customers; (iii) the Group adopted internal control procedures to ensure other trading terms offered by Feihe Dairy Group are no less favourable to the Group than those offered by other Independent Third Parties customers; (iv) as Feihe Dairy Group is the Group's largest customer for over a decade, the priority arrangement could reinforce the business relationship with China Feihe Group (which has been one of the Group's most important business partner); (v) the Company could sell its raw milk to other customers who offered better terms; and (vi) the grant of priority arrangement encourages competitions among the Group's customers in offering the best purchase price to the Group in order to procure raw milk from the Group, particularly when there is a strong demand or insufficient supply of raw milk in the market, we are of the view that the Priority Rights is a normal commercial term.

Proposed annual caps

Set out below are (i) the historical transaction amounts of the Group's supply of raw milk to Feihe Dairy Group for the two years ended 31 December 2024 and 1H2025, together with the existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2028 (the "**Proposed Annual Caps**"):

	For the year ended 31 December 2023	**For the year ended 31 December 2024**	**For the year ending 31 December 2025 ("FY2025")**
	RMB'million	*RMB'million*	*RMB'million*
Historical transaction amount	1,975	2,398	1,304 *(Note 1)*
Existing annual caps	2,500	3,000	3,400
Utilisation rate	79.0%	79.9%	38.4% *(Note 1)*

	For the year ending 31 December 2026 ("FY2026")	**For the year ending 31 December 2027 ("FY2027")**	**For the year ending 31 December 2028 ("FY2028")**
	RMB'million	*RMB'million*	*RMB'million*
Proposed Annual Caps	3,100	3,400	3,700

Notes:

1. The figure was for 1H2025 and was unaudited.

2. The 96% Limit forms part of the Proposed Annual Caps for the three years ending 31 December 2028 in addition to the numerical figures.

We noted that the utilisation of existing annual cap for the two years ended 31 December 2024 was at high level.

With reference to the Board Letter, the Proposed Annual Caps were determined with various factors, details of which are set out under the section headed "Proposed Annual Caps and Basis of Determination" in the Board Letter.

To assess the fairness and reasonableness of the Proposed Annual Caps for the three years ending 31 December 2028, we obtained and reviewed the calculation of the Proposed Annual Caps (the "**Calculation**"). We noted that the Proposed Annual Caps were arrived by (A) the estimated amount of raw milk to be supplied by the Group to all customers (the "**Total Estimated Amounts**", calculated by (i) the estimated quantity of sales volume of raw milk (in tonne); (ii) the estimated selling prices of raw milk (per tonne); and (iii) buffers of 5%, for each of the three years ending 31 December 2028); and (B) a maximum of 96% of the Total Estimated Amounts to be supplied by the Group to the Feihe Dairy Group (the "**96% Limit**").

A. The Total Estimated Amounts

A.1 Estimated quantity of sales volume of raw milk (in tonne)

After discussion with the Directors, we understood that they anticipated the quantity of raw cow milk (in tonne) to all customers for FY2025 to be approximately 629,000 tonnes. To assess the fairness of the anticipated quantity of raw cow milk (in tonne) to all customers for FY2025, we obtained the following information from the Company's annual reports and interim reports that the historical quantity of raw cow milk (in tonne) to all customers (i) for the six months ended 30 June 2023 accounted for approximately 48.2% to that for FY2023; and (ii) for 1H2024 accounted for approximately 45.7% to that for FY2024. Given that the historical quantity of raw cow milk (in tonne) to all customers for 1H2025 accounted for approximately 48.4% to the anticipated quantity of raw cow milk (in tonne) to all customers for FY2025, being close to the proportion ratio for FY2023 and FY2024, we are of the view that the anticipated quantity of raw cow milk (in tonne) to all customers for FY2025 is fair and reasonable.

The estimated quantity of raw cow milk (in tonne) to all customers for FY2026 (i.e. approximately 690,000 tonnes) represented an increase of approximately 10% (the "**2026 Increase**") as compared to the estimated quantity of raw cow milk (in tonne) for FY2025. To assess the fairness and the reasonableness of the 2026 Increase, we reviewed the quantity of raw milk supplied by the Group to all customers from 2020 to 2024, and noted that the quantity of raw milk supplied by the Group to all customers moved in an increasing trend from 355,599 tonnes in 2020 to 566,704 tonnes in 2024, representing a compounded annual growth rate ("**CAGR**") of approximately 12%. Given that the 2026 Increase is close to the CAGR of 12%, we consider the 2026 Increase to be fair and reasonable.

