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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)

AMENDMENT TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

BACKGROUND

Reference is made to the Prospectus of the Company. As disclosed in the Prospectus, the Company issued the following Convertible Notes to the Noteholders on the dates and in the principal amounts as summarized below:

Noteholder:	PAG III	ICBC	BOC	Bain
Issuance date of the Convertible Note	November 4, 2020	November 11, 2020	November 20, 2020	November 20, 2020
Amount of consideration paid	US\$330 million	US\$30 million	US\$25 million	US\$75 million

Further details of the principal terms and conditions of the Convertible Notes are disclosed under the section headed “History, Reorganization and Group Structure – The Pre-IPO Investments – Issuance of Convertible Notes” of the Prospectus.

As at the date of this announcement, all of the Convertible Notes remain outstanding and held by the Noteholders.

THE SUPPLEMENTAL LETTER AGREEMENTS

On November 28, 2022 (after trading hours), the Company and each of BOC, ICBC and PAG III entered into the Supplemental Letter Agreements, respectively, to amend certain terms and conditions of the Convertible Notes.

Set out below are the principal terms of the Supplemental Letter Agreements.

Date

November 28, 2022

Parties

- (1) The Company; and
- (2) Each of BOC, ICBC and PAG III

The Amendment to the Convertible Notes

Pursuant to the Supplemental Letter Agreements, the Company shall have the right to redeem 70% of the outstanding Convertible Note held by PAG III and all of the outstanding Convertible Notes held by ICBC and BOC before the Maturity Date. The redemption price payable by the Company for the Early Redemption shall be determined with reference to the principal amount of the relevant Convertible Notes to be early redeemed, together with the applicable Interest accrued thereon up to the date of the Early Redemption.

The Interest applicable to the Early Redemption shall be the same as provided for in the existing Convertible Notes, which comprises the cash interest of 4% per annum and the pay-in-kind interest of 6% per annum.

Save for the foregoing, all other terms and conditions of the Convertible Notes shall remain unchanged and valid, and the remaining Convertible Notes shall continue to be held by the respective Noteholders.

INFORMATION ABOUT THE PARTIES

The Company and the Group

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.

PAG III

PAG III is an exempted company incorporated under the laws of the Cayman Islands on October 4, 2019, and is a controlling shareholder of the Company. PAG III is a wholly-owned subsidiary of discretionary funds managed by PAG Capital Limited.

ICBC

ICBC is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of ICBC International Holdings Limited. ICBC International Holdings Limited, together with its group companies, is the offshore investment services platform of Industrial and Commercial Bank of China Limited, based in Hong Kong, and the holding company of ICBC International Capital Limited and ICBC International Securities Limited. The group companies of ICBC International Holdings Limited mainly render a variety of investment-related services, including listing sponsorship and underwriting, equity financing, bond underwriting, direct investment, securities sales and brokerage and asset management.

BOC

BOC is a wholly-owned subsidiary of Bank of China Group Investment Limited, which is in turn a wholly-owned subsidiary of Bank of China Limited. Bank of China Limited is a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Stock Exchange (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988), respectively.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL LETTER AGREEMENTS

Prior to entering into the Supplemental Letter Agreements, the Company has secured a new bank loan to redeem the Convertible Notes; the interest rate of the new loan is more favourable to the Company than the Interest under the Convertible Notes. As such, through re-financing the Early Redemption, the Company will reduce its interest expenses associated with the Convertible Notes and improve the Company's cost structure and financial performance.

Having considered the above, the Directors are of the view that the terms of the Supplemental Letter Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of the Supplemental Letter Agreements, PAG III is a controlling shareholder of the Company, while BOC and ICBC are independent third parties of the Company. The Directors, after due and careful deliberation, consider that the amendment to the Convertible Notes as set out in the Supplemental Letter Agreements does not constitute a material change to the terms of the Convertible Notes. As such, the requirement to re-comply with the requirements of Chapter 14A of the Listing Rules in respect of a connected transaction if there is any material variation or change to its terms shall not be applicable in respect of the Supplemental Letter Agreements.

Nevertheless, to assess and ensure the fairness and reasonableness of the terms of the Supplemental Letter Agreements and the Early Redemption as set out thereunder, prior to entering into such Supplemental Letter Agreements, (i) an independent board committee, comprising all the independent non-executive Directors, namely, Ms. Xie Xiaoyan, Mr. Yao Feng, Mr. Shen Jianzhong, was formed to consider whether the terms of the Supplemental Letter Agreements and the Early Redemption as set out thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole; and (ii) Rainbow Capital was appointed as the Independent Financial Adviser in connection with the Supplemental Letter Agreements.

After taking into account all relevant circumstances and the advice and recommendation of the Independent Financial Adviser, the Board (including all independent non-executive Directors) is of the view that the terms of the Supplemental Letter Agreements and the Early Redemption as set out thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Mr. Xu, Zhan Kevin, a managing director at PAG Asia Capital, and Mr. Qiu Zhongwei, the president and managing director of PAG Asia Capital, are deemed to have a material interest in the Supplemental Letter Agreement with PAG III. Mr. Xu, Zhan Kevin and Mr. Qiu Zhongwei have abstained from voting on the Board resolutions in relation to the Supplemental Letter Agreement with PAG III. Save as disclosed above, none of the Directors had a material interest in the matters contemplated therein nor was any of them required to abstain from voting on the relevant Board resolutions approving the Supplemental Letter Agreements and the transactions contemplated thereunder.

According to Rule 28.01 of the Listing Rules, since the Convertible Notes are issued to professional investors only, requirements of Chapter 28 of the Listing Rules are not applicable to the Supplemental Letter Agreements and the Early Redemption as set out thereunder.

DEFINITIONS

“Bain”	BCC Piano Investments, L.P., an exempted limited partnership established under the laws of the Cayman Islands
“Board”	the board of Directors
“BOC”	Good Virtue Limited (嘉煌有限公司), a company with limited liability incorporated in Hong Kong
“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
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Convertible Note”	the convertible note issued by the Company to each of the Noteholders, particulars of which are set out in the Prospectus, and collectively the “Convertible Notes”
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICBC”	Victory Ride Holdings Limited, a company incorporated in the British Virgin Islands with limited liability

“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company in connection with the Supplemental Letter Agreements and the transactions contemplated thereunder
“Interest”	the interest payable by the Company in respect of the Convertible Notes, as provided for the Convertible Notes and summarised in the section headed “History, Reorganization and Group Structure – The Pre-IPO Investments – Issuance of Convertible Notes” of the Prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Convertible Notes, which is November 3, 2023, and may be extended at the discretion of the relevant Noteholder to November 4, 2025
“Noteholders”	Bain, BOC, ICBC and PAG III
“PAG III”	PAGAC Yogurt Holding III Limited, an exempted company incorporated under the laws of the Cayman Islands on October 4, 2019, and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated June 7, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Supplemental Letter Agreement(s)”	the supplemental letter agreement(s) dated November 28, 2022 entered into between the Company and each of BOC, ICBC and PAG III

“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, November 28, 2022

As at the date of this announcement, the executive Directors are Mr. Yuan Jun 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.