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China Feihe Limited
中國飛鶴有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6186)



YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1431)

JOINT ANNOUNCEMENT
(1) CONDITIONAL VOLUNTARY GENERAL OFFER BY
CLSA LIMITED ON BEHALF OF
CHINA FEIHE LIMITED
FOR ALL OF THE OUTSTANDING SHARES OF
YUANSHENGTAI DAIRY FARM LIMITED
AND FOR THE CANCELLATION OF ALL OF THE OUTSTANDING
OPTIONS OF YUANSHENGTAI DAIRY FARM LIMITED
(2) DISCLOSEABLE TRANSACTION OF CHINA FEIHE LIMITED
AND
(3) RESUMPTION OF TRADING

Exclusive Financial Adviser to the Offeror



INTRODUCTION

The Offeror and the Company jointly announce that CLSA Limited will, on behalf of the Offeror, make voluntary conditional cash offers (i) to acquire all of the outstanding Shares in the issued share capital of the Company; and (ii) to cancel all the outstanding Options.

THE OFFERS

The Share Offer

The Share Offer will be made by CLSA Limited on behalf of the Offeror, on the following basis:

Consideration of the Share Offer

For each Share HK\$0.63 in cash

The Share Offer Price of HK\$0.63 per Share represents a premium of 1.6% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 3 September 2020, being the Last Trading Date.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offers are made (*i.e.* the Despatch Date).

The Offeror will not increase the Share Offer Price for the Share Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Share Offer Price and the Offeror does not reserve the right to increase the Share Offer Price.

The Option Offer

CLSA Limited will make, on behalf of the Offeror, appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all of the outstanding Options in exchange for cash on the following basis.

In respect of Options with an exercise price of HK\$0.240:

For cancellation of each such Option. HK\$0.39 in cash

In respect of Options with an exercise price of HK\$0.590:

For cancellation of each such Option. HK\$0.04 in cash

In respect of Options with an exercise price of HK\$1.462:

For cancellation of each such Option. HK\$0.0001 in cash

WARNING:

Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions (as set out in “Conditions of the Offers” in this joint announcement), and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

VALUE OF THE OFFERS

As at the date of this joint announcement, there are 4,690,496,400 Shares in issue and 190,900,000 outstanding Options.

- (a) Based on the Share Offer Price of HK\$0.63 per Share and assuming that there is no change in the issued share capital of the Company, no outstanding Options are exercised and the Share Offer and the Option Offer are accepted in full:
 - (i) the value of the Share Offer will be HK\$2,955,012,732; and
 - (ii) the total amount to satisfy the cancellation of all outstanding Options will be HK\$63,897,660.

- (b) Based on the Share Offer Price of HK\$0.63 per Share and assuming that there is no change in the issued share capital of the Company, all in-the-money Options are exercised in full and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options):
 - (i) the value of the Share Offer will be HK\$3,071,121,732; and
 - (ii) the total amount to satisfy the cancellation of all out-of-the-money Options will be HK\$660.

FINANCIAL RESOURCES AVAILABLE TO THE OFFEROR

Assuming all in-the-money Options will be exercised, the financial resources required from the Offeror to satisfy the consideration for the Offers is HK\$3,071,122,392.

The Offeror intends to finance the consideration payable by the Offeror through its internal resources. CLSA Capital Market, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Offers, has been established by the Company in accordance with Rule 2.1 of the Takeovers Code to make recommendation to the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer and the Optionholders as to whether the Option Offer is fair and reasonable and as to acceptance of the Option Offer.

An independent financial adviser will be appointed by the Company with approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offers. Further announcement will be made by the Company in respect of appointment of the independent financial adviser as and when appropriate.

