
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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents 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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE FEIHE MASTER AGREEMENT

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



A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 11 to 12 of this circular. A letter from Quam Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular.

A notice convening the SGM of YuanShengTai Dairy Farm Limited to be held at Room 1, 3rd Floor, Kempinski Hotel Shenzhen, Hai De San Dao, Hou Hai Bin Road, Nanshan District, Shenzhen, 518054, the PRC on 8 December 2014 at 10:00 a.m. is set out on pages 25 to 26 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, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting 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.

21 November 2014

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Continuing Connected Transactions under the Feihe Master Agreement	5
Reasons and Benefits for the Continuing Connected Transactions	7
Implications of the Listing Rules	8
General Information	9
SGM	9
Recommendation	10
Further Information	10
Letter from the Independent Board Committee	11
Letter from Quam Capital	13
Appendix — General Information	22
Notice of the Special General Meeting	25

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text of this circular will prevail.

DEFINITIONS

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

“associates”	has the same meaning as defined under the Listing Rules
“Board”	the board of Directors
“Company”	YuanShengTai Dairy Farm Limited 原生態牧業有限公司, a company incorporated under the laws of Bermuda with limited liability and the 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
“Continuing Connected Transactions”	the transactions contemplated under the Feihe Master Agreement
“Director(s)”	director(s) of the Company
“Feihe Dairy Group”	the group of companies comprising Feihe Dairy International and Feihe Dairy HLJ and its subsidiaries, being one of the Group’s customers, and an Independent Third Party (but deemed by the Stock Exchange to be the Company’s connected person after Listing for the purpose of the Listing Rules)
“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 one of the Group’s customers, an Independent Third Party and also a former owner of YST Heping and Ruixinda Gannan, whose ultimate beneficial owner is Feihe Dairy International, which is ultimately owned by Leng Youbin, Liu Shenghui, Liu Hua and MSPEA IMF Holding Limited (being a company wholly-owned by Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd, a fund managed by the private equity arm of Morgan Stanley)
	To the best knowledge of the Directors after having made reasonable enquiries, each of Leng Youbin, Liu Shenghui, Liu Hua and MSPEA IMF Holding Limited is an Independent Third Party
“Feihe Dairy International”	Feihe International, Inc., an Independent Third Party and a company incorporated in the United States of America, whose securities were previously listed on the New York Stock Exchange

DEFINITIONS

“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 and for the purpose of complying with Chapter 14A of the Listing Rules
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (which comprises Messrs Wu Chi Keung, Zhu Zhanbo, Zhang Yuezhou, all being the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Revised Annual Caps
“Independent Financial Adviser” or “Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Third Parties”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any Directors, chief executive or substantial Shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Independent Shareholders”	shareholders who are not required to abstain from voting at the SGM to approve the Continuing Connected Transactions
“INED(s)”	the independent non-executive Director(s)
“Latest Practicable Date”	19 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Date”	26 November 2013, being the date where dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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”	the prospectus of the Company dated 14 November 2013
“Revised Annual Caps”	the proposed annual caps in respect of the Continuing Connected Transactions for the two years ending 31 December 2014 and 31 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Ruixinda Gannan”	Heilongjiang Gannan Ruixinda Dairy Farming Co., Ltd.* (黑龍江甘南瑞信達原生態牧業有限公司), a company incorporated in the PRC on 9 July 2007 and (since September 2011) an indirect wholly owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company, for the purpose of considering and, if thought fit, approving the Revised Annual Caps, to be held at Room 1, 3rd Floor, Kempinski Hotel Shenzhen, Hai De San Dao, Hou Hai Bin Road, Nanshan District, Shenzhen, 518054, the PRC, or any adjournment thereof, the notice of which is set out on pages 25 to 26 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* For identification purposes only

LETTER FROM THE BOARD



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. Zhao Hongliang (趙洪亮)
Mr. Wang Shaogang (王紹崗)
Mr. Fu Wenguo (付文國)
Ms. Su Shiqin (蘇士芹)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Sun Wei (孫瑋)
Mr. Lau Ho Fung (劉浩峰)