We also noted that the estimated quantity of sales volume of raw milk (in tonne) to all customers for FY2027 and FY2028 represented an increase of approximately 10% and 9% as compared to those for FY2026 and FY2027 respectively, which was not over valued based on the aforesaid CAGR of 12%.

Based on the above, including our analyses on estimated quantity of sales volume of raw milk (in tonne) to all customers for FY2025 and the annual increases for the three years ending 31 December 2028, we are of the view that the estimated quantity of sales volume of raw milk (in tonne) to all customers for each of the three years ending 31 December 2028 are fair and reasonable.

Based on the 96% Limit (as defined and analysed in the section headed "B. The 96% Limit" below), the implied quantity of sales volume of raw milk (in tonne) to be supplied to Feihe Dairy Group would be approximately 663,000 tonnes, 732,000 tonnes and 795,000 tonnes for the three years ending 31 December 2028. According to the Board Letter, the estimated quantity of raw cow milk (in tonne) to be supplied by the Group to Feihe Dairy Group for each of the three years ending 31 December 2028 were 663,000 tonnes, 732,000 tonnes and 795,000 tonnes respectively. The estimated quantity of sales volume of raw milk (in tonne) to be supplied to Feihe Dairy Group is the same as the above implied amounts.

Furthermore, we noted that the Group had 51,452 heads of matured milkable cows as at 30 June 2025, representing an increase of approximately 4.5% as compared to that as at 30 June 2024. In addition the Group had 49,330 heads of matured milkable cows as at 31 December 2024, representing a CAGR of approximately 8.9% during the period from 2020 to 2024. The 2026 Increase is also close to the CAGR of milkable cows from 2020 to 2024.

The Group's production capacity of raw milk directly links to the number of matured milkable cows, which will be also affected by the Group's capability of dairy farm development. The Directors advised that the Company has developed a strong capability to develop its own dairy farms. Based on our discussion with the Directors, we understood that other than Gannan Farm and Kedong Heping Farm which were acquired from China Feihe in 2011 and Longjiang Ruixincheng Farm and Longjiang Jinyuan Farm whose assets were acquired from Independent Third Parties in 2021, the Company has developed all the remaining seven dairy farms in operation by itself, including two new dairy farms which commenced operation since 2023.

Having considered our analyses above, in particular, (i) the estimated quantity of sales volume of raw milk (in tonne) to be supplied to Feihe Dairy Group is the same as the above implied amounts; and (ii) the 2026 Increase is also close to the CAGR of milkable cows from 2020 to 2024, we are of the view that the quantity of sales volume of raw milk (in tonne) to be supplied by the Group to Feihe Dairy Group for the three years ending 31 December 2028 to be fair and reasonable.

A.2 Estimated selling price (per tonne)

We noted from the Calculation that the Directors applied estimated average selling price of raw cow milk of RMB4,400 per tonne for the three years ending 31 December 2028.

We noted from the 2025 Interim Report that, after more than three years of adjustment, China's dairy industry is currently at a new turning point. During this round of adjustments, dairy companies have proactively adjusted their farming scales, and the market supply-demand relationship is gradually improving, with signs of recovery beginning to emerge. However, the overall market has yet to break free from the cyclical development challenges it faces. Although milk prices have bottomed out, the structural contradiction between rapid growth in raw milk supply and sluggish consumption demand of dairy products remains unresolved. As such, the Company expects that the price for raw milk will continue to remain at relatively low level during the three years ending 31 December 2028. Hence, the Directors advised that they set the same estimated average selling price of raw cow milk for the three years ending 31 December 2028 for prudent purpose.

We further assessed the fairness and reasonableness of the average selling price of raw cow milk mainly based on the historical average selling price of raw cow milk of the Group. We noted from the 2024 Annual Report and 2025 Interim Report that the average selling price of raw cow milk was RMB4,305 per tonne for 1H2025 and RMB4,500 per tonne for FY2024. The estimated average selling price of raw cow milk of RMB4,400 per tonne for the three years ending 31 December 2028 was close to the average of the average selling price of raw cow milk for 1H2025 and FY2024 (i.e. RMB4,402.5 per tonne).