DISCLOSEABLE TRANSACTION OF THE OFFEROR AND THE LISTING RULES IMPLICATION

As the highest applicable percentage ratio in respect of the Offers exceeds 5% but is less than 25%, the Offers constitutes a disclosable transaction of the Offeror and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Gao Yu and Mr. Liu Hua are presumed to be the Concert Parties of the Offeror and are considered to have material interest in the Offers and both have abstained from the voting at the board meetings of the Offeror approving the Offers.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Offeror and the Company are required to despatch the Composite Document containing, among other things, (i) details of the Offers and their respective terms and conditions (including the expected timetable); (ii) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offers; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Offers; and (iv) relevant forms of acceptance, to the Shareholders and Optionholders within 21 days from the date of this joint announcement. It is expected that the Composite Document will be despatched on or before 27 September 2020.

The formal document containing details of the Option Offer will also be sent to Optionholders on the Despatch Date.

Further announcement(s) regarding the despatch of the Composite Document will be made by the Offeror and the Company as and when appropriate.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:03 a.m. on 4 September 2020 pending the publication of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9: 00 a.m. on 7 September 2020.

INTRODUCTION

The Offeror and the Company jointly announce that CLSA Limited will, on behalf of the Offeror, make voluntary conditional cash offers (i) to acquire all of the outstanding Shares in the issued share capital of the Company; and (ii) to cancel all the outstanding Options.

THE OFFERS

The Offers will be made by CLSA Limited on behalf of the Offeror on the following basis:

The Share Offer

Under the Share Offer, Shareholders accepting the Share Offer will receive the Share Offer Price of HK\$0.63 per Share in cash.

If, after the Despatch Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Share Offer Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital, in which case any reference in this joint announcement, the Composite Document or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as so reduced.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offers are made (*i.e.* the Despatch Date).

The Company confirms that as at the date of this joint announcement, (a) it has not declared any dividend, the record date of which falls on or after the expected Despatch Date; and (b) it does not have any intention to make, declare or pay any future dividend or make other distributions until the close of the Offers.

The Offeror will not increase the Share Offer Price for the Share Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Share Offer Price and the Offeror does not reserve the right to increase the Share Offer Price.

The Share Offer Price of HK\$0.63 per Share represents:

- a premium of approximately 1.6% to the closing price of the Shares of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 6.1% to the average closing price of the Shares of approximately HK\$0.59 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 8.4% to the average closing price of the Shares of approximately HK\$0.58 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 17.5% to the average closing price of the Shares of approximately HK\$0.54 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;
- a premium of approximately 39.4% to the average closing price of the Shares of approximately HK\$0.45 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Date; and
- a discount of approximately 38.8% to the Group's net asset value per Share of approximately HK\$1.03 as at 31 December 2019.

During the six-month period preceding and up to the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.620 on 3 September 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.245 on 23 March 2020.

The Option Offer

CLSA Limited will make an offer on behalf of the Offeror to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all of the outstanding Options (whether vested or not) in exchange for cash on the following basis:

In respect of Options with an exercise price of HK\$0.240:

For cancellation of each such Option.HK\$0.39 in cash

In respect of Options with an exercise price of HK\$0.590:

For cancellation of each such Option.HK\$0.04 in cash

In respect of Options with an exercise price of HK\$1.462:

For cancellation of each such Option.HK\$0.0001 in cash

As at the date of this joint announcement, there are 190,900,000 outstanding Options, carrying rights to subscribe for 190,900,000 new Shares. 161,500,000 of the outstanding Options have an exercise price of HK\$0.240 per Share, 22,800,000 of the outstanding Options have an exercise price of HK\$0.590 per Share, and the remaining 6,600,000 outstanding Options have an exercise price of HK\$1.462 per Share.

The price for the cancellation of each Option accepted under the Option Offer should normally be the see-through price which represents the excess of the Share Offer Price over the exercise price of each Option. As the Share Offer Price, which is HK\$0.63 per Share, is lower than the exercise prices of 6,600,000 outstanding Options with the exercise price of HK\$1.462, the 6,600,000 outstanding Options are currently out-of-the-money. As such, the Option Offer for each of such Options will be made with HK\$0.0001 in cash for the cancellation of each of such outstanding Options.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Further information on the Option Offer will be set out in the formal document containing details of the Option Offer which will be sent to Optionholders on the Despatch Date.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

Settlement of consideration

Settlement of consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days after the later of (i) the Unconditional Date and (ii) the date on which the duly completed acceptance of the Offers and the relevant documents of title in respect of such acceptance are received by the Offeror (or its agent).

