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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)**

**SHARE TRANSACTION  
IN RELATION TO THE ISSUE OF SUBSCRIPTION SHARES UNDER  
GENERAL MANDATE AND THE ACQUISITION OF APPROXIMATELY  
8.50% OF THE TOTAL ISSUED SHARES OF SKX**



**Financial adviser to the Company**

**THE AGREEMENTS**

On February 19, 2024 (after trading hours of the Stock Exchange), the Company and Inner Mongolia Youran entered into the Agreements with Huaxia Genetics and China Genetics. Pursuant to the Agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 Subscription Shares to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase the 78,100,000 Huaxia SKX Shares from Huaxia Genetics.

**IMPLICATIONS UNDER THE LISTING RULES**

As all applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Agreements are less than 5% and such transactions involve the allotment and issue of the Subscription Shares, the transactions contemplated under the Agreements constitute a share transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

**The completion of each of the Share Transfer and the Subscription are subject to the fulfilment (or waiver) of the conditions precedent as set out in the Agreements (as applicable) and therefore the Share Transfer and the Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE AGREEMENTS**

On February 19, 2024 (after trading hours of the Stock Exchange), the Company and Inner Mongolia Youran entered into the Agreements with Huaxia Genetics and China Genetics. Pursuant to the Agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 Subscription Shares to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase the 78,100,000 Huaxia SKX Shares from Huaxia Genetics.

### **The Subscription**

Pursuant to the Agreements, the Company conditionally agreed to allot and issue, and China Genetics conditionally agreed to subscribe for, not more than 97,323,833 Subscription Shares at the Subscription price of RMB1.45 per share (equivalent to approximately HK\$1.60 per share). As such, the maximum aggregate Subscription Consideration is RMB141,119,558 (equivalent to approximately HK\$155,385,501).

Assuming that there will be no change in the total issued share capital of the Company between the date of this announcement and the completion of the Subscription save for the allotment and issue of the Subscription Shares, the maximum number of Subscription Shares represents (i) approximately 2.56% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The allotment and issue of the Subscription Shares will be made pursuant to the General Mandate, and hence is not subject to the Shareholders' approval. The maximum number of Subscription Shares, when allotted and issued, will utilise approximately 12.82% of the General Mandate. As at the date of this announcement, the General Mandate has not been previously utilised.

The Subscription Shares, when allotted and issued, shall be credited as fully paid and at all times rank pari passu among themselves and with the Shares in issue as at the date of issue of the Subscription Shares. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### ***Lock-up***

China Genetics has agreed not to transfer, dispose of or create any encumbrance over any Subscription Shares without the prior written consent from the Company for a period of six months after the completion of the Subscription.

### ***Subscription Consideration***

The Subscription price is RMB1.45 per Subscription Share (equivalent to approximately HK\$1.60 per Subscription Share), and the maximum aggregate Subscription Consideration is RMB141,119,558 (equivalent to approximately HK\$155,385,501). The Subscription Consideration shall be paid in cash by China Genetics (or its nominated entity) to the Company.

The Subscription price is determined after arm's length negotiations between the Company and China Genetics based on a number of factors including (a) the trading price of the Shares as at the date of the Subscription Agreement (the closing price as quoted on the Stock Exchange on such date was HK\$1.21 per share), and (b) the net asset value per share of the Company as at December 31, 2022 of RMB3.44 per share (as disclosed in its annual report for the year ended December 31, 2022, being the latest published audited accounts of the Company), excluding the final dividend paid for the year ended December 31, 2022 of RMB0.022 per share.

The Subscription price represents:

- (i) a premium of approximately 32.23% over the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 33.33% to the average closing price of approximately HK\$1.20 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 34.45% to the average closing price of approximately HK\$1.19 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Taking into consideration the above factors, the Directors are of the view that the Subscription price is fair and reasonable.

