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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)

UPDATE ON CONNECTED TRANSACTION IN RELATION TO SALE AND PURCHASE OF THE RUMINANT NUTRITION AND HEALTH TECHNOLOGY RESEARCH CENTER

Reference is made to the Announcement. The Board announces that, due to project execution need, the Vendor (a wholly-owned subsidiary of the Company) has executed certain agreements on August 22, 2025, to facilitate the acquisition and operation of the Research Center by another subsidiary of Yili. The agreements are as follows:

(i) The Termination Agreement with the Original Purchaser (a non-wholly owned subsidiary of Yili) to terminate the Original Research Center Sale and Purchase Agreement.

(ii) The New Research Center Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell, and the New Purchaser (a wholly-owned subsidiary of Yili) has agreed to purchase the Research Center.

The terms and conditions of the New Research Center Sale and Purchase Agreement are identical to those of the Original Research Center Sale and Purchase Agreement, with the sole exception of the change in the purchaser's identity and the related description.

IMPLICATIONS UNDER THE LISTING RULES

Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The New Purchaser is a wholly-owned subsidiary of Yili and therefore is an associate of Yili under the Listing Rules and thus also a connected person of the Company. Accordingly, the transactions contemplated under the New Research Center Sale and Purchase Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Final Consideration will be determined based on the resulting valuation, and the Company expects that the Final Consideration under the New Research Center Sale and Purchase Agreement is estimated not to exceed RMB250 million. As the highest applicable percentage ratio under the Listing Rules, calculated based on the maximum estimated consideration of RMB250 million, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transaction contemplated under the New Research Center Sale and Purchase Agreement is exempt from the independent shareholders' approval requirement but is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The Company will re-comply with the requirements under Chapter 14A of the Listing Rules in the event that the Final Consideration exceeds RMB250 million.

INTRODUCTION

Reference is made to the Announcement. The Board announces that, due to project execution need, the Vendor (a wholly-owned subsidiary of the Company) has executed certain agreements on August 22, 2025, to facilitate the acquisition and operation of the Research Center by another subsidiary of Yili. The agreements are as follows:

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The terms and conditions of the New Research Center Sale and Purchase Agreement are identical to those of the Original Research Center Sale and Purchase Agreement, with the sole exception of the change in the purchaser's identity and the related description.

THE TERMINATION AGREEMENT

Date

August 22, 2025

Parties

(i) Vendor, a wholly-owned subsidiary of the Company; and

(ii) Original Purchaser, a non-wholly owned subsidiary of Yili.

Subject Matter

The Vendor and the Original Purchaser have mutually agreed to terminate the Original Research Center Sale and Purchase Agreement with immediate effect and have reached a mutual understanding, pursuant to which no substantive performance had yet occurred. At the same time, both parties have further confirmed that no breach of contract was committed by either party, and have mutually agreed to waive any and all claims against the other in relation to the Original Research Center Sale and Purchase Agreement.

THE NEW RESEARCH CENTER SALE AND PURCHASE AGREEMENT

The terms and conditions of the New Research Center Sale and Purchase Agreement are identical to those of the Original Research Center Sale and Purchase Agreement, with the sole exception of the change in the purchaser's identity and the related description.

Date

August 22, 2025

Parties

(i) Vendor, a wholly-owned subsidiary of the Company; and

(ii) New Purchaser, a wholly-owned subsidiary of Yili.

Subject Matter

The subject matter of the New Research Center Sale and Purchase Agreement is the Research Center. Pursuant to the New Research Center Sale and Purchase Agreement, the Vendor is responsible for the complete development and construction of the Research Center on the Land.

As disclosed in the Announcement, the Vendor has acquired the land use rights for the Land, located in Taigemu Township, Tumed Left Banner, Hohhot, Inner Mongolia, the PRC, from the relevant local authority. The Land is designated for commercial and financial use. As disclosed in the Announcement, the Vendor has already completed the planning and design for the Research Center and secured the necessary planning permit for construction engineering and construction permit for building works to commence its development and construction. The total planned building area of the Research Center is 11,592.3 square meters.