No fraction of a cent will be payable and the amount of cash consideration payable to a Shareholder or Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as applicable) will be rounded up to the nearest cent.

VALUE OF THE OFFERS

As at the date of this joint announcement, there are 4,690,496,400 Shares in issue and 190,900,000 outstanding Options.

- (a) Based on the Share Offer Price of HK\$0.63 per Share and assuming that there is no change in the issued share capital of the Company, no outstanding Options are exercised and the Share Offer and the Option Offer are accepted in full:
 - (i) the value of the Share Offer will be HK\$2,955,012,732; and
 - (ii) the total amount to satisfy the cancellation of all outstanding Options will be HK\$63,897,660.

- (b) Based on the Share Offer Price of HK\$0.63 per Share and assuming that there is no change in the issued share capital of the Company, all in-the-money Options are exercised in full and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options):
 - (i) the value of the Share Offer will be HK\$3,071,121,732; and
 - (ii) the total amount to satisfy the cancellation of all out-of-the-money Options will be HK\$660.

FINANCIAL RESOURCES AVAILABLE TO THE OFFEROR

Assuming all in-the-money Options will be exercised, the financial resources required from the Offeror to satisfy the consideration for the Offers is HK\$3,071,122,392.

The Offeror intends to finance the consideration payable by the Offeror through its internal resources. CLSA Capital Market, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

CONDITIONS OF THE OFFERS

The Share Offer

The Share Offer is subject to the following Conditions:

- (a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4: 00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Offeror and its Concert Parties holding at least 50% of the voting rights in the Company;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading of the Shares as a result of the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (c) no event having occurred which would make the Offers or the acquisition of any of the Shares under the Share Offer void, unenforceable or illegal or prohibit implementation of the Offers; and
- (d) no relevant authority(ies) in the PRC, Hong Kong, Cayman Islands and Bermuda having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Shares under the Offers void, unenforceable or illegal or prohibit the implementation of, or

which would impose any material conditions, limitations or obligations with respect to, the Offers (other than such items or events above as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers).

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above save that Condition (a) cannot be waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offers.

The Option Offer

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror will publish an announcement when the Share Offer becomes or is declared unconditional as to acceptances and when the Share Offer becomes or is declared unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional. Shareholders and Optionholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this minimum 14-day period.

REASONS FOR AND BENEFITS OF THE OFFERS

Reasons and benefits for the Offeror

(1) To further strengthen the Offeror's leading position in high-end infant milk formula market

The Offeror is a leading and highly recognized Chinese brand infant milk formula company. The success of the Offeror Group's products is largely attributable to its persistency in producing the freshest and highest quality proprietary infant milk formula products.

The Offeror Group is one of the few infant milk formula providers in China to use fresh milk as the main ingredient in all of its infant milk formula products, in contrast to major brands sold in China, which generally use imported milk powder as the primary raw material to manufacture their products, to preserve the freshness and nutrients distribution which is crucial to the quality of its infant milk formula products. High quality and stable fresh milk supply is therefore essential to the continued success of the Offeror Group's infant milk formula products.

The Company is one of the leading dairy farming companies in the PRC in terms of herd size and production volume. As one of the largest fresh milk suppliers of the Offeror, the Group has excellent geographical advantages given its farms are in close proximity of the Offeror Group's downstream processing plants enabling the freshness of the

fresh milk supplied to be optimally preserved. Through the Offers, the Offeror Group will be able to secure stable supply of high-quality fresh milk from the Group to satisfy consumers' growing demand for its infant milk formula products. Furthermore, the Offeror Group will be able to drive improved performance and strategic development of the Group in line with the Offeror Group's future growth plans. This in turn will provide strong support for the growth of the Offeror Group's infant milk formula production, strengthening the Offeror Group's leading position in the infant milk formula market.