*Head office and Principal Place
of Business in the PRC:*

Qingxiang Street
Kedong, Qiqihar
Heilongjiang Province
PRC

Independent non-executive Directors:

Mr. Wu Chi Keung (胡志強)
Mr. Zhang Yuezhou (張月周)
Mr. Zhu Zhanbo (朱戰波)

*Principal place of business
in Hong Kong:*

31/F, 148 Electric Road
North Point
Hong Kong

21 November 2014

To the Shareholders

Dear Sir or Madam

**REVISION OF ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS
UNDER THE FEIHE MASTER AGREEMENT**

INTRODUCTION

Reference is made to the Prospectus and the announcement of the Company dated 31 October 2014 in relation to the revision of annual caps for the continuing connected transactions under the Feihe Master Agreement entered into between, (a) Ruixinda and Ruixincheng on the one part and

LETTER FROM THE BOARD

(b) Feihe Dairy HLJ (for itself and on behalf of its subsidiaries), pursuant to which the Group has been selling and will continue to sell raw milk during the period from 1 November 2013 to 31 December 2015. The transactions contemplated under the Feihe Master Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the details of the Feihe Master Agreement and the Continuing Connected Transactions and Revised Annual Caps; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS UNDER THE FEIHE MASTER AGREEMENT

Principal terms of the Feihe Master Agreement

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

Contract period:	26 months from 1 November 2013 to 31 December 2015
Determination of purchase price and other terms:	For each order to be placed under the Feihe Master Agreement, the purchase price or consideration, the quantity and quality of milk concerned, the time and place of delivery of the milk concerned and other relevant matters will be negotiated by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of the raw milk, as well as (where applicable) prevailing market prices of similar products which may be sourced from other Independent Third Parties. For further information on the pricing mechanism of the sales of raw milk of the Group, please see "Continuing Connected Transactions under the Feihe Master Agreement — Pricing mechanism" in this circular.
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. (Note)

LETTER FROM THE BOARD

Early termination: Both parties may, at any time during the contract term, give the other not less than three months' prior written notice to terminate the agreement.

Note: Payment will be made by Feihe Dairy HLJ through a set-off arrangement pursuant to the supplemental agreement entered into between Ruixinda and Feihe Dairy HLJ on 25 April 2013, pursuant to which Feihe Dairy HLJ unconditionally and irrevocably waived Ruixinda's past obligation from fulfilling its payment obligations and legal liabilities potentially arising out of any shortfall of raw milk delivery under such exclusive raw milk supply contract.

Pricing mechanism

Under the Feihe Master Agreement, the Group generally enters into a specific sales contract agreement ("Sales Contract") with the Feihe Dairy Group before the end of each year to agree on, among others, the pricing mechanism regarding the sales of raw milk for the subsequent year.

Pursuant to the Sales Contract entered into in December 2013 (relating to the sales to take place in 2014), the price of the raw milk sold by the Group is determined by the formula below:

$$\begin{array}{rcccl} \text{Selling price of raw} & & \text{Base price of raw milk} & & \text{Adjustments taking into} \\ \text{milk} & = & \text{(Note 1)} & + & \text{account certain safety and} \\ & & & & \text{quality standards (Note 2)} \end{array}$$

Notes:

1. In determining the base price of raw milk, the parties to the Sales Contract take into account the indicative milk price ("Indicative Price") published quarterly by the Dairy Association of Heilongjiang Province (黑龍江省奶業協會) at its website (<http://www.dahlj.com>). According to the information on such website, the Indicative Price is determined through cost accounting and consultation with dairy farms and dairy products processing enterprises in the PRC.
2. The adjustment factors included, among others, the microbe count, the level of protein content and fat content and the freezing point of raw milk.

In practice, similar to other customers of the Group, Feihe Dairy Group may, from time to time after noting any change in the Indicative Price, issue a price adjustment notice (containing an updated basis of raw milk pricing) to the sales department of the Group. Upon receiving such notice, the sales department of the Group shall seek approval from both of the vice president 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 vice president in charge and the general manager of the Group, who are experienced in the dairy farming industry, will, among others, (i) take into account the correlation between and trends of the historical and latest Indicative Prices and selling prices of raw milk to the Feihe Dairy Group; and (ii) check with laboratories of the Group to ascertain the consistency of the actual quality of the raw milk of the Group in order to comply with the safety and quality standards as set out in the Sales Contract. Subject to obtaining of such approval, the price of the raw milk sold by the Group to Feihe Dairy Group may be adjusted.