Consideration

Upon completion of the Research Center and obtaining the relevant statutory acceptance certification, the Parties shall jointly select an independent third-party property valuation organization to conduct a valuation of the Research Center. The final consideration (the "**Final Consideration**") for the sale and purchase of the Research Center will be determined based on the resulting valuation, and the Company expects that the Final Consideration under the New Research Center Sale and Purchase Agreement is estimated not to exceed RMB250 million (the "**Estimate**"). The Estimate was determined by using the construction costs as a baseline, supplemented by key value drivers such as a developer's profit margin and projected market appreciation as disclosed in the Announcement, including (i) construction costs, (ii) inclusion of reasonable developer's margin and potential fair market value appreciation, and (iii) contingency for market fluctuations and potential cost increases. For details, please refer to section headed "Consideration" in the Announcement.

Based on the factors above and as disclosed in the Announcement, the Directors are of the view that the Estimate is a fair and reasonable estimate for the maximum consideration, and it reflects the construction costs (including a reasonable allowance for potential cost increases), a reasonable developer's margin, and the Research Center's potential fair market value appreciation upon completion. In the event that the Final Consideration exceeds RMB250 million, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules and make further announcement(s) as and when appropriate.

Payment Arrangement

The consideration for the sale of the Research Center shall be payable in accordance with the following schedule:

a) RMB20 million shall be paid within 15 business days after the New Research Center Sale and Purchase Agreement becomes effective;

b) the New Purchaser will pay monthly instalments based on the construction progress. These payments will be made in advance, calculated at 85% of the value of work completed each month. The Vendor is required to submit progress certification materials, co-signed by the construction party, to support the budgeted costs and outline the scope of work planned for that period, serving as the basis for these advance payments;

c) upon completion of the Research Center and satisfactory acceptance by the Parties jointly (or acceptance by a third party commissioned), the New Purchaser shall pay up to 97% of the total construction cost based on the value of work completed, and subsequently up to 97% of the Final Consideration after obtaining the real estate ownership certificate and completing the valuation; and

d) the remaining 3% of the Final Consideration shall be withheld by the New Purchaser as warranty money. The first portion, 2%, shall be paid upon expiry of 12 months after the warranty period begins if there are no quality issues during such period. The remaining 1% shall be paid upon expiry of 24 months after the warranty period begins. The warranty period is two years from the date of project acceptance.

Project Construction and Delivery

The Vendor shall construct the Research Center in accordance with the specifics of the Research Center's design and technical requirements as outlined in the New Research Center Sale and Purchase Agreement.

Pursuant to the New Research Center Sale and Purchase Agreement, the Research Center shall be completed (including the obtaining the relevant statutory acceptance certification) and delivered to the New Purchaser by September 30, 2027 (the "**Delivery Date**"). The Vendor shall, within 30 days from the date of completion of the Research Center (including the obtaining the relevant statutory acceptance certification), deliver the Research Center to the New Purchaser. In addition, the Vendor shall complete the title transfer procedures within 90 business days from the Delivery Date. In the event of delay due to reasons not attributable to the Vendor (such as due to government and regulatory policy changes), the Parties may agree to extend the time period for the completion of the title transfer procedure. The Vendor shall obtain the title documents for the Research Center by December 31, 2027. If there is a delay in obtaining the title documents due to reasons not attributable to the Vendor, the Parties may negotiate a rescheduling subject to the circumstances of the delay.

Termination of the New Research Center Sale and Purchase Agreement

Pursuant to the New Research Center Sale and Purchase Agreement, the New Purchaser has the right to terminate the agreement under certain circumstances, including but not limited to:

a) if the Vendor fails to deliver the Research Center within 60 days of the agreed-upon delivery date (unless this is due to a force majeure event or the local government's policy);

b) if the Vendor sells the Research Center to a third party, creates a mortgage over it, or if the property becomes subject to seizure or other encumbrances; or

c) if the Vendor's breach of the agreement prevents the New Purchaser from achieving its objective in entering into the transaction.

In addition, either Party may terminate the agreement by written notice if a force majeure event continues for more than 120 days and the Parties have not reached a consensus on how to proceed.

