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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 LIVE CATTLE PROCUREMENT FRAMEWORK AGREEMENT

THE LIVE CATTLE PROCUREMENT FRAMEWORK AGREEMENT

On May 22, 2026, Inner Mongolia Youran and Yizhiniu entered into the Live Cattle Procurement Framework Agreement, pursuant to which Inner Mongolia Youran agreed to supply Angus Cattle to Yizhiniu for a term commencing from May 22, 2026 to December 31, 2028.

IMPLICATIONS UNDER THE LISTING RULES

Yili is the controlling shareholder of the Company, which is therefore a connected person of the Company under the Listing Rules. Yizhiniu is a wholly-owned subsidiary of Yili, which is therefore also a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Live Cattle 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 Live Cattle Procurement Framework Agreement exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Live Cattle 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.

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The principal terms of the Live Cattle Procurement Framework Agreement are set out below:

THE LIVE CATTLE PROCUREMENT FRAMEWORK AGREEMENT

Date

May 22, 2026

Parties

(i) Inner Mongolia Youran; and

(ii) Yizhiniu.

Term

Unless terminated earlier in accordance with the terms of the Live Cattle Procurement Framework Agreement, the Live Cattle Procurement Framework Agreement shall be effective from May 22, 2026 to December 31, 2028.

Subject matter

Yizhiniu intends to procure Angus Cattle from Inner Mongolia Youran.

Pricing guidelines

Upon completion of the delivery of the Angus Cattle by Inner Mongolia Youran in accordance with Yizhiniu's notification and the terms of the Live Cattle Procurement Framework Agreement, and after both parties jointly confirming the weight and unit price of the Angus Cattle, Inner Mongolia Youran shall calculate the actual costs incurred for such batch of cattle and determine the final unit price for settlement in accordance with the following "cost-plus" pricing mechanism, and shall subsequently submit the same to Yizhiniu for confirmation. Yizhiniu shall pay for the Angus Cattle in full within 10 working days of receiving the invoice from Inner Mongolia Youran.

The unit price per head of Angus Cattle shall be calculated based on the following "cost-plus" pricing mechanism:

$$[\text{Procurement cost per head of Angus Cattle} + (\text{daily feed cost} + \text{daily fixed cost per head of Angus Cattle}) \times \text{number of days in the pen}] \times (1 + 6\%)$$

The daily fixed cost per head of Angus Cattle is agreed to be RMB7.43 during the term of the Live Cattle Procurement Framework Agreement, including costs for labour, daily maintenance and veterinary drugs and fixed asset depreciation incurred during the penning period etc.

Ordinary beef cattle, such as Simmental cattle, are generally positioned for mass-market consumption and are traded at transparent prices with publicly available market quotations. For instance, the Ministry of Agriculture and Rural Affairs of the PRC regularly monitors and releases the livestock prices across major livestock producing provinces. By contrast, the Angus Cattle traded between Inner Mongolia Youran and Yizhiniu under the Live Cattle Procurement Framework Agreement, which are renowned for producing highly marbled beef with tenderness and flavour, are generally positioned as high-end beef cattle. Given the relatively low proportion of Angus Cattle in total herd size of beef cattle and the superior meat quality, Angus Cattle typically command a higher price premium over conventional beef cattle.

Given the above characteristics, transactions involving Angus Cattle are typically conducted through stable supply arrangements or long-term procurement frameworks between industry participants, rather than through trading in open markets, and therefore there is no benchmark market price for Angus Cattle. Against this backdrop, the aforementioned "cost-plus" pricing mechanism has taken into account the procurement costs, feed costs and fixed costs of the Angus Cattle and the profit margin of 6% has been determined with reference to (i) the arm's length negotiations between the parties based on the quality premium of Angus Cattle, the relatively limited and specialised supply of Angus Cattle in the PRC, and prevailing market conditions; and (ii) the need to maintain a commercially reasonable and moderate return for the Group under the Live Cattle Procurement Framework Agreement. Therefore, the Board considers that the profit margin of 6% is within a reasonable range and the above pricing guidelines are fair and reasonable.