Based on the above, we are of the view that the estimated average selling prices of raw cow milk for the three years ending 31 December 2028 are fair and reasonable.

A.3 Buffers

We noted that buffers of 5% were applied as assumptions for the determination of the Total Estimated Amounts for each of the three years ending 31 December 2028. Having considered that the buffers were applied for unforeseeable circumstances, for instance, (a) the unexpected increment of the market price of raw milk; and (b) the unexpected substantial increase in demand of raw milk by the Group's customers, we consider that the buffers of 5% are acceptable.

B. The 96% Limit

With reference to the Board Letter, the 96% Limit forms part of the Proposed Annual Caps for the three years ending 31 December 2028 in addition to the numerical figures. To assess the fairness and reasonableness of 96% Limit, we compared revenue contributed by the single largest customer who is also a connected person of the Comparable Companies to such Comparable Companies' total revenue, as follows:

	Proportion of revenue attributable by single largest customer (also the connected person of the respective Comparable Companies) to all relevant customers (the "Proportion")		
Company	**For the year ended 31 December 2024**	**For the year ended 31 December 2023**	**For the year ended 31 December 2022**
China Modern Dairy Holdings Limited (1117)	72.6%	70.7%	74.8%
China Shengmu Organic Milk Limited (1432)	93.3%	95.3%	91.5%
China Youran Dairy Group Ltd. (9858)	94.8% *(Note)*	96.5% *(Note)*	96.6% *(Note)*

Note: % to the revenue generated from raw milk supply segment

Source: financial reports of the Comparable Companies.

Given that above, including,

- the Proportion ranged from (i) 74.8% to 96.6% for FY2022; (ii) 70.7% to 96.5% for FY2023; and (iii) 72.6% to 94.8% for FY2024.

- the 96% Limit is close to the maximum Proportion (being 96.6%, 96.5% and 94.8% respectively) of Comparable Companies for each of the three years ended 31 December 2024; and

- two out of three Comparable Companies had Proportion of over 90% for the three years ended 31 December 2024.

we are of the view that the 96% Limit is justifiable.

Our conclusion on the Proposed Annual Caps

In light of that the above factors, we are of the view that the Proposed Annual Caps for each of the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the Proposed Annual Caps (including the 96% Limit) for the three years ending 31 December 2028 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenue/income to be generated from the Transactions. Consequently, we express no opinion as to how closely the actual revenue/income to be generated/ incurred from the Transactions will correspond with the Proposed Annual Caps (including the 96% Limit).

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective proposed annual caps for the period concerned under the 2026 Feihe Master Agreement; (ii) the terms of the Transactions (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective proposed annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed their respective proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTEREST IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(i) Long Positions in the Shares

Name of Director	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares
Mr. Leng Youbin ("**Mr. Leng**") *(Note)*	Interest in a controlled corporation and founder of a discretionary trust/Corporate and other interest	3,342,320,920	71.26%
Mr. Chen Xiangqing ("**Mr. Chen**")	Beneficial owner/Personal interest	3,500,000	0.07%

Note: 3,342,320,920 Shares were beneficially owned by China Feihe, and Mr. Leng, a non-executive Director, controlled more than one-third of the voting power at its general meeting. Therefore, Mr. Leng is deemed or taken to be interested in 3,342,320,920 Shares beneficially owned by China Feihe by virtue of the SFO.

(ii) Long Positions in the shares of China Feihe – an associated corporation of the Company

Name of Director	Capacity/Nature of interests	Number of shares held	Approximate percentage of issued shares
Mr. Leng *(Note 1)*	Interest in a controlled corporation/Corporate interest	403,654,129	4.45%
	Founder of a discretionary trust/Other interest	3,889,911,881	42.90%
	Interest in a controlled corporation/Corporate interest	2,000,000	0.02%
Mr. Liu Hua ("**Mr. Liu**") *(Note 2)*	Founder of a discretionary trust/Other interest	345,681,920	3.81%
Mr. Cai Fangliang ("**Mr. Cai**") *(Note 3)*	Interest in a controlled corporation/Corporate interest	101,647,734	1.12%
Mr. Zhang Yongjiu	Beneficial owner/Personal interest	6,151,870	0.07%
Mr. Chen	Beneficial owner/Personal interest	117,776	0.00%

Notes:

1. 403,654,129 shares were held by Mr. Leng through his controlled corporation – Dasheng Limited ("**Dasheng**"). All of the equity interests in Dasheng was held directly by Mr. Leng.

