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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)

REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTAL FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND DISCLOSEABLE TRANSACTION

On April 24, 2023, the Company entered into the Existing Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company agreed to provide a range of financial services to the Group, including amongst others, the Deposit Services for a term from January 1, 2024 to December 31, 2026.

The Board has been closely monitoring the situation regarding the Deposit Services. In light of the increase in the amount of deposits actually required to be placed by the Group with Yili Finance Company which exceeds the original projection, it is anticipated that the annual caps in relation to the Deposit Services will not be sufficient for the Company's needs during the remaining term of the Existing Financial Services Framework Agreement.

Accordingly, the Company and Yili Finance Company entered into the Supplemental Financial Services Framework Agreement on August 22, 2025 to revise the annual caps in relation to the Deposit Services as follows: (i) for the period from the effective date of the Supplemental Financial Services Framework Agreement to December 31, 2025, the maximum daily balance of deposits (including the interest accrued thereon) shall be increased from RMB1,500.0 million to RMB2,500.0 million; and (ii) for the period from January 1, 2026 to December 31, 2026, the maximum daily balance of deposits (including the interest accrued thereon) shall be increased from RMB1,500.0 million to RMB2,750.0 million (i.e., the Revised Annual Caps). The Supplemental Financial Services Framework Agreement shall be effective from the date of obtaining the Independent Shareholders' approval at the general meeting. Except for the revision of the annual caps under the Deposit Services, all other terms of the Existing Financial Services Framework Agreement remain unchanged.

IMPLICATIONS UNDER THE LISTING RULES

Yili is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As Yili Finance Company 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. Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules if it proposes to revise the annual caps under the Existing Financial Services Framework Agreement.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Revised Annual Caps exceeds 5%, the provision of the Deposit Services by Yili Finance Company to the Group under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, in respect of the Deposit Services under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, as one or more of the applicable percentage ratios under the Listing Rules exceeds 5% but is less than 25%, the provision of the Deposit Services by Yili Finance Company to the Group under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The Independent Board Committee comprising of all independent non-executive Directors, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin, has been formed to consider, and advise the Independent Shareholders in respect of the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before September 8, 2025 in accordance with the Listing Rules.

References are made to the announcement of the Company dated April 24, 2023 and the circular of the Company dated April 25, 2023. On April 24, 2023, the Company entered into the Existing Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company agreed to provide a range of financial services to the Group, including amongst others, the Deposit Services for a term from January 1, 2024 to December 31, 2026. The principal terms of the Existing Financial Services Framework Agreement are set out in the above-mentioned announcement and circular of the Company.

THE SUPPLEMENTAL FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date

August 22, 2025

Parties

(i) the Company; and

(ii) Yili Finance Company

Revised Annual Caps

Pursuant to the Supplemental Financial Services Framework Agreement, the parties have agreed to revise the annual caps in relation to the Deposit Services as follows: (i) for the period from the effective date of the Supplemental Financial Services Framework Agreement to December 31, 2025, the maximum daily balance of deposits (including the interest accrued thereon) shall be increased from RMB1,500.0 million to RMB2,500.0 million; and (ii) for the period from January 1, 2026 to December 31, 2026, the maximum daily balance of deposits (including the interest accrued thereon) shall be increased from RMB1,500.0 million to RMB2,750.0 million. The Supplemental Financial Services Framework Agreement shall be effective from the date of obtaining the Independent Shareholders' approval at the general meeting. Except for the revision of the annual caps under the Deposit Services, all other terms of the Existing Financial Services Framework Agreement remain unchanged.