LETTER FROM THE BOARD

For information, the Sales Contract relating to the sales to take place in 2015 has not been concluded as at the Latest Practicable Date. The management of the Group expects to enter into such Sales Contract in December 2014.

Revision of annual caps

The Company currently estimates that given the expected increase in the overall sales volume of Feihe Dairy Group and based on the long-term relationship between Feihe Dairy Group and the Group, thereby leading to an expected increase in demand from Feihe Dairy Group in respect of the purchase of raw milk from the Group, the annual transaction amounts under the Feihe Master Agreement for the years ending 31 December 2014 and 31 December 2015 are expected to exceed the original annual caps as disclosed in the Prospectus. As such, the Company intends to revise the annual caps for the years ending 31 December 2014 and 31 December 2015 under the Feihe Master Agreement in respect of the sale of raw milk by the Group to Feihe Dairy Group.

As at the Latest Practicable Date, the transaction amounts of the Continuing Connected Transactions have not exceeded the original annual caps for the year ending 31 December 2014 as disclosed in the Prospectus.

Annual caps for Continuing Connected Transactions between the Group and Feihe Dairy Group

The Company proposes to revise the annual caps for the years ending 31 December 2014 and 31 December 2015 in respect of the sale of raw milk by the Group to Feihe Dairy Group from RMB520 million to RMB660 million for the year ending 31 December 2014 and from RMB660 million to RMB838 million for the year ending 31 December 2015. Such estimates are calculated based on (i) the historical amount of sales of raw milk for the nine months ended 30 September 2014; and (ii) the projected purchase volume from Feihe Dairy Group for the two years ending 31 December 2015.

The historical amounts of such Continuing Connected Transactions for the year ended 31 December 2013, the six months ended 30 June 2014 and the nine months ended 30 September 2014 were approximately RMB319 million (equivalent to approximately HK\$399 million), RMB294 million (equivalent to approximately HK\$367 million) and RMB463 million (equivalent to approximately HK\$579 million, respectively).

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group's sales to Feihe Dairy Group, being one of the Group's top five customers, is particularly important to the business of the Group. It is expected that the increase in sales 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the Directors have a material interest in the transactions under the Feihe Master Agreement and hence no Directors has abstained from voting on the board resolution approving the Feihe Master Agreement and the transactions contemplated thereunder and the Revised Annual Caps.

To the extent that the Company is aware having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders have a material interest in the Feihe Master Agreement and are required to and will abstain from voting on the resolution to be proposed at the SGM to approve the Revised Annual Caps.

The Directors (including the independent non-executive Directors after having considered the Independent Financial Adviser's advice) consider that the Continuing Connected Transactions have been conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Revised Annual Caps are fair and reasonable, so far as the Independent Shareholders are concerned.

IMPLICATIONS OF THE LISTING RULES

Feihe Dairy Group (comprising Feihe Dairy HLJ and its subsidiaries) is not a connected person of the Company for the purpose of Rule 14A.06(7) of the Listing Rules. However, due to the Group's past relationship and transactions with Feihe Dairy Group as disclosed in the section headed "History, Development and Reorganization — Our Relationship with Feihe Dairy Group" in the Prospectus, it is deemed by the Stock Exchange as a connected person pursuant to Rule 14A.19 of the Listing Rules. As such, the Company has agreed to undertake to comply with Chapter 14A of the Listing Rules' requirements in respect of the transactions with Feihe Dairy Group from the Listing Date.

In respect of the sales of raw milk by the Group under the Feihe Master Agreement, the proposed revised annual caps for each of the two years ending 31 December 2015 would not exceed RMB660 million and RMB838 million, respectively. For each of the two years ending 31 December 2015, given that the highest applicable percentage ratio of the Revised Annual Caps, with reference to the proposed annual cap for the year ending 31 December 2015, is expected to be more than 25% and the annual consideration is not less than HK\$10 million, such transactions are subject to the reporting, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will continue to monitor and cross-check the Group's actual amount of sales to Feihe Dairy Group under the Feihe Master Agreement against the original annual cap for the year ending 31 December 2014 to ensure it will not be exceeded before the relevant Independent Shareholders' approval could be obtained at the proposed SGM.