FINANCIAL EFFECTS OF THE TRANSACTION

For illustration purpose only, it is estimated that the Group will record an unaudited gain of approximately not more than RMB100 million from the transaction contemplated under the New Research Center Sale and Purchase Agreement upon completion. Such estimated gain has been determined with reference to (i) the Final Consideration; and (ii) the Vendor's preliminary investments (including land acquisition, design, and piling) as well as all projected costs for construction, materials, and labor to complete the project, after the estimated transaction costs directly attributable to the transaction including professional and other related expenses and relevant taxes. The expected unaudited gain is subject to audit. The actual amount of the gain to be recognized by the Group will be determined when the resulting valuation of the Research Center and the transaction costs attributable to the transaction are ascertained, and therefore may be different from the aforesaid amount.

The proceeds from this transaction will be utilized by the Group as general working capital.

REASONS AND BENEFITS FOR THE TERMINATION AGREEMENT AND THE NEW RESEARCH CENTER SALE AND PURCHASE AGREEMENT

The Group is a leader in China's upstream dairy market with business covering the entire upstream dairy industry chain from breeding, feed to raw milk production, and has achieved a leading position in all business segments.

The New Purchaser, a wholly-owned subsidiary of Yili, is the construction entity officially approved by the Ministry of Science and Technology of the PRC to undertake the construction of the NCTID. To align the acquisition of the Research Center with this official designation, the Original Research Center Sale and Purchase Agreement was terminated, and the Vendor subsequently entered into the New Research Center Sale and Purchase Agreement with the New Purchaser.

This strategic change provides the key benefit of ensuring that the development and operation of the Research Center are directly undertaken by the government-mandated construction entity of the NCTID. The NCTID is the sole national-level technology innovation center in the dairy industry, established to overcome key technological bottlenecks, develop cutting-edge technologies, and build a dairy technology innovation hub with global influence.

The Group, based on its long-term strategic planning, has completed all preliminary work for the Research Center. Concurrently, the New Purchaser, the construction entity officially approved for the construction of the NCTID, is progressing construction projects of a similar nature to help the NCTID to achieve its mission. Adhering to the principle of resource optimization and avoiding redundant construction, the Parties have agreed to have the Group to construct the Research Center and sell it to the New Purchaser for the purposes of the use of NCTID. The Group will lease the Research Center as facility for research and development of the Group's ruminant nutrition and health solutions on an as-needed basis in the future.

As disclosed in the Announcement, this strategic arrangement under the New Research Center Sale and Purchase Agreement offers several key benefits for the Group and its Shareholders:

a) sale of the Research Center together with the Land reduces the Group's immediate capital expenditure, improves its cash flow position, and facilitates a transition towards a more asset-light operational model, freeing up capital for other core business needs;

b) leveraging the financial resources of the New Purchaser, being the NCTID construction entity, and the Group's mature project-ready status, this collaboration will significantly accelerate the construction and operational launch of the project, allowing for a faster realization of its strategic value; and

c) this transaction cements the strategic cooperative relationship between the Group and the NCTID. Following the sale, the Group may lease the Research Center as needed. Such an arrangement would secure for the Group ongoing access to premier resources and facilities of the NCTID. This synergistic arrangement would allow the Group to leverage the NCTID's resources and expertise to accelerate technological breakthroughs in key areas such as high-quality dairy cow genetics, feed conversion efficiency, and dairy cow health solutions. This, in turn, would enhance the Group's core competitiveness and solidify its leadership position in China's upstream dairy market.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that although the Termination Agreement and the transaction contemplated under the New Research Center Sale and Purchase Agreement are not in the ordinary and usual course of business of the Group, the terms of the Termination Agreement and the New Research Center Sale and Purchase Agreement and the transactions contemplated under the New Research Center Sale and Purchase Agreement are on normal commercial terms, are fair and reasonable, and are in the best interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Vendor, the Company and the Group

The Vendor is a wholly-owned subsidiary of the Company and principally engaged in construction works, real estate development and management (including development and construction of research and development centers). 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 production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

Yili and the New Purchaser

Yili is a company established under the laws of the PRC in June 1993 whose shares are listed on the Shanghai Stock Exchange (stock code: 600887) and is the controlling shareholder of the Company and one of the Company's major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC. The New Purchaser is a wholly-owned subsidiary of Yili and the construction entity officially approved by the Ministry of Science and Technology of the PRC to be responsible for the construction of the NCTID. The NCTID is the only national technology innovation center in China's dairy industry, aiming to overcome key technological bottlenecks in the dairy sector and develop cutting-edge leading technologies, striving to establish itself as a dairy technology innovation hub with global influence.

