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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
ACQUISITION OF ASSETS IN SHAANXI PROVINCE, PRC

The Board is pleased to announce that on 19 November 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Asset Transfer Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Assets which include, inter alia, breeding facilities for milk goats and production lines for goat milk and the land use rights of certain breeding farms at a consideration of RMB131,388,221.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the transactions contemplated under the Asset Transfer Agreement are more than 5% but lower than 25%, the transactions contemplated under the Asset Transfer Agreement constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 19 November 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Asset Transfer Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Assets which include, inter alia, breeding facilities for milk goats and production lines for goat milk and the land use rights of certain breeding farms at a consideration of RMB131,388,221.

ASSET TRANSFER AGREEMENT

The principal terms of the Asset Transfer Agreement are set out below:

Date

19 November 2021

Parties

- (i) the Purchaser; and
- (ii) the Vendor.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. The ultimate beneficial owners of the Vendor are Mr. Li Baodong (李寶東) and Mr. Wang Yuhui (王玉輝), who owns 60% and 40% equity interest in the Vendor respectively.

Assets to be acquired

Pursuant to the Asset Transfer Agreement, the assets to be acquired by the Purchaser include the followings:

- (i) the assets as listed out in the Valuation Report without any encumbrance as at Completion and the right-of-use of such assets, including but not limited to, certain fixed assets, constructions in progress, productive biological assets, and various asset-related business data and record in relation to the breeding facilities for milk goats and production lines for goat milk of the Vendor;
- (ii) three pieces of lands located in Longxian Dongnan Town* (隴縣東南鎮) in Shaanxi Province, the PRC which are used as breeding farms, and one piece of land located at Zhuangli Town* (莊裡鎮) in Shaanxi Province, the PRC which is used as breeding farm for milk goats, and the land use right of these four lands;
- (iii) the buildings and structures as listed out in the Asset Transfer Agreement and the buildings and constructions in progress as listed out in the Valuation Report without any encumbrance as at Completion and the right-of-use of such buildings, structures and constructions in progress;
- (iv) the rights under all business contracts entered into by the Vendor in connection with its business operation; and
- (v) all rights against third parties in connection with the Assets which are transferrable by the Vendor to the Purchaser, including but not limited to, rights pursuant to any warranty, condition, guarantee or indemnity.

Consideration

The Consideration for the Assets under the Asset Transfer Agreement is RMB131,388,221, which shall be paid in full by the Purchaser to the Vendor within 30 days from Completion. The Purchaser may request to adjust the Consideration prior to Completion, in such case, supplemental agreement shall be entered into between both parties.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to the Valuation Report. According to the Valuation Report, the Assets were valued at RMB131,388,221 as at 31 July 2021 and were valued on a fair value basis, i.e. the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants as at 31 July 2021, based on book values or market approach depending on the types of Assets.

The Company intends to settle the Consideration by cash with the internal resources of the Group.

Conditions Precedent

Completion is conditional upon the fulfillment of the following conditions precedent:

- (i) the Purchaser and the Vendor agree with the scope of the assets and business contracts to be acquired by the Purchaser;
- (ii) the Purchaser and the Vendor agree with the adjusted consideration (if any);
- (iii) the Purchaser obtains the land use rights of the four pieces of lands and all the necessary approvals, licences and/or filings in connection with breeding of livestock and construction of breeding farms;
- (iv) the Assets are free from any encumbrances and no parties including governmental authorities have raised any claim against the Assets; and
- (v) the Purchaser obtains all the necessary consents, licences and approvals for the transfer of the Assets.

The Purchaser may in writing waive all or part of the conditions precedent prior to Completion.

Completion

Within 10 days after the fulfillment (or waiver, if applicable) of all the conditions precedent, the Purchaser shall provide confirmation to the Vendor for accepting all the Assets (the "**Confirmation**"). On the date of issue of the Confirmation, the Purchaser shall inform the Vendor with the date of Completion, which shall not be more than five days from the date of the Confirmation.

Termination

The Asset Transfer Agreement may be terminated in the following circumstances:

- (i) both parties consent in writing;
- (ii) in the event that Completion could not be conducted by 31 December 2021 due to one party's fault, the other party may terminate the Asset Transfer Agreement by written notice to the defaulting party; or
- (iii) (if necessary) the relevant governmental authority of the PRC does not approve the Asset Transfer Agreement, or in the event that such approval is granted, but requires amendment or addition to the terms and conditions of the Asset Transfer Agreement which both parties cannot accept.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company is a company incorporated in the Bermuda with limited liability and listed on the Stock Exchange, mainly engaging in dairy farming business. As at the date of this announcement, the Company had six dairy farms in Heilongjiang Province and one dairy farm in Jilin Province.

The Purchaser, which is an indirectly wholly-owned subsidiary of the Company, is primarily engaged in the breeding of livestock and sales of livestock by-products.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the PRC and is principally engaged in the breeding of livestock and sales of livestock by-products.

REASONS AND BENEFITS FOR THE ACQUISITION

According to online sources, in 2019, there were approximately 2.4 million stock of milk goats, 700,000 tons of goat milk and 129,000 tons of relevant goat milk products produced in Shaanxi province. The output value of the entire goat milk industry chain in the Shaanxi province amounted to approximately RMB28.5 billion in 2019. In the first half of 2019, the goat milk powder market recorded an overall year-on-year growth of 30.8% and it maintains more than 25% market growth every year. In 2020, the market size of infant formula goat milk powder exceeded RMB10 billion, and it is anticipated that the market size would reach RMB20-30 billion in the next three to five years. The Company sees significant potential in the goat milk market in the PRC and values the Vendor's quality stocks and breeding facilities of milk goats. The Directors believe the Acquisition will enable the Group to further expand its business in the fast-growing goat milk market in the PRC and diversify and expand new product lines to meet the customer's need for goat milk powder products in the PRC.

The Board (including the independent non-executive Directors) considers that the terms of the Asset Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and are entered into on normal commercial terms and in the interests of the Group and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the transactions contemplated under the Asset Transfer Agreement are more than 5% but lower than 25%, the transactions contemplated under the Asset Transfer Agreement constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Assets pursuant to the Asset Transfer Agreement
“Asset Transfer Agreement”	the asset transfer agreement dated 19 November 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Assets”	the assets to be acquired by the Purchaser pursuant to the terms of the Asset Transfer Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	YuanShengTai Dairy Farm Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1431)
“Completion”	the delivery of the Assets pursuant to the Asset Transfer Agreement
“Conditions Precedent”	the conditions precedent to the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB131,388,221 for the Acquisition pursuant to the Asset Transfer Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the PRC for the purpose of this announcement
“Purchaser”	Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd.* (陝西瑞祥誠達牧業有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report prepared by an independent valuer jointly appointed by the Purchaser and the Vendor
“Vendor”	Shaanxi Lvneng Shengtai Dairy Farming Co., Ltd.* (陝西綠能生態牧業有限公司), a company established in the PRC with limited liability
“%”	per cent

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

Hong Kong, 19 November 2021

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 are 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.

* For identification purpose only