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YuanShengTai Dairy Farm Limited

原生态牧业有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

DISCLOSEABLE TRANSACTION PURCHASE OF STRUCTURED DEPOSIT PRODUCT

PURCHASE OF STRUCTURED DEPOSIT PRODUCT

On 4 April 2023, Kedong Yongjin YST purchased the Structured Deposit Product from ABC Bank with variable returns which are linked to the performance of the investment portfolio of the finance products with no guarantee on the yield return.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the purchase of Structured Deposit Product from ABC Bank exceeds 5% but is less than 25%, the purchase of the Structured Deposit Product constitutes discloseable transaction of the Company.

The purchase of the Structured Deposit Product which was classified as discloseable transaction of the Company under Chapter 14 of the Listing Rules was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As a result of the mistaken beliefs that the Structured Deposit Product was only bank deposits maintained by Kedong Yongjin YST in the ordinary course of business and should not be considered as acquisitions of assets otherwise fall within the definition of “transaction” under Chapter 14 of the Listing Rules, the Company did not comply with the applicable reporting and announcement requirements under the Listing Rules at the time of purchase of the Structured Deposit Product. Upon preparation of the Company’s interim results announcement and devising its business plans ahead, relevant internal departments revisited the relevant transaction, and sought advice from the Board and professional advisers on the Listing Rules implications. Accordingly, the Company hereby publishes this announcement as soon as practicable to inform the Shareholders of the purchase of the Structured Deposit Product. The Board has adopted and will adopt measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future.

INTRODUCTION

The Board announces that, on 4 April 2023, Kedong Yongjin YST purchased the Structured Deposit Product from ABC Bank with variable returns which are linked to the performance of the investment portfolio of the finance products with no guarantee on the yield return.

As one or more of the applicable percentage ratios for the purchase of Structured Deposit Product from ABC Bank exceeds 5% but is less than 25%, the purchase of the Structured Deposit Product constitutes discloseable transaction of the Company.

PURCHASE OF THE STRUCTURED DEPOSIT PRODUCT

The major terms of the Structured Deposit Product are set out below:

Purchase date	Term	Name of Product	Purchase price (RMB)	Type of returns	Performance benchmark interest rate per annum	Redemption date
4 April 2023 (the "Purchase Date")	10 years	ABC Wealth Management "ABC Bank An-Xin Ling-Dong" 90-day ESG-themed RMB wealth management product	50,000,000	Non-principal guaranteed with variable returns linked to performance of the investment portfolio comprising of different financial products, including but not limited to: currency market, deposits, bonds and other debt assets, with a debt ratio of not more than 140%	3.25%*	4 July 2023 ("Redemption Date")

* The actual interest rate per annum received by the Company was 4.98% upon the Redemption Date.

The Structured Deposit Product purchased from ABC Bank was RMB fixed deposit, with variable interest accruing on the principal amount of the deposit maintained with ABC Bank. The principal amount of the Structured Deposit Product could be redeemed any time after ninety (90) days from the Purchase Date and the interest income generated from the deposit shall be paid to Kedong Yongjin YST on the Redemption Date.

REASONS FOR AND BENEFITS FOR THE PURCHASE OF THE STRUCTURED DEPOSIT PRODUCT

The Directors noted that the Group had internal funds which had been idle for a certain period of time. In order to utilise such idle funds reasonably, enhance the efficiency in the utilisation of such funds and to bring returns to the Shareholders, and after taking into account the normal operation funding needs and the liquidity needs of the Group, the Directors decided to utilise some of the internal idle funds to purchase the Structured Deposit Product.

The Structured Deposit Product purchased from ABC Bank was RMB fixed deposit, with variable interest accruing on the principal amount of the deposit maintained with ABC Bank. The Structured Deposit Product purchased from ABC Bank offered potential annual interest rate of 3.25% whereas the actual interest rate per annum received by the Company was 4.98% upon the Redemption Date.

The Structured Deposit Product purchased from ABC Bank had been redeemed in full and produced more than the expected rate of return and all of the principal amounts had been returned to Kedong Yongjin YST.