### ***Conditions Precedent and Completion***

The completion of the Subscription is conditional upon the satisfaction (or waiver, where applicable) of the following conditions:

- (a) China Genetics having paid the Subscription Consideration to the Company;
- (b) each of the Company's warranties and China Genetics' warranties remaining true and correct in all material respects as of the date hereof and as of the date of completion of the Subscription as though made on or as of such date, except to the extent any such warranty expressly speaks as of an earlier date, in which case such warranty shall be true and correct in all material respects as of such earlier date;
- (c) the Company and China Genetics having each received all closing deliverables required prior to completion;
- (d) the Company and China Genetics having each performed in all material respects all obligations required to be performed by it under the Subscription Agreement at or prior to the date of completion;

- (e) the Company having the authority to enter into the Subscription Agreement and all documentation that it will execute and deliver pursuant to the Subscription Agreement, and its required internal approval procedures for the Subscription having been completed on or before the date of completion;
- (f) the Shares shall remain listed on the Main Board of the Stock Exchange prior to the date of completion and the Stock Exchange or the Securities and Futures Commission have not indicated there is any issue regarding the listing of the Shares after the date of completion;
- (g) the Company issuing a confirmation letter to confirm that all conditions precedent to China Genetics' obligation to proceed to completion have been met;
- (h) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission not being subsequently withdrawn or revoked by the Stock Exchange;
- (i) save for the filing to be made with the China Securities Regulatory Commission, all authorisations, approvals, consents, waivers and permits required from any regulatory authority in connection with the execution and performance of the Subscription Agreement and the transactions contemplated thereunder having been obtained.

The Company has the right to waive conditions (a) to (d) above by notice in writing to China Genetics and China Genetics has the right to waive conditions (b) to (g) above by notice in writing to the Company. Save as aforesaid, none of the other conditions above is capable of being waived.

Completion of the Subscription shall take place electronically as soon as practicable (and in any event not more than 10 business days) after satisfaction or waiver (as the case may be) of all the conditions precedents to the Subscription Agreement or at such other date and time as may be agreed by the Company and China Genetics in writing.

### **The Share Transfer**

Pursuant to the Agreements, Inner Mongolia Youran conditionally agreed to purchase, and Huaxia Genetics conditionally agreed to sell, the 78,100,000 Huaxia SKX Shares, representing approximately 8.50% of the total issued shares of SKX as at the date of this announcement.

As at the date of this announcement, the Company indirectly holds 58.36% of the total issued shares of SKX. The Company will indirectly hold 66.86% of the total issued shares of SKX upon completion of the Share Transfer.

### ***Share Transfer Consideration***

The purchase price for the Share Transfer is RMB1.83 per Huaxia SKX Share, and the total Share Transfer Consideration is RMB142,923,000. The Share Transfer Consideration shall be paid in cash by Inner Mongolia Youran to Huaxia Genetics.

The Share Transfer Consideration is determined after arm's length negotiations between Inner Mongolia Youran and Huaxia Genetics based on a number of factors including (a) the trading price of the shares of SKX as at the date of the Share Transfer Agreement (the closing price as quoted on the National Equities Exchange and Quotations on such date was RMB1.09 per share), and (b) the net asset value per share of SKX as at December 31, 2022 of RMB4.31 per share (calculated as per the net asset value of SKX as at December 31, 2022 as disclosed in the Company's annual report for the year ended December 31, 2022 (which was prepared in accordance with the International Financial Reporting Standards, the accounting standards adopted by the Company for preparing its consolidated accounts) divided by the number of issued ordinary shares of SKX as at December 31, 2022), excluding the final dividend paid for the year ended December 31, 2022 of RMB0.05 per share.

Taking into consideration the above factors, the Directors are of the view that the Share Transfer Consideration is fair and reasonable.

### ***Conditions Precedent and Completion***

The completion of the Share Transfer is conditional upon the satisfaction of the following conditions:

- (a) the Share Transfer Consideration shall have been paid and Huaxia Genetics shall have issued written confirmation(s) to Inner Mongolia Youran to confirm the same;
- (b) there are no occurrence of events which require the Share Transfer to be terminated pursuant to the Share Transfer Agreement or any other Agreements; and
- (c) any other conditions as agreed to by both parties.

The completion of the Share Transfer shall take place at the time the registration of the transfer of the Huaxia SKX Shares with China Securities Depository and Clearing Corporation Limited is completed.

### ***Share Transfer Consideration and Subscription Consideration***

The difference between the Share Transfer Consideration and the maximum Subscription Consideration of RMB1,803,442 represents the estimated costs and expenses that may be incurred by Huaxia Genetics and/or China Genetics in connection with the transactions contemplated by the Agreements. If such transaction costs actually incurred by Huaxia Genetics and/or China Genetics exceed the estimated amount and further sums need to be deducted from the Subscription Consideration, the final total number of Subscription Shares to be issued by the Company shall be calculated based on such reduced Subscription Consideration at the same Subscription price of RMB1.45 per Subscription Share. However, if as a result of the said deduction mechanism, the final total number of Subscription Shares to be issued is reduced by more than 5% from the maximum of 97,323,833 Subscription Shares, each of the Company and China Genetics shall have the right to terminate the Subscription Agreement (and the other Agreements) upon written notice to the other party, unless the parties agree to continue with the Subscription.