LETTER FROM THE BOARD

GENERAL INFORMATION

The Group is a dairy farming enterprise in China dedicated to the production of super premium raw milk.

Feihe Dairy Group is based in Heilongjiang province and is principally engaged in the production and distribution of milk powders and other dairy products in China.

SGM

A resolution approving the Continuing Connected Transactions and the Revised Annual Caps relating thereto shall be proposed at the SGM.

A notice convening the SGM to be held at Room 1, 3rd Floor, Kempinski Hotel Shenzhen, Hai De San Dao, Hou Hai Bin Road, Nanshan District, Shenzhen, 518054, the PRC on 8 December 2014 at 10:00 a.m. is set out on pages 25 to 26 of this circular.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the Feihe Master Agreement and the continuing connected transactions contemplated thereunder must abstain from voting on the resolution to approve the revision of the annual caps for the years ending 31 December 2014 and 31 December 2015 for continuing connected transactions contemplated under the Feihe Master Agreement at the SGM. To the extent that the Company is aware having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders have a material interest in the Feihe Master Agreement and are required to abstain from voting on the resolution to be proposed at the SGM to approve the Revised Annual Caps.

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, 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 not later than 48 hours before the time appointed for the holding of the SGM 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors after having considered the Independent Financial Adviser's advice) consider that the Continuing Connected Transactions have been conducted by the Company 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 Revised Annual Caps are fair and reasonable, so far as the Independent Shareholders are concerned. The Directors therefore recommend 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 all three independent non-executive Directors has been appointed to recommend the Independent Shareholders in respect of the Continuing Connected Transactions and the Revised Annual Caps. Quam 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 from the Independent Board Committee set out on pages 11 to 12 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 13 to 21 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the general information set out in the Appendix to this circular.

Yours faithfully
For and on behalf of the Board of
YuanShengTai Dairy Farm Limited
Zhao Hongliang
Executive Director and Chairman



YuanShengTai Dairy Farm Limited

原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

21 November 2014

To the Independent Shareholders

Dear Sir or Madam

**REVISION OF ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS
UNDER THE FEIHE MASTER AGREEMENT**

We refer to the circular of the Company dated 21 November 2014 (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 to advise the Independent Shareholders as to whether, in our opinion, the Continuing Connected Transactions and the Revised Annual Caps are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms and 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. In this connection, Quam Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Revised Annual Caps.

We wish to draw your attention to the letter from the Board set out on pages 4 to 10 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 21 of the circular which contains its opinion in respect of the Continuing Connected Transactions and the Revised Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Continuing Connected Transactions are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms and 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 Revised Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. 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 Sheng Limited
Wu Chi Keung Zhang Yuezhou Zhu Zhanbo

LETTER FROM QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps.



21 November 2014

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir or Madam,

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE FEIHE MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including the Revised Annual Caps), details of which are set out in the “Letter from the Board” (the “**Letter**”) contained in the circular dated 21 November 2014 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 otherwise requires.

On 1 November 2013, Ruixinda and Ruixincheng on the one part and Feihe Dairy HLJ (for itself and on behalf of its subsidiaries) entered into the Feihe Master Agreement, pursuant to which the Group agreed to sell raw milk during the period from 1 November 2013 to 31 December 2015. Feihe Dairy Group is deemed by the Stock Exchange as a connected person of the Company pursuant to Rule 14A.19 of the Listing Rules and as such the Company has agreed to undertake to comply with Chapter 14A of the Listing Rules’ requirements in respect of the Continuing Connected Transactions from its listing date and hence the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The existing annual caps under the Feihe Master Agreement (the “**Existing Annual Caps**”) have been disclosed in the Prospectus. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver for the relevant compliance requirements under the Listing Rules in respect of the Continuing Connected Transactions.