(2) *To become an integrated market leader with demonstrated ability to control the entire value chain and further enhance operation efficiency*

The Offeror Group started procuring fresh milk from the Group in 2010 and has entered into a long-term strategic cooperation agreement with the Company to ensure the priority in obtaining sufficient high-quality fresh milk. The Offers will enhance the current business collaboration and will ensure the continuity of high quality and safe fresh milk supply to the Offeror Group.

In addition, the Group's expertise in farming and quality management will help the Offeror Group in quality control of raw milk purchased from smaller dairy farmers, which will further improve the Offeror Group's operational capabilities.

Based on the foregoing and having carefully reviewed and considered the terms and conditions of the Offers, the directors of the Offeror consider that the Offers are on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Offeror and the shareholders of the Offeror as a whole.

Reasons and benefits for the Company and its Shareholders

As set out in the section headed "The Offers" in this joint announcement, during the six-month period preceding and up to the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.620 on 3 September 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.245 on 23 March 2020. The average closing price for the 90 trading days up to and including the Last Trading Date was approximately HK\$0.45 per Share. The average daily trading volume of the Shares for the 6-months period, 12-month period and for the 24-month period up to and including the Last Trading Date were approximately 13.64 million Shares, 9.63 million Shares and 6.06 million Shares per day, representing only approximately 0.29%, 0.21% and 0.13% respectively of the issued Shares as at the date of this joint announcement. The low trading liquidity of the Shares could make it difficult for Shareholders to divest scalable on-market disposals without adversely affecting the price of the Shares.

As such, the Share Offer presents an immediate opportunity for holders of the Offer Shares to realise their investments in the Offer Shares for cash and redeploy the cash received from accepting the Offer into other investment opportunities.

INTENTION OF THE OFFEROR ON THE GROUP

The Offeror intends that the Group will continue to operate its business in substantially its current state. Upon close of the Offers, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating a sustainable business plan or strategy for the Group's long-term development. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

Notwithstanding the above, as at the date of this joint announcement, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

As at the date of this joint announcement, the Offeror has not decided on the future composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code, the Listing Rules and the by-laws of the Company and further announcement will be made by the Company as and when appropriate.

Maintaining the listing status of the Company

The Offeror has no intention to privatize the Company and intends the Company to remain listed on the Main Board of the Stock Exchange after close of the Offers. According to the Listing Rules, if, upon the close of the Share Offer, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares until appropriate steps have been taken to restore the minimum percentage of the Shares in public hands. In such circumstances, the Offeror will take appropriate steps to restore the sufficient public float of the Shares after the close of the Share Offer accordingly.

INFORMATION OF THE OFFEROR AND THE COMPANY

Information of the Offeror

The Offeror is a company incorporated in the Cayman Islands with limited liability and listed on the Stock Exchange (stock code: 6186), with Mr. Leng Youbin being its ultimate controlling shareholder, and mainly engages in the production and sales of infant milk formula products and the retailing of nutritional supplements. Mr. Leng Youbin, being the chairman and a controlling shareholder of the Offeror, holds in aggregate 4,267,237,635 shares (including 3,869,911,881 shares held by Harneys Trustees Limited as the trustee for Leng Family Trust and 397,325,754 shares through Dasheng Limited, a company in which each of Mr. Leng Youbin, Mr. Liu Hua (an executive director of the Offeror) and Mr. Liu Shenghui (a former executive director of the Offeror) holds one third of the equity interest), representing

approximately 47.77% of the total issued capital of the Offeror as at the date of this joint announcement. Mr. Leng Youbin has over 30 years of experiences in the dairy industry. The second largest shareholder of the Offeror is North Haven Private Equity Asia IMF Holding Limited, holding 1,368,651,860 shares, representing approximately 15.32% of the total issued capital of the Offeror as at the date of this joint announcement. The Offeror is deemed to be a connected person of the Company pursuant to the then Rule 14A.06 of the Listing Rules by the Stock Exchange and has been so since the Company's listing on the Stock Exchange in 2013.