## INFORMATION OF SKX

SKX is a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) and is a non-wholly owned subsidiary of the Company. SKX principally engages in dairy farming, supply of raw milk and the production and sale of frozen semen and embryos of cows and other breeding products.

Set out below is certain financial information of SKX based on its audited financial statements for the years ended December 31, 2021 and December 31, 2022 as disclosed in SKX's published annual report for the year ended December 31, 2022 (which were prepared in accordance with China Accounting Standards for Business Enterprises)<sup>1</sup>:

	For the year ended December 31, 2021 <i>(audited)</i> <i>Approximate</i> <i>RMB'000</i>	For the year ended December 31, 2022 <i>(audited)</i> <i>Approximate</i> <i>RMB'000</i>
Revenue	4,134,152	<b>4,015,894</b>
Net profit before tax	599,995	<b>216,980</b>
Net profit after tax	591,384	<b>217,329</b>

*Note:*

1. As disclosed in the Company's annual report for the year ended December 31, 2022 (which was prepared in accordance with the International Financial Reporting Standards, the accounting standards adopted by the Company for preparing its consolidated accounts), SKX recorded revenues of approximately RMB3,630.3 million and RMB3,569.9 million for the years ended December 31, 2021 and 2022, respectively; and a profit of approximately RMB1,112.4 million and a loss of approximately RMB21.1 million for the years ended December 31, 2021 and 2022, respectively.

The net asset value of SKX as at December 31, 2022 as disclosed in the Company's annual report for the year ended December 31, 2022 (which was prepared in accordance with the International Financial Reporting Standards, the accounting standards adopted by the Company for preparing its consolidated accounts) was approximately RMB4.0 billion.

## INFORMATION ABOUT THE PARTIES

### 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.

## **China Genetics and Huaxia Genetics**

China Genetics is a company incorporated in the Cayman Islands with limited liability. Huaxia Genetics is a company established in the PRC and an indirect wholly-owned subsidiary of China Genetics. China Genetics and Huaxia Genetics are principally engaged in investment holding. China Genetics is ultimately controlled by OCA III Continuation Fund, L.P., a fund managed by the private equity investment firm, Olympus Capital Holdings Asia LLC, as to 41.5%; owned by Tetrad Ventures Pte. Ltd., a company managed by GIC Special Investments Pte Ltd which is in turn wholly owned by GIC Private Limited (GIC Private Limited, a global investment firm established in 1981 to manage Singapore's foreign reserves), as to 22.7%; ultimately controlled by Charles Chi Shao, a private individual, as to 5.1%; with the remaining approximately 30.7% equity interests owned by over fifty other minority shareholders (each of which owns less than 5%).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, China Genetics, Huaxia Genetics and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## **REASONS FOR AND BENEFITS OF THE SHARE TRANSFER AND THE SUBSCRIPTION**

As at the date of this announcement, the Company indirectly holds 58.36% of the total issued shares of SKX and SKX is a non-wholly owned subsidiary of the Company. The Share Transfer would allow the Company to further consolidate its control of SKX, facilitate the broadening of the Group's market space in breeding business, and further optimize the Group's strategic holdings in the entire upstream dairy industry chain. The Subscription will also enable the Company to introduce China Genetics as a reputable independent investor and further enlarge the Company's public shareholder base. Further, as a share transaction, the ratio between the maximum number of Subscription Shares and the total number of Huaxia SKX Shares as contemplated under the Agreements was determined by the parties with reference to the net asset value per share of the Company as at December 31, 2022 (excluding the final dividend paid by the Company for the year 2022) as disclosed above and the net asset value per share of SKX as at December 31, 2022 (excluding the final dividend paid by SKX for the year 2022) as disclosed above.