LETTER FROM QUAM CAPITAL

The Company intends to revise the Existing Annual Caps for each of the two years ending 31 December 2015 under the Feihe Master Agreement in respect of the sale of raw milk by the Group to Feihe Dairy Group. Given that the highest applicable percentage ratio in respect of the Revised Annual Caps for each of the two years ending 31 December 2015 under the Feihe Master Agreement is more than 25% and the annual consideration is not less than HK\$10 million, such transactions are subject to the reporting, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Zhang Yuezhou and Mr. Zhu Zhanbo, has been established to advise the Independent Shareholders in relation to the Revised Annual Caps, and to advise the Independent Shareholders as to whether to vote in favour of the resolution to be proposed at the SGM to approve the Revised Annual Caps. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Group or Feihe Dairy Group that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, there was no engagement between the Group and Quam Capital. Apart from normal professional fees being paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or Feihe Dairy Group. Accordingly, we are qualified to give independent advice in respect of the Revised Annual Caps thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

LETTER FROM QUAM CAPITAL

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group or Feihe Dairy Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or Feihe Dairy Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of the Feihe Master Agreement and reasons for revision of the Existing Annual Caps

The Group is principally engaged in the production and sale of raw milk in the PRC. According to the annual report of the Company for the year ended 31 December 2013, all revenue of the Group was derived from sale of raw milk.

Feihe Dairy Group is based in Heilongjiang province, the PRC, and is principally engaged in the production and distribution of milk powders and other dairy products in the PRC. Feihe Dairy Group is not a connected person of the Company for the purpose of Rule 14A.06(7) of the Listing Rules. However, due to the Group's past relationship and transactions with Feihe Dairy Group as disclosed in the section headed "History, Development and Reorganization — Our Relationship with Feihe Dairy Group" in the Prospectus, it is deemed by the Stock Exchange as a connected person of the Company pursuant to Rule 14A.19 of the Listing Rules.

As stated in the Letter, the Company currently estimates that given the expected increase in the overall sales volume of Feihe Dairy Group and based on the long-term relationship between Feihe Dairy Group and the Group, thereby leading to an expected increase in demand from Feihe Dairy Group in respect of the purchase of raw milk from the Group, the annual sales under the Feihe Master Agreement for each of the two years ending 31 December 2015 are expected to exceed the Existing Annual Caps as disclosed in the Prospectus. As such, the Company intends to revise the Existing Annual Caps for each of the two years ending 31 December 2015 under the Feihe Master Agreement in respect of the sale of raw milk by the Group to Feihe Dairy Group.

According to the Prospectus, Feihe Dairy Group was one of the top five customers of the Group for the three years ended 31 December 2012 and the six months period ended 30 June 2013. As advised by the management of the Company, Feihe Dairy Group continued to be one of the top five customers of the Group for the year ended 31 December 2013 and the nine months period ended 30 September 2014.

LETTER FROM QUAM CAPITAL

In light of the principal activities of the Group, we consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group.

Sales volume to Feihe Dairy Group has been increasing rapidly since the second quarter of 2013. According to the information provided by the management of the Company, the sales volume to Feihe Dairy Group has increased by approximately 220.7% in the second quarter of 2013 as compared to the first quarter of 2013, and further increased by approximately 37.3% and 7.4% in the third and fourth quarter of 2013 as compared to their respective previous quarter. The upward trend in the sales volume to Feihe Dairy Group continued for each of the three quarters ended 30 September 2014, with an increase of approximately 12.5%, 16.9% and 11.5% in the first, second and third quarter of 2014 as compared to their respective previous quarter. The Directors expected the sales volume to Feihe Dairy Group will continue the upward trend in the fourth quarter of 2014 and the year of 2015. Moreover, the Company has received a purchasing order from Feihe Dairy Group to increase the indicated daily procurement volume by 50% from the Group from 1 October 2014 onwards, representing a significant increase as compared to the original daily procurement volume for the nine months ended 30 September 2014.

In light of (i) the significant revenue contribution from Feihe Dairy Group to the Group; and (ii) the sustainable increase in demand of raw milk from Feihe Dairy Group for the year ended 31 December 2013 and the nine months ended 30 September 2014 as described above, we consider that the upward revision of the Existing Annual Caps to the Revised Annual Caps is reasonable and is in the interests of the Group and the Shareholders as a whole.