Basis of the Revised Annual Caps

In determining the Revised Annual Caps, the Directors considered the following, including certain new and unanticipated developments which have arisen since the entering into of the Existing Financial Services Framework Agreement:

(i) **Expansion of Business Scale:** The Group's business has demonstrated consistent growth which exceeds original projections. In recent years, the proportion of milkable cows and average milk yield per milkable cows levels of the Group have steadily improved, leading to stable growth in raw milk business revenue. For the year ended December 31, 2024, the Group's revenue increased by 7.5% year-on-year to RMB20,096.2 million. This expansion, along with the commissioning of new farms, has led to a corresponding increase in the Group's funding requirements beyond what was initially forecast;

(ii) **Operating Cash Inflows and Liquidity Needs:** Based on its unaudited management accounts, the Group's historical monthly operating cash inflow is approximately RMB1,900.0 million, with collections concentrated towards the end of each month. Furthermore, the Group's subsidiaries maintain an aggregate liquidity reserve of approximately RMB600.0 million with Yili Finance Company to meet routine payment obligations. Both of these amounts are expected to increase in line with the business expansion;

(iii) **New Strategic Initiative to Optimize Fund Management Model:** In its historical fund management, the Group utilized multiple collection and payment channels, which resulted in a high frequency of inter-bank fund transfers and increased operational costs. As a new strategic initiative to address this, and provided that the interest rates offered by Yili Finance Company are not less favorable than those offered by independent commercial banks, to enhance capital utilization efficiency, the Group plans to centralize its collection and payment activities through Yili Finance Company. This will reduce the need for inter-bank transfers and lower settlement costs. A higher deposit cap is therefore necessary to accommodate the Group's monthly cash inflows and working capital reserves within this new centralized management model; and

(iv) **The Group's current and projected needs:** The proposed annual cap of RMB2,500.0 million for the period from the effective date of the Supplemental Financial Services Framework Agreement to December 31, 2025 (a 66.7% increase) is determined by aggregating the historical monthly operating cash inflow (approximately RMB1,900.0 million) and the required working capital reserve (approximately RMB600.0 million). The proposed annual cap of RMB2,750.0 million for the year ending December 31, 2026 (an 83.3% increase) is based on the aforesaid cap for the period ending December 31, 2025 plus an approximately 10.0% increment to provide sufficient buffer for anticipated continuous business growth.

Pricing guidelines

In respect of the Deposit Services under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, the interest rates payable by Yili Finance Company to the Group for the Deposit Services shall not be lower than (a) the benchmark deposit rates prescribed by the PBOC; and (b) deposit rates payable by the major commercial banks in the PRC, including amongst others, Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, Bank of Communications and China Construction Bank.

For the Deposit Services, the Company will obtain quotes from no less than five of the major commercial banks in the PRC for comparison and will only engage Yili Finance Company if the terms offered by Yili Finance Company are no less favorable than those offered by the banks. Given that the terms offered by Yili Finance Company shall be no less favorable than those offered by the major commercial banks in the PRC, the Board considers the pricing guidelines in respect of the Deposit Services under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, to be fair and reasonable.

Historical amounts

The annual cap of the daily balance of deposits (including the interest accrued thereon) under the Existing Financial Services Framework Agreement is RMB1,500.0 million. The Group's maximum daily deposit balance (including the interest accrued thereon) under the Existing Financial Services Framework Agreement for the year ended December 31, 2024 and for the six months ended June 30, 2025 amounted to approximately RMB1,381.7 million and RMB1,152.2 million, respectively, representing approximately 92.1% and 76.8% of the daily balance caps for the corresponding periods.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board has been closely monitoring the situation regarding the Deposit Services. In light of the increase in the amount of deposits actually required to be placed by the Group with Yili Finance Company which exceeds the original projection, it is anticipated that the annual caps in relation to the Deposit Services will not be sufficient for the Company's needs during the remaining term of the Existing Financial Services Framework Agreement. Accordingly, the Company and Yili Finance Company entered into the Supplemental Financial Services Framework Agreement on August 22, 2025 to revise the annual caps in relation to the Deposit Services.