Based on the above, the Directors consider that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## EFFECTS ON THE COMPANY'S SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the allotment and issue of the maximum number of Subscription Shares, assuming there are no other changes in the total issued share capital of the Company from the date of this announcement to the date of allotment and issue of the Subscription Shares, for illustrative purposes only:

	As at the date of this announcement		Immediately upon allotment and issue of the maximum Subscription Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
China Youran Dairy Holding Limited <sup>1</sup>	800,000,000	21.08	800,000,000	20.55
Jingang <sup>1</sup>	520,800,000	13.72	520,800,000	13.38
PAGAC Yogurt Holding II Limited <sup>2</sup>	822,602,530	21.67	822,602,530	21.13
PAGAC Yogurt Holding I Limited <sup>2</sup>	371,583,651	9.79	371,583,651	9.55
Meadowland Investment Limited Partnership <sup>3</sup>	564,982,819	14.89	564,982,819	14.51
Other public shareholders	715,435,000	18.85	715,435,000	18.38
China Genetics	–	–	97,323,833	2.50
Total	<u>3,795,404,000</u>	<u>100.00</u>	<u>3,892,727,833</u>	<u>100.00</u>

### Notes

- Each of China Youran Dairy Holding Limited and Jingang is a wholly-owned subsidiary of Yili.
- PAGAC Yogurt Holding I Limited (“**PAG I**”) and PAGAC Yogurt Holding II Limited (“**PAG II**”) are wholly-owned subsidiaries of funds managed by PAG Capital Limited. PAG I is a wholly-owned subsidiary of PAG Asia I LP, whose general partner is PAG Asia Capital GP I Limited. PAG II is a wholly-owned subsidiary of PAG Dairy I LP, whose general partner is PAG Dairy GP I Limited. PAG Capital Limited is controlled as to 55% by Pacific Alliance Group Limited and as to 45% by Mr. Shan Weijian. Pacific Alliance Group Limited is wholly controlled by PAG.
- Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

## IMPLICATIONS UNDER THE LISTING RULES

As all applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Agreements are less than 5% and such transactions involve the allotment and issue of the Subscription Shares, the transactions contemplated under the Agreements constitute a share transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

**The completion of the Share Transfer and the Subscription are subject to the fulfilment (or waiver) of the conditions precedent as set out in the Agreements and therefore the Share Transfer and the Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**



## DEFINITIONS

“Agreements”	the Framework Agreement, the Share Transfer Agreement and the Subscription Agreement
“Board”	the board of Directors
“China Genetics”	China Genetics Holdings, Ltd., a company incorporated under the laws of the Cayman Islands with limited liability
“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, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 9858)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	a framework agreement dated February 19, 2024 entered into among Inner Mongolia Youran, the Company, Huaxia Genetics and China Genetics in respect of the Share Transfer and the Subscription
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on May 17, 2023 to allot, issue and deal with up to 759,080,800 Shares, being 20% of the total number of issued Shares as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huaxia Genetics”	Huaxia Genetics Dairy Xinghua Co. Ltd. (華夏基耐乳業興化有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of China Genetics
“Huaxia SKX Shares”	an aggregate of 78,100,000 issued shares of SKX, representing approximately 8.50% of the total issued shares of SKX, held by Huaxia Genetics as at the date of the Agreements
“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 on August 1, 2007 and a subsidiary of the Company

“Jingang”	Hong Kong Jingang Trade Holding Co., Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Yili
“Last Trading Day”	February 16, 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“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
“Share Transfer”	the acquisition of the Huaxia SKX Shares by Inner Mongolia Youran from Huaxia Genetics pursuant to the terms and conditions of the Share Transfer Agreement
“Share Transfer Consideration”	an aggregate sum of RMB142,923,000
“Share Transfer Agreement”	the share transfer agreement dated February 19, 2024 entered into by Inner Mongolia Youran and Huaxia Genetics in relation to the Share Transfer
“Shareholder(s)”	holders of the Share(s)
“SKX”	Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd (內蒙古賽科星繁育生物技术(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been our subsidiary since January 8, 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	The subscription of the Subscription Shares by China Genetics pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated February 19, 2024 entered into between the Company and China Genetics in relation to the Subscription
“Subscription Consideration”	an aggregate sum of not more than RMB141,119,558

“Subscription Shares”	not more than 97,323,833 new Shares to be subscribed by, and allotted and issued to, China Genetics pursuant to the Subscription Agreement
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company established under the laws of the PRC in June 1993 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and one of our Company’s Controlling Shareholders
“%”	per cent.

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

Hong Kong, February 19, 2024

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

*The English names of the PRC entities and PRC governmental authorities referred to in this announcement are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.*

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of HK\$1.00 to RMB0.90819. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*