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**優然牧業**  
**YOURAN DAIRY**

**China Youran Dairy Group Limited**

**中國優然牧業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9858)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE ESTABLISHMENT OF A JOINT VENTURE**

### **THE INVESTMENT COOPERATION AGREEMENT**

The Board is pleased to announce that on June 17, 2022, Inner Mongolia Youran and Rixin entered into the Investment Cooperation Agreement, pursuant to which Inner Mongolia Youran and Rixin shall establish the Joint Venture for the investment in New Dairy Farms in the upstream dairy industry chain in the PRC.

### **IMPLICATIONS UNDER THE LISTING RULES**

Under Rule 14.74(1) of the Listing Rules, the grant of the Options (the exercise of which is not at the discretion of the Company) shall be classified as if the Options had been exercised at the time of grant. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the establishment of the Joint Venture and the grant of the Options pursuant to the Investment Cooperation Agreement on an aggregate basis is more than 5% but all are less than 25%, the Investment Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements thereunder.

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## **THE INVESTMENT COOPERATION AGREEMENT**

The principal terms of the Investment Cooperation Agreement are as follows:

Date: June 17, 2022

Parties: (i) Inner Mongolia Youran; and  
(ii) Rixin

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Rixin is a third party independent of the Company and its connected persons.

### **Term**

The establishment of the Joint Venture shall be effective from the date of issuance of its business license and its operation term shall be 13 years unless otherwise determined between Inner Mongolia Youran and Rixin taking into account the operation needs of the Joint Venture.

### **Registered capital**

The registered capital of the Joint Venture shall be RMB1,000,000,000, of which Inner Mongolia Youran and Rixin shall contribute RMB510,000,000 and RMB490,000,000, respectively, accounting for 51% and 49% of the shareholding in the Joint Venture, respectively. The registered capital shall be reduced by an amount equivalent to the unutilised capital of the Joint Venture after January 1, 2026 (if any). The parties shall simultaneously make their respective paid-in capital contribution in the same proportion within seven working days after receiving written notice from the Joint Venture.

The amount of capital contribution was arrived at after arm's length negotiation between the Company and Rixin with reference to the capital requirements of the Joint Venture. The capital contribution by Inner Mongolia Youran will be funded by internal resources of the Group.

### **Business of the Joint Venture**

The Joint Venture shall invest in New Dairy Farms in the upstream dairy industry chain in China. The investment amount of each invested farm shall not exceed 20% of the registered capital of the Joint Venture, and the shareholding of the Joint Venture in a single invested farm shall not exceed 40%. The investment period shall not exceed 9 years from the date the investment amount first reaches the account of a New Dairy Farm.

## **Distribution of profit**

Rixin shall be entitled to receive investment income calculated in accordance with the following formula: 49% of the paid-in capital of the invested farm invested by the Joint Venture multiplied by a fixed rate of return of 2% per annum multiplied by the actual number of days from the day following the expiry of the construction period of the invested farm to the date of payment (the “**Income Settlement Date**”) of the investment income (the “**Income Period**”). The last Income Period shall be from and include the day following the previous Income Settlement Date until but exclude the date when the funds of the Joint Venture invested in the invested farm are returned. Save for the above investment income, Rixin will not participate in the profit distribution of the Joint Venture in accordance with the proportion of equity held. If the profit of the Joint Venture is not sufficient to cover the investment income entitled to be received by Rixin, Inner Mongolia Youran shall pay the difference to Rixin. Inner Mongolia Youran shall be entitled to receive the remaining investment income of the Joint Venture.

## **Board composition**

The board of the Joint Venture shall comprise three members, of which Rixin shall appoint one member and Inner Mongolia Youran shall appoint two members.

## **Investment exit options (the “Options”)**

In the event a dairy farm investment operates at a loss for three consecutive years from the commencement of operation or the loss amount reaches 70% of the registered capital of the dairy farm investment, Rixin shall have the right to require Inner Mongolia Youran to acquire its investment in such dairy farm at a consideration equivalent to Rixin’s capital contribution therein.

Upon the end of an investment period, the equity interest of Rixin in such investment may be transferred by way of public tender and Inner Mongolia Youran shall participate in such public tender. If in any event the consideration of such transfer is lower than the capital contribution amount of Rixin or no transfer is effected from the public tender, Inner Mongolia Youran shall acquire Rixin’s equity interest in such investment at a consideration equivalent to Rixin’s capital contribution therein.

Upon the end of an investment period of the Joint Venture in an invested farm or the triggering of any repurchase conditions under the relevant agreements in respect of an investment, in the event that neither the Industrial Investors nor the corresponding guarantors are able to repurchase the equity interests held by the Joint Venture in a New Dairy Farm pursuant to the relevant agreements, Inner Mongolia Youran shall acquire the equity interest of the Joint Venture held in such investment at an amount equivalent to the capital contribution of the Joint Venture in such New Dairy Farm.