IMPLICATIONS UNDER THE LISTING RULES

Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The New Purchaser is a wholly-owned subsidiary of Yili and therefore is an associate of Yili under the Listing Rules and thus also a connected person of the Company. Accordingly, the transactions contemplated under the New Research Center Sale and Purchase Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Final Consideration will be determined based on the resulting valuation, and the Company expects that the Final Consideration under the New Research Center Sale and Purchase Agreement is estimated not to exceed RMB250 million. As the highest applicable percentage ratio under the Listing Rules, calculated based on the maximum estimated consideration of RMB250 million, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transaction contemplated under the New Research Center Sale and Purchase Agreement is exempt from the independent shareholders' approval requirement but is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The Company will re-comply with the requirements under Chapter 14A of the Listing Rules in the event that the Final Consideration exceeds RMB250 million.

Both Mr. Bai Wenzhong (白文忠) (a non-executive Director), who is the director of the financial shared services center (财務共享服務中心) of Yili, and Ms. Li Lin (李林) (a non-executive Director), who is a reserve cadre of the general manager office of the liquid milk division (液態奶事業部) of Yili, are deemed to have a material interest in the New Research Center Sale and Purchase Agreement. Therefore, Mr. Bai Wenzhong (白文忠) and Ms. Li Lin (李林) have abstained from voting on the Board resolutions in relation to the New Research Center Sale and Purchase Agreement. Save as disclosed above, none of the other 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 New Research Center Sale and Purchase Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Announcement"	the announcement of the Company dated June 27, 2025 relating to the connected transaction in relation to sale and purchase of the Ruminant Nutrition and Health Technology Research Center
"Board"	the board of Directors of the Company
"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 meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"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
"Land"	the parcel of land located east of Guochuang East Road, Taigemu Township, Tumed Left Banner, Hohhot, Inner Mongolia, the PRC, which is the designated site for the construction of the Research Center
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NCTID"	National Center of Technology Innovation for Dairy (國家乳業技術創新中心)

"New Purchaser"	Inner Mongolia Dairy Technology Research Institute Co., Ltd. (內蒙古乳業技術研究院有限責任公司), a company established under the laws of the PRC on September 27, 2013, which is wholly-owned by Yili, and the construction entity of the NCTID approved by the Ministry of Science and Technology of the PRC
"New Research Center Sale and Purchase Agreement"	the sale and purchase agreement dated August 22, 2025 entered into between the Vendor and the New Purchaser in respect of the sale and purchase of the Research Center
"Original Purchaser"	Inner Mongolia National Dairy Technology Innovation Center Co., Ltd. (內蒙古國家乳業技術創新中心有限責任公司), a company established under the laws of the PRC on April 22, 2022, which is owned as to 79% by a wholly-owned subsidiary of Yili and 7% directly by Yili and the remaining 14% is owned by independent third parties
"Original Research Center Sale and Purchase Agreement"	the sale and purchase agreement dated June 27, 2025 entered into between the Vendor and the Original Purchaser in respect of the sale and purchase of the Research Center
"Parties"	collectively, the Vendor and the New Purchaser
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Research Center"	the Ruminant Nutrition and Health Technology Research Center
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it in the Listing Rules
"Termination Agreement"	the termination agreement dated August 22, 2025 entered into between the Vendor and the Original Purchaser to terminate the Original Research Center Sale and Purchase Agreement
"Vendor"	Inner Mongolia Youchuang Industrial Co., Ltd. (內蒙古優創實業有限責任公司), a company established under the laws of the PRC on October 12, 2021, and a wholly-owned subsidiary of the Company

"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 is the controlling shareholder of the Company, and where the context requires, includes its subsidiaries and associates
"%"	per cent

By order of the Board
China Youran Dairy Group Limited
Hao Haijun
Chairman and Executive Director

Hohhot, August 22, 2025

As at the date of this announcement, the executive Directors are Mr. Hao Haijun, Mr. Dong Jiping and Ms. Meng Yilan; the non-executive Directors are Mr. Bai Wenzhong, Ms. Li Lin and Mr. Xu, Zhan Kevin; and the independent non-executive Directors are Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin.