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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board announced that on 22 December 2016, after trading hours, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company appointed the Placing Agent as its agent to procure not less than six Placees to subscribe up to 781,749,400 Placing Shares at a price of HK\$0.5 per Placing Share on a best effort basis on the terms and subject to the condition of the Placing Agreement. The Placing Shares will be allotted and issued under the General Mandate.

The 781,749,400 Placing Shares represents (i) 20% of the existing issued share capital of the Company of 3,908,747,000 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 4,690,496,400 Shares as enlarged by the allotment and issue of the Placing Shares.

Assuming that all the Placing Shares are fully placed, the maximum gross proceeds from the Placing will be approximately HK\$390.9 million. It is expected that the net proceeds from the Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing) will amount to approximately HK\$385.0 million. The Company intends to apply the net proceeds from the Placing for importing heifers and calves from Australia and New Zealand and general working capital.

The Placing is conditional upon (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and (b) the Placing Agreement not having been terminated in accordance with its terms.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date: 22 December 2016 (after trading hours)

Parties (i) Issuer: The Company
(ii) Placing Agent: The Placing Agent

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

Principal terms of the Placing Agreement

Placing Shares: The Company appointed the Placing Agent as its agent to procure not less than six Placees to subscribe up to 781,749,400 Placing Shares at a price of HK\$0.5 per Placing Share on a best effort basis. It is expected that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company after Completion. The 781,749,400 Placing Shares represents (i) 20% of the existing issued share capital of the Company of 3,908,747,000 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 4,690,496,400 Shares as enlarged by the allotment and issue of the Placing Shares. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$7,817,494.

Placing Price:	<p>The price of HK\$0.5 per Placing Share was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares on the Stock Exchange. The Placing Price represents:</p> <ul style="list-style-type: none"> (a) a discount of approximately 5.7% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on 22 December 2016, being the Last Trading Day; and (b) a discount of approximately 10.1% to the closing price of HK\$0.556 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day. <p>The Company will bear the costs and expenses of approximately HK\$5.9 million in connection with the Placing and the net proceeds from the Placing is estimated to be approximately HK\$385.0 million (assuming the Placing Shares are fully placed). As a result, the net price per Placing Share will be approximately HK\$0.49.</p>
Placing Commission:	<p>The Placing Agent will receive a placing fee of 1.5% of the aggregate Placing Price of the Placing Shares actually placed by the Placing Agent. The placing fee was determined after arm's length negotiations between the Company and the Placing Agent.</p>
Ranking of the Placing Shares:	<p>The Placing Shares, when allotted and issued, will rank <i>pari passu</i> in all respects <i>inter se</i> and with other Shares in issue at the Completion Date and the Placing Shares, when allotted and issued, will be free from all liens, charges, encumbrances and the third party rights of whatever nature and together with all rights attaching to them as at the date of the allotment.</p>
Conditions precedent to Completion:	<p>The Placing is conditional upon (a) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and (b) the Placing Agreement not having been terminated in accordance with its terms.</p> <p>If any of the above conditions is not fulfilled by 5:00 p.m. on 20 January 2017 or such later date as the Company and the Placing Agent may agree in writing, the Placing Agreement and the obligations of the parties thereunder in relation to the Placing shall cease and terminate at that time.</p>

Completion: Completion is expected to take place on a date falling three Business Days immediately after the date of the fulfillment of the closing conditions or such other date as Company and the Placing Agent shall agree in writing.

Termination: The Placing Agent shall be entitled by notice in writing to the Company given prior to 8:00 a.m. on the Completion Date to terminate the Placing Agreement if in its opinion:

- (a) there is or will be, or is likely to be, any event or thing materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of the Company or to any present or prospective Shareholder in its capacity as such or any event of force majeure having a material adverse effect on the PRC or Hong Kong; or
- (b) there is or will be, or is likely to be any new law or change in existing laws or any change in the interpretation or application thereof by any court or other competent authority in the PRC or Hong Kong having a material adverse effect on the Placing; or
- (c) if there is any suspension or limitation in the trading of Shares or trading in securities generally on the Stock Exchange and in the case of Shares such a thing persists for more than 10 consecutive trading days up to the Completion Date; or
- (d) if there is any cancellation of the listing of Shares on the Stock Exchange.

If a termination notice is given by the Placing Agent, all obligations of the Company and the Placing Agent shall cease and determine and no party shall have any claim against any other parties in respect of any matter of thing arising out of or in connection with the Placing Agreement, save in respect of the indemnity given by the Company or for any antecedent breaches.

General Mandate

The 781,749,400 Placing Shares will be allotted and issued under the General Mandate and the Placing is not subject to Shareholders' approval. Pursuant to the General Mandate, the maximum number of new Shares that the Directors are authorised to allot and issue is 781,749,400 new Shares (up to 20% of the issued share capital of the Company (with the number of issued Shares of 3,908,747,000) as at the date of the annual general meeting of the Company held on 21 June 2016). As at the date of this announcement, the General Mandate has not been utilised. The Placing Shares to be allotted and issued will fully utilise the General Mandate.

REASONS FOR THE PLACING AND THE PROPOSED USE OF PROCEEDS

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

The Group continues to seek new opportunities with the view to expanding the Group's businesses and to strive for best utilization of its resources in developing businesses. The Directors (excluding Mr. Lau Ho Fung and Mr. Sun Wei (as represented by Ms. Rebecca Guo)) consider that the Placing offers a good opportunity to raise further capital of the Company thereby increasing the liquidity of the Shares and expanding the production capacity in a timely manner in order to prepare in advance for the next boom of the raw milk industry. The Directors (excluding Mr. Lau Ho Fung and Mr. Sun Wei (as represented by Ms. Rebecca Guo)) consider that the terms of Placing Agreement are fair and reasonable and the Placing is in the interests of the Company and its Shareholders as a whole.

Assuming that all the Placing Shares are fully placed, the maximum gross proceeds from the Placing will be approximately HK\$390.9 million. It is expected that the net proceeds from the Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing) will amount to approximately HK\$385.0 million. The Company intends to apply the net proceeds from the Placing for importing heifers and calves from Australia and New Zealand and general working capital. As at the date of this announcement, the Company has not entered into any legally binding agreements in relation to import of heifer and calves from Australia and New Zealand.

MEETING OF THE BOARD ON 22 DECEMBER 2016

A meeting of the Board ("**Meeting**") was held on 22 December 2016 after trading hours for the purpose of considering, and, if thought fit, approving the entering into of the Placing Agreement. The convening of the Meeting was in compliance with the requirements of the applicable laws and the articles of association of the Company. Resolutions were passed by a majority of Directors attending the Meeting to approve the Placing and the transactions contemplated under the Placing Agreement. At the Meeting, Mr. Lau Ho Fung and Mr. Sun Wei (as represented by Ms. Rebecca Guo) voted against the proposed resolutions, Mr. Wu Chi Keung abstained from voting, and all the other Directors (namely, Mr. Zhao Hongliang, Mr. Wang Shaogang and Mr. Fu Wenguo, Mr. Chen Xiangqing, Mr. Zhang Yuezhou and Mr. Zhu Zhanbo) voted in favour of the resolutions.

During the Meeting, the dissenting Directors expressed concerns that the trend of raw milk price in the future and demand from customers on raw milk were uncertain, and the import of heifers and calves might not necessarily bring positive growth or prosperity to the Group. Moreover, the Company does not conduct detailed alternative fund raising analysis (including but not limited to bank borrowings, bonds and rights issue) for the Board's assessment. Given that (i) the prevailing market price of Shares is low; (ii) current price to book value ratio was only about 0.4 time; (iii) the Placing Price was a discount to the market price of the Shares; and (iv) the Group recorded cash balance of approximately RMB918 million as at 30 June 2016, the dissenting Directors consider that the Placing may not be in the best interests of the public Shareholders. Under the circumstances, it might be more beneficial to the Company to pursue bank-borrowings and/or other fund-raising means to fund the proposed expansion plan.

FUND RAISING DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

EFFECT OF SHAREHOLDING OF THE PLACING

The shareholding structure of the Company before and after Completion are as follows:

	As at the date of this announcement		Immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate per cent.</i>	<i>No. of Shares</i>	<i>Approximate per cent.</i>
ZHL Asia Limited (<i>Note 1</i>)	1,150,900,000	29.44	1,150,900,000	24.54
ZHY Asia Limited (<i>Note 2</i>)	170,200,000	4.35	170,200,000	3.63
Placee(s) (<i>Note 3</i>)	0	0.00	781,749,400	16.67
Public Shareholders	<u>2,587,647,000</u>	<u>66.21</u>	<u>2,587,647,000</u>	<u>55.16</u>
Total	<u>3,908,747,000</u>	<u>100.00</u>	<u>4,690,496,400</u>	<u>100.00</u>

Notes:

- 1,150,900,000 Shares were beneficially owned by ZHL Asia Limited, which is solely owned by Mr. Zhao Hongliang, the chairman of the Board and an executive Director. Therefore, Mr. Zhao Hongliang is deemed or taken to be interested in all the Shares beneficially owned by ZHL Asia Limited by virtue of the Securities Futures Ordinance.
- 170,200,000 Shares were beneficially owned by ZHY Asia Limited, which is solely owned by Mr. Zhao Hongyu, the brother of Mr. Zhao Hongliang. Therefore, Mr. Zhao Hongyu is deemed or taken to be interested in the 170,200,000 Shares beneficially owned by ZHY Asia Limited by virtue of the Securities Futures Ordinance. ZHL Asia Limited, ZHY Asia Limited, Mr. Zhao Hongliang and Mr. Zhao Hongyu 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.

3. Assuming no other issue of new Shares and no repurchase of existing Shares before Completion, and the Placing Agent has placed a total of 781,749,400 Placing Shares to the Placee(s).

GENERAL

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong generally are open for business throughout their normal business hours
“Company”	YuanShengTai Dairy Farm Limited (原生態牧業有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Placing
“Completion Date”	the date falling three Business Days immediately after the date of the fulfillment of the conditions of the Placing Agreement, or such other date as Company and the Placing Agent may agree in writing
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 June 2016, pursuant to which the Directors are authorised to allot, issue and deal with the Shares not exceeding 20% of the then aggregate number of the issued Shares as at 21 June 2016
“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
“Last Trading Day”	22 December 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the issue of this announcement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	professional, institutional or other investors procured by the Placing Agent to subscribe for any of the Placing Shares as contemplated by the Placing Agreement, who (and their ultimate beneficial owners) are third parties independent of, and not acting in concert (within the meaning of the Hong Kong Code on Takeovers and Mergers) with the Company or its connected persons
“Placing”	the placing of the Placing Shares to the Placee(s) pursuant to the Placing Agreement
“Placing Agent”	Freeman Securities Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) regulated activities
“Placing Agreement”	the placing agreement dated 22 December 2016 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Price”	HK\$0.5 per placing Share
“Placing Share(s)”	up to 781,749,400 new Shares, to be allotted and issued pursuant to the terms and condition of the Placing Agreement
“PRC”	The People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 23 December 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhao Hongliang, Mr. Wang Shaogang, Mr. Fu Wenguo and Mr. Chen Xiangqing; 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.