The Company will comply with all applicable requirements under the Listing Rules in respect of the above transactions as and when necessary.

## **Termination**

The Joint Venture will be terminated upon the following events: (a) expiration of operation term; (b) in accordance with the constitutional documents of the Joint Venture; (c) upon the approval of the shareholders of the Joint Venture; (d) early withdrawal from all investments of the Joint Venture; (e) material breach of the Investment Cooperation Agreement by either party thereto; (f) the occurrence of a force majeure event; (g) the revocation of the business license of the Joint Venture; and (h) by reason of laws and administrative regulations.

## **INFORMATION ABOUT THE PARTIES**

### **Information on Inner Mongolia Youran, the Company and the Group**

Inner Mongolia Youran is a wholly-owned subsidiary of the Company. The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of the Stock Exchange (stock code: 9858) since June 18, 2021. The Group is primarily engaged in the production and sale of raw milk, and the trading, production and sale of feeds, ruminant farming products and breeding products in the PRC.

### **Information on Rixin**

Rixin is a company established under the laws of the PRC by the Finance Department of the Inner Mongolia Autonomous Region with the approval of the People's Government of Inner Mongolia Autonomous Region. It is a state-owned financial enterprise primarily engaged in investment and provision of guarantee, asset management, commercial factoring, private equity fund management and industrial investment services.

## **REASONS FOR AND BENEFITS OF THE INVESTMENT COOPERATION AGREEMENT**

The Group is a leader in China's upstream dairy market with an all-round business extending from breeding, feed to raw milk production. One of the Group's future plans and strategies is to continue to scale its business, thereby reinforcing its market leadership.

With the support of favorable national policies and the trend of further scaling up dairy farming bringing about more development opportunities for large-scale dairy farming groups such as the Group, the establishment of the Joint Venture with a state-owned enterprise of the People's Government of Inner Mongolia Autonomous Region will give full play to the leverage of financial funds, leverage and attract financial capital and social capital to invest in the agricultural and livestock industry, accelerate the development of rural pasture areas of agricultural and livestock, and further implement the strategy of rural revitalization. At the same time, the Group will be able to further expand the scale of farms.

Having considered the above factors, the Directors are of the view that the Investment Cooperation Agreement provides a good opportunity for the Group to invest in the upstream dairy industry in the PRC and is in line with the strategic development of the Group and that the terms of the Investment Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Under Rule 14.74(1) of the Listing Rules, the grant of the Options (the exercise of which is not at the discretion of the Company) shall be classified as if the Options had been exercised at the time of grant. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the establishment of the Joint Venture and the grant of the Options pursuant to the Investment Cooperation Agreement on an aggregate basis is more than 5% but all are less than 25%, the Investment Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements thereunder.

## DEFINITIONS

“Board”	the board of Directors
“Company”	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 21, 2020
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 People’s Republic of China
“Industrial Investors”	the shareholders of an invested New Dairy Farm other than the Joint Venture
“Inner Mongolia Youran”	Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司), a company established under the laws of the PRC in August, 2007 and a wholly-owned subsidiary of the Company
“Investment Cooperation Agreement”	the investment cooperation agreement dated June 17, 2022 entered into between Inner Mongolia Youran and Rixin
“Joint Venture”	the joint venture to be established by Inner Mongolia Youran and Rixin pursuant to the Investment Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Dairy Farm(s)”	dairy farms that meet the following conditions: (1) an independent legal person with the ability to independently assume legal responsibilities; (2) construction commenced after January 1, 2019 and with a designed herd size of dairy cows of more than 3,000 (excluding calves); and (3) the operation meets the conditions for animal epidemic prevention, possesses the Animal Epidemic Prevention Qualification Certificate (《動物防疫條件合格證》) issued by the animal husbandry and veterinary medicine authority, establishes complete breeding files and standardises management
“PRC or China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Rixin”	Inner Mongolia Rixin Investment (Group) Limited* (內蒙古日信投資(集團)有限公司), a company established under the laws of the PRC by the Finance Department of the Inner Mongolia Autonomous Region with the approval of the People’s Government of Inner Mongolia Autonomous Region
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By order of the Board  
**China Youran Dairy Group Limited**  
**Zhang Yujun**  
*Chairman and Non-executive Director*

Hong Kong, June 17, 2022

*As at the date of this announcement, the executive Directors are Mr. Zhang Xiaodong and Mr. Dong Jiping, the non-executive Directors are Mr. Zhang Yujun, Mr. Xu Jun, Mr. Xu, Zhan Kevin and Mr. Qiu Zhongwei, and the independent non-executive Directors are Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Shen Jianzhong.*

\* *For identification purposes only*