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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)

CONTINUING CONNECTED TRANSACTION IN RELATION TO DAIRY COWS PROCUREMENT FRAMEWORK AGREEMENT

THE DAIRY COWS PROCUREMENT FRAMEWORK AGREEMENT

On March 27, 2026, the Company and YouYuan Farm entered into the Dairy Cows Procurement Framework Agreement, pursuant to which the Group agreed to procure dairy cows from YouYuan Farm for a term commencing from April 1, 2026 to March 31, 2027.

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. As YouYuan Farm is a non wholly-owned subsidiary of Yili, it is therefore also a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Dairy Cows Procurement Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Dairy Cows Procurement Framework Agreement exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Dairy Cows Procurement Framework Agreement are exempt from the independent Shareholders' approval requirement, but are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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 president's office of Yili, are deemed to have a material interest in the Dairy Cows Procurement Framework 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 Dairy Cows Procurement Framework Agreement. 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 Dairy Cows Procurement Framework Agreement and the transactions contemplated thereunder.

On March 27, 2026, the Company and YouYuan Farm entered into the Dairy Cows Procurement Framework Agreement, pursuant to which the Group agreed to procure dairy cows from YouYuan Farm for a term commencing from April 1, 2026 to March 31, 2027.

The principal terms of the Dairy Cows Procurement Framework Agreement are set out below:

THE DAIRY COWS PROCUREMENT FRAMEWORK AGREEMENT

Date

March 27, 2026

Parties

(i) the Company; and

(ii) YouYuan Farm.

Term

Unless terminated earlier in accordance with the terms of the Dairy Cows Procurement Framework Agreement, the Dairy Cows Procurement Framework Agreement shall be effective from April 1, 2026 to March 31, 2027.

Subject matter

The Group intends to procure dairy cows from YouYuan Farm.

Pricing guidelines

Payment terms shall be determined from time to time by the parties on an arm's length basis. Fees charged for the procurement of dairy cows shall be determined after arm's length negotiation and on normal commercial terms with reference to the market prices on the open market, which shall be based on the actual transaction prices of dairy cows of comparable type available in the open market reflected in the relevant invoices or purchase and sale contracts and collected by both the Group and YouYuan Farm on a regular basis. When determining the procurement price for any specific batch of dairy cows, the Group shall make reference to the recent transaction prices of dairy cows of the same or similar type quoted by at least two independent third parties in the open market. The average transaction price shall be adopted as the benchmark transaction price for procurement of dairy cows from YouYuan Farm.

In determining whether the dairy cows are of the same type and in comparing the prices with those prevailing in the open market, the parties shall take into account the following factors on a comprehensive basis:

(i) the breed, age in months, body weight and physiological stage of the dairy cows (such as heifers or lactating cows);

(ii) the health condition, pedigree records and quarantine inspection results of the dairy cows; and

(iii) the prevailing live cattle market conditions in the local and neighbouring regions at the time of the transaction.

Historical Amount

For the year ended December 31, 2023, the transaction amount of dairy cows procured by the Group from YouYuan Farm was approximately RMB5.6 million. For the two years ended December 31, 2024 and 2025, no transaction in relation to the procurement of dairy cows took place between the Group and YouYuan Farm.

Annual cap and basis of determination

The annual cap under the Dairy Cows Procurement Framework Agreement from April 1, 2026 to March 31, 2027 is RMB90 million.

In determining the aforementioned annual cap, the Directors considered the following:

(i) **The Group's procurement needs and YouYuan Farm's supply advantages:** in recent years, the Group has strategically developed a number of newly constructed 10,000-head dairy farms. With the gradual improvement in the supply-demand relationship of the dairy industry and the recovery of downstream market demand, the Group intends to increase the herd size of its newly constructed farms in line with the pace of market to fill gaps in the cattle herd and moderately expand the production capacity of raw milk, thereby further strengthening supply chain stability and enhancing overall operational efficiency. Consequently, there is a sustained and stable demand for herd expansion and replenishment. Furthermore, YouYuan Farm has long been continuously advancing its dairy cow genetic improvement programme. Its dairy cows possess superior genetic traits and relatively high milk yield per dairy cow. Compared to importing dairy cows or relying on other domestic market channels, procurement from YouYuan Farm offers higher cost-effectiveness and greater efficiency, effectively assisting the Group in reducing costs and enhancing efficiency. Considering the Group's procurement needs and YouYuan Farm's supply capacity for dairy cows, the Group plans to procure approximately 5,000 dairy cows from YouYuan Farm during the term of the Dairy Cows Procurement Framework Agreement; and