The reasons for and benefits of entering into the Supplemental Financial Services Framework Agreement are as follows:

(i) to enhance capital utilization efficiency by optimizing the Group's internal fund management model. Currently, based on its unaudited management accounts, the Group records monthly operating cash inflows of approximately RMB1,900.0 million, with inflows concentrated towards the end of each month. Due to the limitation on the maximum daily balance of deposits (including the interest accrued thereon) of RMB1,500.0 million under the Existing Financial Services Framework Agreement, the Group's subsidiaries are required to deposit sales proceeds into external bank accounts while operating payments are processed through accounts with Yili Finance Company. This arrangement has led to frequent interbank fund transfers, resulting in higher settlement costs and lower overall efficiency. Moreover, deposit interest rates offered by external banks are generally lower than or similar to those offered by Yili Finance Company. By increasing the maximum daily balance of deposits (including the interest accrued thereon) and centralizing collection and disbursement within Yili Finance Company, the Group expects to improve settlement efficiency, reduce transaction costs, and increase deposit yields; and

(ii) to ensure sufficient funding for daily operations and future business growth. Each subsidiary of the Group maintains a liquidity reserve of approximately RMB600.0 million in aggregate with Yili Finance Company to meet routine payment obligations. Given the continuous expansion of the Group's business scale and the full operation of the newly built farms, it is expected that the current working capital reserve needs to be increased accordingly. The proposed increase of the maximum daily balance of deposits (including the interest accrued thereon) is necessary to provide operational stability and financial flexibility.

In addition, the Directors have conducted a detailed assessment of the credit risk associated with placing deposits with Yili Finance Company. In arriving at their view that the risk is acceptable and controllable, the Directors have taken into account the following key factors:

(i) **Good Qualifications and Solid Financial Base:** Yili Finance Company is a non-bank financial institution approved and regulated by the NFRA. In its 2024 annual regulatory review, it received a rating of 2A, which signifies stable and sound operations. As of December 31, 2024, Yili Finance Company had total assets of approximately RMB12,359.6 million and net assets of approximately RMB2,215.0 million, demonstrating a solid financial base;

(ii) **Demonstrable Interest Rate Advantage:** The interest rates offered by Yili Finance Company are not only required to be no less favorable than those offered by independent commercial banks, but the Company's records show that from 2024 to the present, the actual interest rates on deposits placed by the Group have been consistently higher than the rates offered by comparable independent commercial banks for deposits of a similar type and maturity;

(iii) **Robust Risk Control and Oversight:** The risk is further mitigated by the Company's comprehensive internal control framework. This includes periodic reviews of the transactions by the independent non-executive Directors and an annual review conducted by the Company's external auditors to ensure compliance and the safety of the Group's funds, as detailed further in the "Internal Control Measures" section of this announcement; and

(iv) **Superior Stability and Efficiency:** As Yili Finance Company is a subsidiary of the Company's controlling shareholder, the Group benefits from superior cooperation stability and settlement efficiency compared to transacting with external banks. This close relationship allows for greater transparency and more efficient cash management.

Considering these factors, the Directors are of the view that the credit risk associated with placing deposits with Yili Finance Company is not materially higher than that of other PRC commercial banks and is acceptable.

In light of the above, the Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser) are of the view that the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms that are fair and reasonable, in the ordinary and usual course of business of the Company, 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 contemplated under the Existing Financial Services Framework Agreement, as supplemented by the Supplemental Financial Services Framework Agreement, in order to safeguard the interests of the Shareholders, particularly in relation to the Deposit Services:

(i) the Company has established a centralized treasury management system to closely monitor the daily balance of deposits (including the interest accrued thereon) with Yili Finance Company. The finance department reviews the aggregated deposit positions of the Company and its subsidiaries on a daily basis through its finance management system and ensures that the annual caps in relation to the Deposit Services are not exceeded. The Company's internal treasury policies require that any changes to settlement account structures or deposit flows must be subject to approval procedures and documented;

(ii) the Company's independent non-executive Directors will continue to review the terms, implementation and operational effectiveness of the Supplemental Financial Services Framework Agreement. In the event that a majority of the independent non-executive Directors reasonably determine that the annual caps in relation to the Deposit Services is not aligned with the interests of the Company and its Shareholders, the Company will promptly revise its fund allocation or account settings to address such concerns;