2. Principal terms of the Feihe Master Agreement

Purchase price

For each order to be placed under the Feihe Master Agreement, the purchase price or consideration, the quantity and quality of milk concerned, the time and place of delivery of milk concerned and other relevant matters will be negotiated by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of the raw milk, as well as (where applicable) prevailing market prices of similar products which may be sourced from other Independent Third Parties.

As disclosed in the Letter, the Group generally enters into a specific sales contract agreement with Feihe Dairy Group before the end of each year to agree on, among others, the pricing mechanism regarding the sales of raw milk for the subsequent year. The price of the raw milk sold under the Feihe Master Agreement is determined by a base price of raw milk which would be taken into account the indicative milk price published quarterly by the Dairy Association of Heilongjiang Province, adjusted by factors in relation to certain safety and quality standards, among others, the microbe count, the level of protein content and fat content and the freezing point of raw milk.

LETTER FROM QUAM CAPITAL

In order to assess the fairness and reasonableness of the prices of the raw milk products supplied by Ruixinda and Ruixincheng to Feihe Dairy Group under the Feihe Master Agreement, we have obtained and reviewed sample copies of sales agreements entered into between the Group and the Independent Third Parties, and the invoices issued by Ruixinda and Ruixincheng to the Independent Third Parties. Based on our review of the sample sales agreements and invoices, we noted that the prices of the raw milk supplied by Ruixinda and Ruixincheng to Feihe Dairy Group under the Feihe Master Agreement are no less favorable than those supplied to the Independent Third Parties.

Given that the purchase price of the raw milk products offered to Feihe Dairy Group will be based on the prevailing market prices of the raw milk at place of delivery, as well as (where applicable) prevailing market prices of similar products which may be supplied to other Independent Third Parties, we consider the pricing mechanism of the Feihe Master Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Payment term

Pursuant to the Feihe Master Agreement, Feihe Dairy Group shall generally settle the purchase consideration on accrual basis, with a credit term of no more than one month, during which no interest will accrue.

As disclosed in the Prospectus and advised by the management of the Company, trading terms with the customers of the Group are mainly on credit, generally with credit terms of up to 30 days, as such the credit terms under the Feihe Master Agreement are no less than favourable than those offered to the Independent Third Parties.

Other major terms

Pursuant to the Feihe Master Agreement, Ruixinda and Ruixincheng and Feihe Dairy Group may, at any time during the contract term, give the other party not less than three months' prior written notice to terminate the Feihe Master Agreement.

We have also reviewed other major terms of the Feihe Master Agreement and are not aware of any terms which are exceptional to normal market practice.

Based on the above, we are of the opinion that the terms of the Feihe Master Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM QUAM CAPITAL

3. The Revised Annual Caps

Review of the Revised Annual Caps

The table below sets out the historical sales of the supply of raw milk by Ruixinda and Ruixincheng to Feihe Dairy Group for each of the three financial years ended 31 December 2013 and the nine months ended 30 September 2014:

	For the financial year ended			For the nine
	31 December			months ended
	2011	2012	2013	30 September
Sales to Feihe Dairy Group (Approximate RMB million)	<u>52.9</u>	<u>91.7</u>	<u>319.1</u>	<u>463.4</u>

We noted an upward trend of the historical sales regarding the supply of raw milk by Ruixinda and Ruixincheng to Feihe Dairy Group for the three financial years ended 31 December 2013 and the nine months ended 30 September 2014. Such sales increased by approximately 73.3% from approximately RMB52.9 million for the year ended 31 December 2011 to approximately RMB91.7 million for the year ended 31 December 2012, and further increased by approximately 248.0% to approximately RMB319.1 million for the year ended 31 December 2013. Based on the information available on the official website of Feihe Dairy Group and public information, the sales of Feihe Dairy Group increased by approximately 212.5% from approximately RMB1.6 billion^(Note) in 2012 to approximately RMB5.0 billion in 2013. The Company believes that the increase in sales of Feihe Dairy Group led to the increase in its purchase of raw milk from Ruixinda and Ruixincheng. The sales to Feihe Dairy Group of approximately RMB463.4 million for the nine months ended 30 September 2014 already exceeded the full year sales for the year ended 31 December 2013 by approximately 45.2%. As advised by the management of the Company, such increase was mainly attributable to the increase in sales of Feihe Dairy Group in the PRC.