   3,889,911,881 shares were held by Harneys Trustees Limited ("**Harneys**") as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited ("**LYB**"), which in turn holds the entire issued share capital of Garland Glory Holdings Limited ("**Garland Glory**"). Leng Family Trust was established by Mr. Leng as the settlor and the only discretionary object.

   As Mr. Leng controlled more than one-third of the voting power at general meetings of China Feihe, he is also deemed to have an interest in the 2,000,000 treasury shares of China Feihe.

2. 345,681,920 Shares were held by Harneys as the trustee of LH Family Trust, which in its capacity as trustee holds the entire issued share capital of RL Equity LLC, which in turn holds the entire issued share capital of LH Financial Holding Limited. LH Family Trust was established by Mr. Liu Hua as the settlor and the only discretionary object.

3. 101,647,734 shares were held by Mr. Cai through his controlled corporation – Adroit Shipping Limited. Adroit Shipping Limited is directly wholly owned by Mr. Cai.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had or was proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors (other than the independent non-executive Director) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material change in the financial or trading position of the Group since 31 December 2024, the date to which the latest published audited accounts of the Group were made up.

7. EXPERT

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital:

(a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

The letter from the Independent Financial Adviser dated 31 October 2025 is set out on pages 23 to 40 in this circular and was given for incorporation in this circular.

8. DOCUMENTS ON DISPLAY

The 2026 Feihe Master Agreement will be available on (i) the website of the Company (www.ystdfarm.com) and (ii) the website of the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular.

YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of YuanShengTai Dairy Farm Limited ("**Company**") will be held at EAST Beijing, Workshop 2, No. 22, Jiuxianqiao Road, Chaoyang District, Beijing, the PRC on Friday, 28 November 2025 at 10:00 a.m. to consider and, if thought fit, pass, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the 2026 Feihe Master Agreement and the transactions contemplated under the 2026 Feihe Master Agreement (a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) and the proposed annual caps of RMB3,100 million, RMB3,400 million and RMB3,700 million for the years ending 31 December 2026, 31 December 2027 and 31 December 2028, respectively, and the 96% Limit, be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the 2026 Feihe Master Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 2026 Feihe Master Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

For and on behalf of the Board of
YuanShengTai Dairy Farm Limited
Zhang Yongjiu
Chairman

Hong Kong, 31 October 2025

Registered office:	*Head office and Principal Place of Business in the PRC:*	*Principal place of business in Hong Kong:*
Clarendon House 2 Church Street Hamilton HM 11 Bermuda	12/F, Gaoxinzhigu Building 787 Bukui South Street Longsha District, Qiqihar Heilongjiang Province The PRC	31/F, 148 Electric Road North Point Hong Kong

Notes:

1. The register of members of the Company will be closed from Tuesday, 25 November 2025 to Friday, 28 November 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for voting at the special general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 24 November 2025.

2. Any member of the Company (the "**Member**") entitled to attend and vote at the SGM convened by this notice or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares in the Company, more than one) proxy to attend and, on a poll, vote on his/her/its behalf subject to the provisions of the By-laws of the Company. A proxy need not be a Member but must be present in person at the SGM to represent the Member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which such proxy is so appointed.

3. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the SGM (i.e. no later than 10:00 a.m. (Hong Kong time) on Wednesday, 26 November 2025) or adjourned meeting. Completion and return of a form of proxy will not preclude a Member from attending in person and voting at the SGM or any adjournment thereof should he/she so wish.

4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. Voting of the ordinary resolution set out in this notice will be by way of poll.

6. Unless the context otherwise requires, terms used in this notice shall have the same meanings as those defined in the circular to the shareholders of the Company dated 31 October 2025.

As at the date of this notice, the Board comprises three executive Directors, namely Mr. Zhang Yongjiu (Chairman and Chief Executive Officer), Mr. Chen Xiangqing (Chief Financial Officer) and Mr. Liu Gang; three non-executive Directors, namely Mr. Leng Youbin, Mr. Liu Hua and Mr. Cai Fangliang; and three independent non-executive Directors, namely Mr. Meng Jingzong (alias Owens Meng), Mr. Zhang Yuezhou and Ms. Liu Jinping.