(iii) the Company's external auditors will be engaged to conduct an annual review of the transactions under the Supplemental Financial Services Framework Agreement to ensure that they have been (a) approved by the Board; (b) entered into in all material respects in accordance with the relevant agreements governing such transactions; and (c) within the Revised Annual Caps disclosed by the Company;

(iv) the finance department has implemented a reporting mechanism whereby the responsible finance officer shall immediately alert the chief financial officer and the Board if the daily balance of deposits (including the interest accrued thereon) approaches or is projected to exceed the approved limit, thereby enabling timely intervention;

(v) the Company has implemented credit risk assessment safeguards, which include: (a) regular review of Yili Finance Company's financial statements; (b) monitoring of its key regulatory ratios (e.g., capital adequacy); (c) tracking its credit rating; and (d) holding periodic meetings with its management to assess its operational and financial stability; and

(vi) the Company will ensure that the interest rates offered by Yili Finance Company on deposits remain not less favorable than those offered by independent commercial banks in the PRC for deposits of similar type and maturity, and that the rates are periodically benchmarked and documented for compliance and audit purposes.

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 production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

Yili and Yili Finance Company

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

Yili Finance Company is a company established under the laws of the PRC on January 15, 2014 and is a non-bank financial institution approved by the NFRA. It is a wholly-owned subsidiary of Yili and principally engaged in the provision of financial services in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

Yili is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As Yili Finance Company 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. Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules if it proposes to revise the annual caps under the Existing Financial Services Framework Agreement.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Revised Annual Caps exceeds 5%, the provision of the Deposit Services by Yili Finance Company to the Group under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, in respect of the Deposit Services under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, as one or more of the applicable percentage ratios under the Listing Rules exceeds 5% but is less than 25%, the provision of the Deposit Services by Yili Finance Company to the Group under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement, constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 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 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 Supplemental Financial Services 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 Supplemental Financial Services 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 Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising of all independent non-executive Directors, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin, has been formed to consider, and advise the Independent Shareholders in respect of the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company expects to hold the EGM on September 26, 2025 for the Independent Shareholders to consider, and if thought fit, to pass the ordinary resolutions to approve the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before September 8, 2025 in accordance with the Listing Rules.

"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 meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Deposit Services"	the deposit services provided by Yili Finance Company to the Group under which Yili Finance Company shall accept deposits from the Group of up to a maximum daily balance of deposits (including the interest accrued thereon)
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on September 26, 2025
"Existing Financial Services Framework Agreement"	the financial services framework agreement entered into between the Company and Yili Finance Company on April 24, 2023 in respect of the provision of a range of financial services, including but not limited to the Deposit Services, by Yili Finance Company to the Group
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin, which has been formed to advise the Independent Shareholders on the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder
"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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder

"Independent Shareholders"	Shareholders who have no material interest in, and are not required to abstain from voting at the EGM to approve the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NFRA"	the National Financial Regulatory Administration (國家金融監督管理總局), formerly known as the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"PBOC"	The People's Bank of China (中國人民銀行)
"percentage ratio(s)"	has the meaning ascribed to that it under the Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Revised Annual Caps"	the revised annual caps for the Deposit Services under the Existing Financial Services Framework Agreement, and as supplemented by the Supplemental Financial Services Framework Agreement
"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)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Supplemental Financial Services Framework Agreement"	the supplemental agreement to the Existing Financial Services Framework Agreement entered into between the Company and Yili Finance Company on August 22, 2025 to revise the maximum daily balance of deposits (including the interest accrued thereon) for the period from the effective date of the Supplemental Financial Services Framework Agreement to December 31, 2025 and the year ending December 31, 2026
"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

"Yili Finance Company"	Yili Finance Company Limited* (伊利财務有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yili
"%"	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.

* *For identification purposes only.*