Annual caps and basis of determination

For the period from May 22, 2026 to December 31, 2026, it is expected that the Angus Cattle are still in the pen-fattening stage and have not yet reached the requisite conditions for delivery, therefore, no transaction amounts will be incurred during this period. Notwithstanding the above, the transactions contemplated under the Live Cattle Procurement Framework Agreement will have commenced during this period as purchasing and farming activities of Angus Cattle prior to slaughter (including but not limited to feeding and management) will be conducted in the ordinary and usual course of business of the Group. Such activities accordingly form an integral part of the continuing connected transactions under the Live Cattle Procurement Framework Agreement and are covered thereunder for the relevant period.

For the years ending December 31, 2027 and 2028, the annual caps under the Live Cattle Procurement Framework Agreement are as follows:

For the year ending December 31, 2027 *RMB million*	**For the year ending December 31, 2028** *RMB million*
36	72

There was no historical transaction between the Group and Yili which is of a nature similar to the transactions under the Live Cattle Procurement Framework Agreement and no historical transaction amount incurred for transactions of a similar nature during the three financial years ended December 31, 2023, 2024 and 2025 and the period from January 1, 2026 up to the date of this announcement. In determining the aforementioned annual caps, the Directors considered the following:

(i) **Large and continuing beef consumption in the PRC:** the PRC remains one of the world's major beef consumption markets. According to the National Bureau of Statistics of the PRC, the PRC's beef output reached approximately 8.01 million tonnes in 2025, representing a year-on-year increase of 2.8%. This indicates that the domestic beef market continues to maintain a sizeable production and consumption base, which supports the expected demand for procurement of Angus Cattle by downstream market participants;

(ii) **Need for stable domestic supply of Angus Cattle amid import policy measures:** the safeguard measures in effect for three years from January 1, 2026 to December 31, 2028 on imported beef in the form of country-specific quotas and additional tariffs levied beyond the quotas announced by the Ministry of Commerce are expected to constrain the supply of imported beef in the PRC and increase the price of imported beef, resulting in a greater importance of stable domestic Angus Cattle's supply channels;

(iii) **Inner Mongolia Youran's supply capacity and Yizhiniu's procurement needs:** considering Inner Mongolia Youran's supply capacity and Yizhiniu's procurement needs, the number of Angus Cattle to be delivered by Inner Mongolia Youran to Yizhiniu is expected to be doubled in 2028 compared to that of 2027; and

(iv) **Reservation of a 20% buffer:** a 20% buffer is reserved to accommodate potential increase in the price of Angus Cattle and feed price, possible growth in Yizhiniu's demand and enhanced supply capability of the Group in the future, thereby providing sufficient flexibility and operational assurance for the relevant transactions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LIVE CATTLE PROCUREMENT FRAMEWORK AGREEMENT

As a strategic incubation initiative, beef cattle farming presents significant market potential, with prices currently entering an upward cycle. Leveraging the Live Cattle Procurement Framework Agreement, the Group is well-positioned to steadily advance the implementation of its beef cattle farming operations, explore the development of a competitive farming model, and cultivate new profit growth drivers for the Group.

Further, the Live Cattle Procurement Framework Agreement enables the Group to leverage strategic synergies with Yizhiniu and to strengthen its positioning in the premium beef supply chain. Yizhiniu is actively expanding into high-end catering and retail channels, with key selling points of selling premium beef emphasizing the visual appeal, origin and feeding practices of the beef. The Live Cattle Procurement Framework Agreement is expected to provide Yizhiniu with a stable supply of high-quality, consistently standardized Angus Cattle, thereby supporting its brand upgrading and market share expansion. At the same time, such arrangement allows the Group to secure a reliable and long-term sales channel for its beef cattle production, reducing uncertainties associated with downstream market access.