Information of the Company

The Company is a company incorporated in the Bermuda with limited liability and listed on the Stock Exchange (stock code: 1431), mainly engaging in dairy farming business. As at the date of this joint announcement, the Company had six dairy farms in Heilongjiang Province and one dairy farm in Jilin Province. Mr. Zhao Hongliang is the ultimate single largest Shareholder, interested in aggregate in 1,321,100,000 Shares (including 1,150,900,000 Shares beneficially owned by himself, and 170,200,000 Shares beneficially owned by Mr. Zhao Hongyu, the brother of Mr. Zhao Hongliang), representing approximately 28.17% of the total issued capital of the Company as at the date of this joint announcement.

Financial information of the Company

Based on the audited consolidated financial statements of the Company for the financial years ended 31 December 2018 and 2019, the net profits before and after taxation for the financial years ended 31 December 2018 and 2019 are set out below:

	For the year ended 31 December 2018 <i>(in RMB'000)</i>	For the year ended 31 December 2019 <i>(in RMB'000)</i>
Profit/(Loss) before taxation	(556,313)	223,080
Profit/(Loss) after taxation	(556,313)	223,080

Based on the consolidated financial statements of the Company for the six months ended 30 June 2020, the net assets of the Company as at 30 June 2020 was approximately RMB4,442,707,000.

Shareholding structure of the Company

As at the date of this joint announcement, there are 4,690,496,400 Shares in issue and 190,900,000 outstanding Options.

Save as disclosed above, the Company has no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Company.

The following tables sets out the shareholding structure of the Company as at the date of this joint announcement:

Shareholders	Number of Shares	Approximate %
Offeror	0	0.00
Offeror's Concert Parties		
Mr. Gao Yu ⁽¹⁾	500,000	0.01
Mr. Liu Gang ⁽²⁾	5,621,000	0.12
Aggregate number of Shares held by Offeror and its Concert Parties	6,121,000	0.13
Mr. Zhao Hongliang ⁽³⁾	1,321,100,000	28.17
Other Directors of the Company	1,115,000	0.02
Other Shareholders	3,362,160,400	71.68
Total	4,690,496,400	100.00

Notes:

- 1) Mr. Gao Yu is a non-executive director of the Offeror. Therefore, Mr. Gao Yu is presumed to be the Offeror's Concert Party pursuant to the Takeovers Code.
- 2) Mr. Liu Gang, being a brother of Mr. Liu Hua who is an executive director of the Offeror, is presumed to be the Offeror's Concert Party pursuant to the Takeovers Code. Other than his interest in the 5,621,000 Shares, Mr. Liu Gang is also interested in 15,000,000 Options.
- 3) 1,150,900,000 Shares were beneficially owned by ZHL Asia Limited which is solely owned by Mr. Zhao Hongliang, and 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. 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 to confirm, among others, their acting-in-concert agreement. As such, Mr. Zhao Hongliang was also deemed to have interests in the Shares beneficially owned by ZHY Asia Limited and Mr. Zhao Hongyu. Other than his interest in the 1,321,100,000 Shares, Mr. Zhao Hongliang is also interested in 4,500,000 Options.

GENERAL MATTERS RELATING TO THE OFFERS

Overseas Independent Shareholders and Optionholders

The Offeror intends to make the Share Offer and Option Offer available to all Shareholders and Optionholders, respectively, including those who are not resident in Hong Kong. The availability of the Share Offer and Option Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due by such overseas accepting Shareholders or Optionholders in such jurisdiction.

Any acceptance by any Shareholder or Optionholder will be deemed to constitute a representation and warranty from such Shareholder or Optionholder to the Offeror and that all local laws and requirements have been complied with and that the Offers can be lawfully accepted by such Shareholder or Optionholder under the laws of the relevant jurisdiction. Shareholders and Optionholders should consult their professional advisers if in doubt.