Note: For illustrative purpose only, USD has been translated into RMB using an exchange rate of USD1 = RMB6.127.

LETTER FROM QUAM CAPITAL

Assessment of the Revised Annual Caps

Set out below are the Existing Annual Caps and the Revised Annual Caps for each of the two years ending 31 December 2014 and 2015:

	For the financial year ending 31 December	
	2014	2015
Existing Annual Caps (<i>RMB million</i>)	520	660
Revised Annual Caps (<i>RMB million</i>)	660	838

The Revised Annual Caps for each of the financial years ending 31 December 2014 and 2015 represent an increase of approximately 26.9% over the Existing Annual Caps for their corresponding year.

As set out in the Letter, the Revised Annual Caps are determined with reference to: (i) the historical amount of sales of raw milk for the nine months ended 30 September 2014; and (ii) the projected purchase volume from Feihe Dairy Group for the two years ending 31 December 2015. In assessing the reasonableness of the Revised Annual Caps, we have discussed with the management of the Company on the bases and assumptions in arriving at the Revised Annual Caps.

(i) *Historical sales of raw milk to Feihe Dairy Group*

The actual sales pursuant to the Feihe Master Agreement for the year ended 31 December 2013 amounted to approximately RMB319.1 million, which was barely lower than the annual cap for such year of RMB320 million under the Existing Annual Caps. The sales for the nine months ended 30 September 2014 was approximately RMB463.4 million, which has already made up of approximately 89.1% of the Existing Annual Cap for the year ended 31 December 2014. As advised by the management of the Company, the fourth quarter of each year is the peak season for sales of raw milk due to seasonality factor and we have noted that sales to Feihe Dairy Group for the fourth quarter of 2013 represented approximately 37.6% of the total revenue generated from Feihe Dairy Group for 2013.

Without considering the abovementioned seasonality factor, the annualised sales for the year ending 31 December 2014 (based on actual sales generated from Feihe Dairy Group for the nine months ended 30 September 2014) will be amounted to approximately RMB617.9 million, which shall exceed the annual cap for the year ending 31 December 2014 under the Existing Annual Caps of RMB520 million of approximately 18.8%, and shall represent approximately 93.6% of the annual cap for the year ending 31 December 2014 under the Revised Annual Caps.

LETTER FROM QUAM CAPITAL

We are advised by the management of the Company that the determination of the Revised Annual Caps for the year ending 31 December 2015 has taken into consideration of the continued increase in sales volume in 2014 to Feihe Dairy Group as discussed in the section headed “1. Background of the Feihe Master Agreement and reasons for revision of the Existing Annual Caps” above and also the expected further increase in demand of raw milk from Feihe Dairy Group as stated in the sub-section headed “(ii) Projected sales by the Group to Feihe Dairy Group” below.

(ii) *Projected sales by the Group to Feihe Dairy Group*

Based on public information, revenue of Feihe Dairy Group for the first nine months of 2014 increased by approximately 40% as compared to the corresponding period in 2013. As mentioned in the section headed “1. Background of the Feihe Master Agreement and reasons for revision of the Existing Annual Caps” above, the Company has received a purchasing order from Feihe Dairy Group to increase the indicated daily procurement volume by 50% from the Group from 1 October 2014 onwards, representing a significant increase as compared to the original daily procurement volume for the nine months ended 30 September 2014. Based on the revised indicated daily procurement volume, the projected procurement volume in 2015 represents an increment of approximately 26.2% compared to the sum of actual procurement volume for the first nine months of 2014 and the projected procurement volume for the last three months of 2014.

Having considered that (i) the historical sales of raw milk to Feihe Dairy Group; and (ii) the revised indicated daily procurement volume of Feihe Dairy Group commenced on 1 October 2014, we consider that the Revised Annual Caps are reasonable.