Meanwhile, the Group can leverage and replicate, in the Angus cattle farming business, the ranch resources, feed formulations, genetic breeding technologies and large-scale management experience accumulated through its dairy cows farming operations. By reutilizing existing infrastructure and technical expertise, the Group is able to effectively reduce marginal production costs, enhance farming efficiency and improve operational scalability, without incurring significant additional capital expenditure. The collaborative "farming + underwriting" model adopted by the parties provides Yizhiniu with quality assurance and secures sales channels for the Group's cattle at the same time, thereby facilitating optimal allocation of internal resources and creating synergy effects.

In addition, the Live Cattle Procurement Framework Agreement supports the Group's strategic expansion into the beef cattle breeding sector, which offers a huge market potential and considerable profits as driven by rising domestic consumption and import restrictions of beef in the PRC. By locking in long-term and stable sales arrangements with Yili in relation to Angus Cattle, the Group can mitigate exposure to price volatility and sales risks, thereby enhancing the stability of returns and cash flows. The Live Cattle Procurement Framework Agreement enables the Group to further utilize its existing ranches for farming the Angus Cattle, thereby improving asset utilization efficiency. The Group can also strengthen its beef cattle farming team, enhance management and cost-control standards, and accumulate operational experience, laying a solid foundation for future business scaling and sustainable development of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Live Cattle 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 respective transactions to be conducted under the Live Cattle Procurement Framework Agreement and to safeguard the interests of the Shareholders:

(i) prior to entering into any sales order, the finance department of the Group will verify the unit selling price of Angus Cattle calculated under the aforementioned "cost-plus" pricing mechanism;

(ii) at the settlement stage, the business and finance departments of the Group will conduct a further review of the unit selling price of Angus Cattle to ensure that the payment is collected in accordance with the approved selling price. These measures serve as an effective safeguard to ensure that the transactions between Inner Mongolia Youran and Yizhiniu under the Live Cattle Procurement Framework Agreement are conducted in accordance with the pricing policies, the terms of the agreement and the annual caps 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 Live Cattle Procurement Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the annual caps 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 Live Cattle 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 caps.

Having considered the aforesaid, the Board is of the view that appropriate and adequate procedures have been put into place by the Company to ensure that the transactions contemplated under the Live Cattle 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

Inner Mongolia Youran, the Company and the Group

Inner Mongolia Youran, which was incorporated in the PRC as a limited liability company on August 1, 2007, is wholly owned by the Company. Inner Mongolia Youran is primarily engaged in the production and sales of raw milk, and the trading, production and sales of feeds, ruminant farming products and breeding products in the PRC.

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 sales of raw milk, and the trading, production and sales of feeds, ruminant farming products and breeding products in the PRC.

Yizhiniu and Yili

Yizhiniu is a wholly-owned subsidiary of Yili and is primarily engaged in processing and sales of meat and by-products and rearing, slaughtering and sales of cattle, sheep and horses.

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 the controlling shareholder of the Company. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

Yili is the controlling shareholder of the Company, which is therefore a connected person of the Company under the Listing Rules. Yizhiniu is a wholly-owned subsidiary of Yili, which is therefore also a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Live Cattle 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 Live Cattle Procurement Framework Agreement exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Live Cattle 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 Live Cattle 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 Live Cattle 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 Live Cattle 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:

"Angus Cattle"	the Black Angus Steers to be procured by Yizhiniu from Inner Mongolia Youran, which meet the requirements set out in the Live Cattle Procurement Framework Agreement, such as breed, age in months, body weight, health condition and growth environment etc.
"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
"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
"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 in August 2007 under the laws of the PRC which is wholly owned by the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Live Cattle Procurement Framework Agreement"	the live cattle procurement framework agreement entered into between Yizhiniu and Inner Mongolia Youran on May 22, 2026 in respect of the procurement of Angus Cattle by Yizhiniu from Inner Mongolia Youran
"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
"Yizhiniu"	Inner Mongolia Yizhiniu Animal Husbandry Co., Ltd.* (內蒙古伊知牛牧業有限責任公司), a company established in October 2020 under the laws of the PRC which is wholly owned by Yili
"%"	per cent.

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

Hohhot, May 22, 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.*