(ii) **Reservation of a 20% buffer:** based on the above-mentioned demand, the Group has reserved a 20% buffer to respond to any further possible growth in the Group's demand and transaction prices in the dairy cows market, thereby providing sufficient flexibility and operational assurance for the relevant transactions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DAIRY COWS PROCUREMENT FRAMEWORK AGREEMENT

As the Group has strategically developed several newly constructed 10,000-head dairy farms in recent years, there is an ongoing and stable demand for herd expansion and replenishment. The procurement of quality dairy cows from YouYuan Farm enables the Group to promptly fill herd inventory gaps, improve farm stocking rates, meet the needs for herd expansion and replenishment and secure a stable supply of raw milk while facilitating the release of farm production capacity.

Further, YouYuan Farm has continuously implemented genetic improvement programmes and its dairy cows are featured with superior genetic traits and relatively high milk yield per dairy cow, which align with the Group's strategy of upgrading herd quality. The introduction of such quality dairy cows will accelerate the Group's herd improvement process, optimise the Group's herd structure and enhance overall milk yield performance and breeding efficiency.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Dairy Cows Procurement Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control measures to regulate the transactions to be conducted within the Dairy Cows Procurement Framework Agreement and to safeguard the interests of the Shareholders:

(i) a formal procurement application must be submitted to initiate the pricing procedures when the business department of the Group proposes to procure dairy cows from YouYuan Farm. Prior to entering into any procurement agreement, the legal department of the Group will verify the unit procurement price to ensure that it is consistent with the average of the recent transaction prices of dairy cows of the same or similar type quoted by at least two independent third parties in the open market;

(ii) at the settlement stage, the business and finance departments of the Group will conduct a further review of the unit procurement price of dairy cows to ensure that the settlement is made in accordance with the approved procurement price. These measures serve as an effective safeguard to ensure that the transactions between the Company and YouYuan Farm are conducted in accordance with the pricing policies, the terms of the agreement and the annual cap thereunder and the terms are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole;

(iii) during its annual audit, the Company will engage its auditors to review the continuing connected transactions to ensure that the transactions under the Dairy Cows Procurement Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of the agreement and the annual cap thereunder; and

(iv) the Company will monitor the continuing connected transactions in accordance with its internal control procedures, in particular, to ensure that the Company will monitor the transaction amounts under the Dairy Cows Procurement Framework Agreement in a timely manner. The Group's responsible financial personnel shall promptly report to the Company's chief financial officer or the Board if such transaction amounts are close to exceeding, or likely to exceed the proposed cap.

Having considered the aforesaid, the Board is of the view that appropriate and adequate procedures are in place to ensure that the transactions contemplated under the Dairy Cows Procurement Framework Agreement will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

Yili and YouYuan Farm

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 one of the Company's controlling shareholders and major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC.

YouYuan Farm is a non wholly-owned subsidiary of Yili and is primarily engaged in dairy farming in the PRC, including raising dairy cows, breeding dairy cows, producing and selling premium raw milk, importing and selling dairy cows of quality breeds and breeding stock, as well as conducting import trading business in alfalfa hay and other animal husbandry-related products.

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. As YouYuan Farm is a non wholly-owned subsidiary of Yili, it is therefore also a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Dairy Cows Procurement Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Dairy Cows Procurement Framework Agreement exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Dairy Cows Procurement Framework Agreement are exempt from the independent Shareholders' approval requirement, but are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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 president's office of Yili, are deemed to have a material interest in the Dairy Cows Procurement Framework 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 Dairy Cows Procurement Framework Agreement. 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 Dairy Cows Procurement Framework Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"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, 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
"Dairy Cows Procurement Framework Agreement"	the dairy cows procurement framework agreement entered into between YouYuan Farm and the Company on March 27, 2026 in respect of the procurement of dairy cows by the Group from YouYuan Farm
"Director(s)"	the director(s) of the Company
"Group"	the Company, its subsidiaries and its associates
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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$0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holders of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"US$"	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 is the controlling shareholder of the Company, and where the context requires, includes its subsidiaries and associates
"YouYuan Farm"	Beijing YouYuan Farm Technology Corporation* (北京優源牧業科技集團有限公司) (formerly known as ZhongDi Farm Technology Corporation* (中地牧業科技集團有限公司)), a company established under the laws of the PRC in April 2014 which is owned as to 72.84% by Yili indirectly and as to 27.16% by the Company indirectly, 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, March 27, 2026

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.

* *For identification purposes only.*