In the event that the receipt of the Composite Document by overseas Shareholders or Optionholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such overseas Shareholders or Optionholders. The Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Any arrangements for overseas Shareholders and Optionholders to collect the Composite Document or the formal document containing details of the Option Offer, respectively, will be set out in a further announcement.

Notice to Shareholders in the United States

The receipt of cash by a US Shareholder pursuant to the Offers may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Shareholder is urged to consult his/her independent professional adviser immediately regarding the tax consequences of the Offers applicable to him/her.

It may be difficult for the US Shareholders to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the US, and some or all of their officers and directors may be residents of a country other than the US. The US Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

Warranty by Shareholders

In addition to the Conditions set out in this joint announcement, the Share Offer is made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Share Offer are sold by such person or persons as being fully paid and free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offers are made (*i.e.* the Despatch Date).

The Offers will be made in compliance with the Takeovers Code which is administered by the Executive. Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

The Shareholders and the Optionholders are reminded to read the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Offers and the letter from the independent financial adviser containing its advice to the Independent Board Committee in respect of the Offers which will be included in the Composite Document.

Stamp Duty

Seller's *ad valorem* stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Share Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the sellers' *ad valorem* stamp duty on behalf of accepting Shareholders and pay the buyer's *ad valorem* stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the Option Offer.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company, CLSA Limited, CLSA Capital Markets and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Close of the Offers

The latest time on which the Offeror can declare the Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or, if permissible, waived), Shareholders and Optionholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

Other Information

As at the date of this joint announcement:

- (a) the Offeror and its Concert Parties have not received any irrevocable commitment to accept or reject the Offers;

- (b) save as disclosed in the section headed “Shareholding Structure of the Company” in this joint announcement, the Offeror and its Concert Parties do not own or have control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (c) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror or any of its Concert Parties;
- (d) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (e) there is no agreement or arrangement to which the Offeror or its Concert Parties is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers; and
- (f) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or its Concert Parties have borrowed or lent.

None of the Offeror or its Concert Parties has dealt in the Shares, Options, derivatives, warrants and/or other securities convertible into Shares of the Company during the three-months period prior to the date of this joint announcement.

As at the date of this joint announcement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror and its Concert Parties, or (b) the Company, its subsidiaries or associated companies.

DISCLOSEABLE TRANSACTION OF THE OFFEROR AND THE LISTING RULES IMPLICATION

As the highest applicable percentage ratio in respect of the Offers exceeds 5% but is less than 25%, the Offers constitutes a disclosable transaction of the Offeror and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Gao Yu and Mr. Liu Hua are presumed to be the Concert Parties of the Offeror and are considered to have material interest in the Offers and both have abstained from the voting at the board meetings of the Offeror approving the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Offers, has been established by the Company in accordance with Rule 2.1 of the Takeovers Code to make recommendation to the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer and the Optionholders as to whether the Option Offer is fair and reasonable and as to acceptance of the Option Offer.

An independent financial adviser will be appointed by the Company with approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offers. Further announcement will be made by the Company in respect of appointment of the independent financial adviser as and when appropriate.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Offeror and the Company are required to despatch the Composite Document containing, among other things, (i) details of the Offers and their respective terms and conditions (including the expected timetable); (ii) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offers; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Offers; and (iv) relevant forms of acceptance, to the Shareholders and Optionholders within 21 days from the date of this joint announcement. It is expected that the Composite Document will be despatched on or before 27 September 2020.

The formal document containing details of the Option Offer will also be sent to Optionholders on the Despatch Date.

Further announcement(s) regarding the despatch of the Composite Document will be made by the Offeror and the Company as and when appropriate.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:03 a.m. on 4 September 2020 pending the publication of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9: 00 a.m. on 7 September 2020.

DEALINGS DISCLOSURE

As at the date of this joint announcement, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Offeror comprised (i) 8,933,340,000 shares of the Offeror in issue and (ii) outstanding options carrying rights to subscribe for 190,190,704 new shares of the Offeror. Save for the aforesaid, the Offeror has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this joint announcement.

