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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 PROCESSING FRAMEWORK AGREEMENT

The Board announces that, on 22 June 2015, Kedong Ruixinda entered into the Processing Framework Agreement with Feihe Dairy HLJ, pursuant to which Feihe Dairy HLJ agreed to process the Group's raw milk into milk powder.

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 agrees 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. Pursuant to Chapter 14A of the Listing Rules, the processing services provided by Feihe Dairy HLJ to the Group under the Processing Framework Agreement constitute continuing connected transactions of the Company.

Given that the relevant applicable percentage ratios in respect of the proposed annual caps under the Processing Framework Agreement are more than 0.1% but below 5% on an annual basis, such transactions are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board announces that on 22 June 2015, the Kedong Ruixinda entered into the Processing Framework Agreement with Feihe Dairy HLJ, pursuant to which Feihe Dairy HLJ agreed to provide processing services to the Group to process raw milk supplied by the Group into milk powder from time to time during the term of the Processing Framework Agreement. Principal terms of the Processing Framework Agreement are summarised below.

THE PROCESSING FRAMEWORK AGREEMENT

The principal terms of the Processing Framework Agreement are summarised as follows:

Date: 22 June 2015

Parties: (a) Kedong Ruixinda, as customer.

(b) Feihe Dairy HLJ, as service provider.

Contract period: From 22 June 2015 to 31 December 2015 (“**Term**”).

Subject matter: Feihe Dairy HLJ agreed to provide processing services to process raw milk supplied by the Group into milk powder pursuant to the terms and conditions of the Processing Framework Agreement and in accordance with the prescribed quality standards as set out in the Processing Framework Agreement.

Pricing and Payment term: For each ton of milk powder produced by Feihe Dairy HLJ after its processing and fulfils the prescribed quality standards under the Processing Framework Agreement, a processing fee of RMB4,400 per ton of milk powder will be charged by Feihe Dairy HLJ. Such processing fee was determined with reference to (i) the current processing costs of milk powder by Feihe Dairy HLJ (such as costs associated with packaging, storage, utilisation and maintenance of the processing machineries and facilities, sanitization); and (ii) prevailing market price for processing raw milk into milk powder.

The processing fee may be amended by mutual agreement during the Term between the parties with reference to changes in actual market conditions, production costs and/or inflation rate in the PRC.

Feihe Dairy HLJ shall provide to the Kedong Ruixinda, on a monthly basis, with the invoice in respect of the processing fee payable by Kedong Ruixinda for the previous month before the 15th day of each month. Payment shall be made by the Kedong Ruixinda Commercial Trade Co., Ltd. on or before the 25th day of each month.

The price and terms of the transactions contemplated under the Processing Framework Agreement were determined in the ordinary course of business on normal commercial terms, negotiated on an arm’s length basis and at prices and on terms no less favourable to the Group than those available from Independent Third Parties.

Annual cap for continuing connected transactions between the Group and Feihe Dairy Group

The proposed annual cap in respect of the transactions contemplated under the Processing Framework Agreement for the period from 22 June 2015 to 31 December 2015 is RMB25 million, and such annual cap was determined based on the following major factors:

- (i) the estimated raw milk production capacity and expected milk yield of the Group during the Term;
- (ii) the estimated sales volume of raw milk produced by the Group during the Term;
- (iii) the milk power processing capacity of Feihe Dairy HLJ;
- (iv) per unit processing fee as stated under the Processing Framework Agreement; and
- (v) the estimated rate of inflation rate in the PRC during the Term.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Announcement, the average selling price of the Group's raw milk decreased as compared to 2014 due to the increase in volume of imported powdered milk. In view of such and in order to fully utilise and better allocate the Group's production capacities, the transactions contemplated under the Processing Framework Agreement will enable the Group to convert its surplus raw milk into milk powder to extend the shelf-life of the Group's raw milk for immediate sale and/or storage for sales in the future.

Given that the processing facilities of Feihe Dairy HLJ are located in close proximity of the Group's dairy farm, which allows the Company to deliver the Group's raw milk in a timely and cost-efficient manner.

The Directors, including the independent non-executive Directors consider that the Processing Framework Agreement and the transactions contemplated thereunder are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Processing Framework Agreement, including the relevant annual cap, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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 our 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.

None of the Directors have any material interests in the contemplated transactions and therefore no Director has abstained from voting on the Board resolution approving, among others, the Processing Framework Agreement, the transactions contemplated thereunder and the relevant annual cap for the Term.

As the applicable percentage ratios for the processing services contemplated under the Processing Framework Agreement exceed 0.1% and but are less than 5%, the proposed transactions are only subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

Feihe Dairy Group is based in Heilongjiang and is principally engaged in the production and distribution of milk powders and other dairy products in China. For background information, the Company through its subsidiaries, entered into a master agreement with Feihe Dairy HLJ on 1 November 2013 for the sales of our Group's raw milk to the Feihe Dairy Group, and the transactions contemplated thereunder constitutes continuing connected transactions under Chapter 14A of the Listing Rules. Please refer to the Prospectus and the circular of the Company dated 21 November 2014 for further information.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 16 June 2015 in respect of the warning of the estimated profit attributable to the owners of the Company for the five months ending 31 May 2015
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“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)”	the 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 our customers, and an Independent Third Party (but deemed by the Stock Exchange to be our 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 our customers, an Independent Third Party and also a former owner of YST Heping and Ruixinda Gannan, whose ultimate beneficial owner is Feihe Dairy International
“Feihe Dairy International”	Feihe International, Inc., an Independent Third Party and a company incorporated in the United States, whose securities were previously listed on the New York Stock Exchange
“Processing Framework Agreement”	a framework agreement entered into between (a) the Company on the one part and (b) Feihe Dairy HLJ (for itself and on behalf of its subsidiaries) in relation to the converting raw milk supplied by the Company into packaged milk powder and for the purpose of complying with Rule 14A.35 of the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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
“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
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Prospectus”	prospectus of the Company dated 14 November 2013
“Kedong Ruixinda”	Kedong Ruixinda Commercial Trade Co., Ltd.* (克東瑞信達商貿有限公司), an indirectly wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of 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

“subsidiary(ies)” has the same meaning ascribed to it under the Listing Rules

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

Hong Kong, 22 June 2015

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhao Hongliang, Mr. Wang Shaogang, Mr. Fu Wenguo and Ms. Su Shiqin; two non-executive Directors, namely Mr. Sun Wei and Mr. Lau Ho Fung; and three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Zhang Yuezhou and Mr. Zhu Zhanbo.

* *For identification purpose only*