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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
IN RELATION TO
DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN THE TARGET COMPANY

THE EQUITY TRANSFER AGREEMENT

On 12 June 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire equity interest in the Target Company at a consideration of RMB50,200,000 in cash.

Following the Completion, the Vendor will cease to have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5%, but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As Completion is subject to the terms and conditions of the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

On 12 June 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire equity interest in the Target Company at the consideration of RMB50,200,000 in cash.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as below:

Date

12 June 2024

Parties

- (i) the Vendor, a wholly-owned subsidiary of the Company; and
- (ii) the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Asset to be disposed of

The Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interest in the Target Company. The Target Company owns a goat breeding farm of the Group (the "**Shaanxi Ruixiang Chengda Farm**").

Consideration and payment terms

The consideration for the Disposal of RMB50,200,000 shall be paid by cash before 30 June 2024.

The Consideration was determined and agreed between the parties after arms' length negotiations and with reference to the net assets value of the Target Company as of 31 December 2023 of approximately RMB40,371,000 and the cash balance of the Target Company of RMB9,200,000 to be repaid to the Vendor.

Completion

The Vendor and the Purchaser shall begin to transfer the control of the Target Company within seven days upon satisfaction of the following conditions, and complete the procedure for alteration of industry and commerce registration within seven days when the Target Company meets the equity transfer registration conditions:

- (i) the Purchaser having paid the consideration for the Disposal;
- (ii) (if applicable) the shareholders of the Company having passed an ordinary resolution at the special general meeting of the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder; and
- (iii) the Vendor and the Purchaser having obtained all necessary consents and approvals in relation to the Disposal and the transactions contemplated thereunder.

Following the Completion, the Vendor will cease to have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited financial information of the Target Company for the two financial years ended 31 December 2022 and 2023:

	For the year ended 31 December	
	2022	2023
	(RMB'000)	(RMB'000)
Revenue	10,232	6,663
Net profit/(loss) before taxation	(38,250)	(121,432)
Net profit/(loss) after taxation	(38,250)	(121,353)

The unaudited net asset value of the Target Company as at 31 December 2023 was approximately RMB40,371,000.

FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP

Based on the existing information available to the Company, the expected gain arising from the Disposal to be recognised by the Group in its consolidated income statement is estimated at approximately RMB9,829,000, which is based on the difference between (i) the consideration for the Disposal; and (ii) the net asset value of the Target Company as at 31 December 2023 of approximately RMB40,371,000.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The actual financial effect on the Group arising from the Disposal to be recorded in the Group's consolidated accounts will be recalculated based on the net asset value of the Target Company as at the date to which completion accounts are drawn up.

The Company intends to apply the net proceeds of the Disposal for the daily operation of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established under the laws of the PRC. As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company.

The Target Company is principally engaged in the goat breeding and sales of raw goat milk.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in the production and sale of raw milk in the PRC.

The Vendor is a company established in PRC with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in the goat breeding in the PRC. The Target Company owns the Shaanxi Ruixiang Chengda Farm.

INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established in the PRC which is principally engaged in the provision of marketing planning and technology services.

The Purchaser is owned as to 70% by Mr. Wang Hongan* (王宏安) and 30% by Mr. Zhang Feng (張峰).

Mr. Wang and Mr. Zhang are PRC citizens. Mr. Wang is the legal representative of Shaanxi Tianhe Dairy Co., Ltd.* (陝西天和乳業有限公司) and Yili Mingzhu Dairy Co., Ltd.* (伊犁明珠乳業有限公司), and an executive director of Shaanxi Zhouyuan Animal Husbandry Co., Ltd.* (陝西周原牧業有限公司). Mr. Wang has years of experience in the dairy industry. Mr. Zhang is the legal representative of Shaanxi Xiangsen Printing and Packaging Co., Ltd.* (陝西翔森印務包裝有限公司) and Shaanxi Fuxiang Industrial Co., Ltd.* (陝西富翔實業有限公司), and is also a senior executive of Shaanxi Xiangsen Mei Special Can Co., Ltd.* (陝西翔森美特製罐有限公司). Mr. Zhang has extensive experience in the design, production and sales of packaging materials.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company was principally engaged in the goat breeding and sales of raw goat milk.

As disclosed in the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the supplemental announcement of the Company dated 16 May 2024 (the “**Supplemental Announcement**”) in relation to recognition of impairment losses on goat cash generating unit (the “**CGU**”), an impairment loss of RMB85.9 million was recorded from the operation of the Shaanxi Ruixiang Chengda Farm in the first half of 2023 and an additional impairment loss of RMB3.9 million was recorded in the second half of 2023 in relation to the addition of property, plant and equipment and right-of-use assets of the goat CGU in the second half of 2023, resulting in a total impairment loss of RMB89.8 million for the year ended 31 December 2023. For details of the background and basis for making such impairment loss, please refer to the 2023 Annual Report and the Supplemental Announcement.

The Board is not optimistic about the future development of the goat milk industry and does not foresee the goat milk industry would recover in the near future. Taking into account the operation and financial information of the Shaanxi Ruixiang Chengda Farm and the market trends, including the decrease of raw goat milk price and the increase of hay feed costs, the Directors are of the view that the Disposal and the transaction contemplated under the Equity Transfer Agreement are on normal commercial terms, and the terms of the Disposal fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

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As Completion is subject to the terms and conditions of the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	YuanShengTai Dairy Farm Limited (原生態牧業有限公司), a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1431)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of the Disposal, being RMB50,200,000
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 12 June 2024 entered into between the Vendor and the Purchaser in relation to the Disposal
“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 Third Party”	third party who is independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the Peoples’ Republic of China
“Purchaser”	Shaanxi Xianghe Biology Science and Technology Co., Ltd.* (陝西翔和生物科技有限公司), a company established under the laws of PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd.* (陝西瑞祥誠達牧業有限公司), a company established under the laws of PRC with limited liability and a wholly-owned subsidiary of the Company
“Vendor”	Harbin Ruixinda Dairy Farming Co., Ltd.* (哈爾濱市瑞信達牧業有限公司), a company established under the laws of PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 12 June 2024

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Zhao Hongliang (Chairman), Mr. Zhang Yongjiu (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.

* For identification purposes only.