After taking into account the above factors, the Directors (including the independent non-executive Directors) are of the view that the purchase of the Structured Deposit Product is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the purchase of Structured Deposit Product from ABC Bank exceeds 5% but is less than 25%, the purchase of the Structured Deposit Product constitutes discloseable transaction of the Company.

As a result of the mistaken beliefs that the Structured Deposit Product was only bank deposit maintained by Kedong Yongjin YST in the ordinary course of business and should not be considered as acquisitions of assets otherwise fall within the definition of “transaction” under Chapter 14 of the Listing Rules, the Company did not comply with the applicable reporting and announcement requirements under the Listing Rules at the time of purchase of the relevant Structured Deposit Product. Upon preparation of the Company’s interim results announcement and devising its business plans ahead, relevant internal departments revisited the relevant transaction, and sought advice from the Board and professional advisers on the Listing Rules implications. Accordingly, the Company hereby publishes this announcement as soon as practicable to inform the Shareholders of the purchase of the Structured Deposit Product. The Board has adopted and will adopt measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future.

REMEDIAL ACTIONS

The Company deeply regrets its non-compliance with the Listing Rules but the Company would like to stress that such delay in compliance with the Listing Rules was inadvertent and unintentional. The Board will adopt the following measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future:

- (a) the Company has fully redeemed the Structured Deposit Product including the principal and interest accrued (i.e. RMB50,613,768.62) on 4 July 2023;
- (b) in preparing for the 2023 interim results announcement, the Company has conducted a comprehensive review and self-examination of the previous purchase of structured deposit product since the Listing Date, and hereby makes this announcement on the structured deposit product that should have been disclosed but were not previously disclosed;
- (c) the Company will arrange for training sessions for the Directors and senior management of the Group to remind them, in particular the finance department, to report transactions which may constitute notifiable and/or connected transactions under the Listing Rules to the Group's compliance personnel and seek professional advice if necessary to ensure that they understand the requirements under the Listing Rules and the relevant rules and regulations;
- (d) the Company will review, strengthen and continue to monitor the relevant internal control measures of the Group, including but not limited to contract signing procedures, to ensure that current and future transactions will be conducted in compliance with the applicable requirements under the Listing Rules and other relevant rules and regulations; and
- (e) the Company will work more closely with its internal legal and compliance department on compliance issues; and shall, as and when appropriate and necessary, consult other professional advisers before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transaction. Going forward, the Company will continue to comply with the management procedures of its investments on structured deposit products and make such disclosure in a timely manner to ensure compliance with the Listing Rules.

INFORMATION ON THE GROUP AND THE BANKS

The Company is a dairy farming company in the PRC dedicated to the production of super premium raw milk. Kedong Yongjin YST is a wholly owned subsidiary of the Company which is principally engaged in the production and sale of raw milk.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) ABC Bank and its ultimate beneficial owners are parties independent of, and not connected with, the Company or any of its connected persons (as defined under the Listing Rules); and (ii) ABC Bank principally engages in banking business.

DEFINITIONS

In this announcement, the following terms have the meanings as set forth below unless the context requires otherwise:

“ABC Bank”	Agricultural Bank of China
“Board”	the board of Directors of the Company
“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)”	director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kedong Yongjin YST”	Kedong Yongjin YuanShengTai Dairy Farm Limited (克東勇進原生態牧業有限公司), a company established under the laws of PRC and a wholly owned subsidiary of the Company, which is principally engaged in the production and sale of raw milk
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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

“Structured Deposit Product”	structured deposit product issued by ABC Bank and purchased by Kedong Yongjin YST as set out in paragraph headed “Purchase of the Structured Deposit Product” to this announcement
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“%”	per cent

By order of the Board
YuanShengTai Dairy Farm Limited
Zhao Hongliang
Chairman

Hong Kong, 11 September 2023

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhao Hongliang (Chairman), Mr. Fu Wenguo (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 four independent non-executive Directors, namely Mr. Meng Jingzong (alias Owens Meng), Mr. Zhang Yuezhou, Mr. Zhu Zhanbo and Ms. Liu Jinping.