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company pursuant to the Takeovers Code.

For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

The Offeror, its respective nominees or brokers or associates may from time to time make certain purchases of, or arrangements to purchase Shares other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance in compliance with the Takeovers Code. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and will be available on the SFC website at <http://www.sfc.hk/>.

WARNING

Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a full day on which the Stock Exchange is open for business of dealing in securities
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Share Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive
“CLSA Capital Markets”	CLSA Capital Markets Limited, a corporation licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in respect of the Offers, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030)
“CLSA Limited”	CLSA Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being the agent making the Share Offer on behalf of the Offeror, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030)
“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)
“Composite Document”	means the composite document to be issued jointly by the Offeror and the Company to all Shareholders and Optionholders in connection with the Offers and in accordance with the Takeovers Code which will contain, inter alia, details of the Offers, the terms and conditions of the Offers, a letter from the Independent Board Committee and a letter from the independent financial adviser in respect of the Offers

“Concert Party(ies)”	parties acting in concert with the person or party as specified as determined in accordance with the Takeovers Code
“Conditions”	the conditions of the Share Offer, as set out under the section headed “Conditions of the Offers – The Share Offer” of this joint announcement
“Despatch Date”	the date of despatch of the Composite Document and the formal document containing details of the Option Offer
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Meng Jingzong, Mr. Zhang Yuezhou and Mr. Zhu Zhanbo
“Independent Shareholders”	Shareholders other than the Offeror’s Concert Parties
“Last Trading Date”	3 September 2020, being the last full trading date prior to the suspension of trading in the Shares on the Stock Exchange pending the publication of this joint announcement
“Leng Family Trust”	the Leng Family Trust where Mr. Leng Youbin is its settlor and the only discretionary object
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offeror”	China Feihe Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6186)
“Offeror Group”	the Offeror and its subsidiaries

“Offers”	the Share Offer and the Option Offer
“Offer Shares”	all the Shares in issue, other than those Shares already owned by or agreed to be acquired by the Offeror
“Option Offer”	the proposal to be made by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in accordance with the terms and conditions set out in this joint announcement
“Optionholders”	the holders of the Options
“Options”	share options granted by the Company pursuant to the Share Option Scheme of the Company, whether vested or not
“PRC”	the People’s Republic of China (for the purpose of this joint announcement only, excluding Hong Kong, Macao and Taiwan)
“relevant securities”	has the meaning ascribed to it under Note 4 to Rule 22 of the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the voluntary conditional cash offer by the Offeror to acquire all of the outstanding Shares in accordance with the terms and conditions set out in this joint announcement
“Share Offer Price”	being HK\$0.63 per Share
“Share Option Scheme”	means the share option scheme adopted by the Company on 7 November 2013
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs published by the SFC

“Unconditional Date”	means the date on which the Offers become or are declared unconditional in all respects
“US” or “United States”	United States of America
“%”	per cent.

By Order of the Board
China Feihe Limited
Leng Youbin
Chairman

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

Hong Kong, 6 September 2020

As at the date of this joint announcement, the executive directors of the Offeror are Mr. LENG Youbin, Mr. LIU Hua, Mr. CAI Fangliang, Ms. Judy Fong-Yee TU and Mr. CHEUNG Kwok Wah; the non-executive directors of the Offeror are Mr. GAO Yu and Mr. Kingsley Kwok King CHAN; and the independent non-executive directors of the Offeror are Ms. LIU Jinping, Mr. SONG Jianwu, Mr. FAN Yonghong and Mr. Jacques Maurice LAFORGE.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information in relation to the Company) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the executive Directors of the Company are Mr. ZHAO Hongliang, Mr. FU Wenguo, Mr. CHEN Xiangqing and Mr. LIU Gang; and the independent non-executive Directors of the Company are Mr. MENG Jingzong (alias Owens MENG), Mr. ZHANG Yuezhou and Mr. ZHU Zhanbo.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information in relation to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.