The Revised Annual Caps are determined by the management based on assumptions, among others, current estimation of the demand from Feihe Dairy Group and market conditions. Accordingly, we express no opinion as to how closely the actual amounts contemplated under the Continuing Connected Transactions in comparison to the Revised Annual Caps.

4. Annual review of the Continuing Connected Transactions

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the Continuing Connected Transactions are subject to the following requirements:

- (i) the independent non-executive Directors must confirm in the annual reports and accounts that the Continuing Connected Transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and

LETTER FROM QUAM CAPITAL

- according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Continuing Connected Transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policy of the Group if the transaction involves the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps.

In view of the Continuing Connection Transactions will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, the terms of the Feihe Master Agreement are on normal commercial terms and the Revised Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the adoption of the Revised Annual Caps at the SGM.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of Quam Capital registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activities under the SFO since 2007 and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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 in the Company 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.

As at the Latest Practicable Date, Directors who had long position in the Shares are as follow:

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares held (Note 2)</u>	<u>Percentage of the issued share capital of the Company</u>
Zhao Hongliang	Beneficial owner	1,355,100,000 (L) (Note 1)	34.66%
Fu Wenguo	Beneficial owner	5,000,000 (L)	0.13%
Su Shiqin	Beneficial owner	2,000,000 (L)	0.05%
Wang Shaogang	Beneficial owner	3,500,000 (L)	0.09%
Wu Chi Keung	Beneficial owner	200,000 (L)	0.01%

Notes:

- ZHL Asia Limited is a controlling Shareholder and is solely owned by Zhao Hongliang (“Mr. HL Zhao”), whereas ZHY Asia Limited, being a controlling Shareholder, is solely owned by Zhao Hongyu (“Mr. HY Zhao”) who is the brother of Mr. HL Zhao. As at the Latest Practicable Date, 1,178,400,000 Shares is owned by ZHL Asia Limited and 170,200,000 Shares is owned by ZHY Asia Limited.

ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed of acting in concert to, among others, confirm their acting-in-concert agreement. As such, as at the Latest Practicable Date, ZHL Asia Limited and ZHY Asia Limited will together control approximately 34.66% interest in the issued share capital in the Company.

Mr. HL Zhao is deemed or taken to be interested in all the shares which are beneficially owned by ZHL Asia Limited and Mr. HY Zhao is deemed or taken to be interested in all the shares which are beneficially owned by ZHY Asia Limited.

2. The letter “L” denotes the person’s long position (as defined under Part XV of the SFO) in the Shares.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has or is 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 and their respective associates 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 and 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 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements 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
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Quam Capital:

- (a) has given and has 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 2013 (the date to which the latest published audited consolidated financial statements of the Group 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.

8. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Feihe Master Agreement is available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at 31/F, 148 Electric Road, North Point, Hong Kong up to and including the date of the SGM.

NOTICE OF THE SPECIAL GENERAL MEETING



YuanShengTai Dairy Farm Limited

原生态牧业有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

NOTICE IS HEREBY GIVEN that the special general meeting of YuanShengTai Dairy Farm Limited (“**Company**”) will be held at Room 1, 3rd Floor, Kempinski Hotel Shenzhen, Hai De San Dao, Hou Hai Bin Road, Nanshan District, Shenzhen, 518054, the PRC on Monday, 8 December 2014 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

1. **“THAT:**

- (a) the transactions contemplated under the Feihe Master Agreement (as defined and described in the circular to the shareholders of the Company dated 21 November 2014, 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 revised annual caps for the years ending 31 December 2014 and 31 December 2015 relating thereto (“**Revised Annual Caps**”) 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 Feihe Master Agreement and all transactions and the Revised Annual Caps 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 Feihe Master Agreement and the Revised Annual Caps 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
Zhao Hongliang
Executive Director and Chairman

Hong Kong, 21 November 2014

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

- 1 Any member of the Company (the “Member”) entitled to attend and vote at the SGM convened by the 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 Bye-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.
- 2 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 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.
- 3 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.
- 4 Voting of the ordinary resolution set out in this notice will be by way of poll.