THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any content of this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Youran Dairy Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of China Youran Dairy Group Limited.

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; DISCLOSEABLE TRANSACTION; AND NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

RAINBOW CAPITAL (HK) LIMITED
滾 博 資 本 有 限 公 司

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 29 of this circular.

A notice convening the EGM of China Youran Dairy Group Limited to be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia on Friday, September 26, 2025, at 10:00 a.m. is set out on pages 34 to 35 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also set out on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yourandairy.com). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

September 8, 2025

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

"Articles of Association"	the articles of association of the Company, as amended from time to time
"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 incorporated in the Cayman Islands with limited liability 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
"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 at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, on Friday, September 26, 2025, or any adjournment thereof and notice of which is set out on pages 34 to 35 of this circular
"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" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"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 (including the Revised Annual Caps) 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 (including the Revised Annual Caps) 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 (including the Revised Annual Caps) and the transactions contemplated thereunder
"Jingang"	Hong Kong Jingang Trade Holding Co., Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Yili
"Latest Practicable Date"	August 28, 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

"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 under the Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this circular, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"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 Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it in 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* (伊利財務有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yili
"%"	per cent.



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)

Executive Directors:
Mr. Hao Haijun *(Chairman)*
Mr. Dong Jiping
Ms. Meng Yilan

Non-executive Directors:
Mr. Bai Wenzhong
Ms. Li Lin
Mr. Xu, Zhan Kevin

Independent non-executive Directors:
Ms. Xie Xiaoyan
Mr. Yao Feng
Ms. Huang Lin

Registered office:
89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009, Cayman Islands

Headquarter and principal place of business in the PRC:
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

September 8, 2025

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

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 renewed 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 purpose of this circular is to give you notice of the EGM and further information on the following ordinary resolution to be put forward at the EGM: (i) further information on the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Financial Adviser; (iii) the recommendation from the Independent Board Committee.

2. THE SUPPLEMENTAL FINANCIAL SERVICES FRAMEWORK AGREEMENT

The principal terms of the Supplemental Financial Services Framework Agreement are set out below:

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 (including the provision of deposit-taking services as set out below) 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 (a 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 balance of deposits (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.

3. 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, 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 letter; 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 (including the Revised Annual Caps) 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.

4. 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.

5. 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.

6. LISTING RULES IMPLICATIONS

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 subsidiary of Yili, Yili Finance Company is an associate of Yili and therefore also a connected person of the Company under the Listing Rules. 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. As of the Latest Practicable Date, the Group has not exceeded the original annual caps for the Deposit Services under the Existing Financial Services Framework Agreement. The Group will ensure strict compliance with the existing caps for the Deposit Services under the Existing Financial Services Framework Agreement until the EGM.

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 (including the Revised Annual Caps) and the transactions contemplated thereunder.

7. NOTICE OF EGM

Set out on pages 34 to 35 of this circular is the notice of the EGM at which, inter alia, an ordinary resolution will be proposed to Shareholders to consider and approve the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder.

The register of members of the Company will be closed from Tuesday, September 23, 2025 to Friday, September 26, 2025, both days inclusive, in order to determine the eligibility of Shareholders to attend the EGM, during which period no Share transfers will be registered. To be eligible to attend the EGM, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged with the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, September 22, 2025.

8. FORM OF PROXY

A form of proxy is enclosed for use at the EGM. Such form of proxy is also set out on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yourandairy.com). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

9. VOTING BY POLL

As at the Latest Practicable Date, Yili, through its wholly-owned subsidiaries, Boyuan Investment Holding Limited (formerly known as "China Youran Dairy Holding Limited") and Jingang, was deemed to be interested in an aggregate of 1,320,800,000 Shares, representing approximately 33.93% of the total issued share capital of the Company. Yili Finance Company is an associate of Yili and Yili is therefore regarded as having a material interest in the Supplemental Financial Services Framework Agreement and required to abstain from voting on the ordinary resolution proposed to be passed at the EGM for approving the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 72 of the Articles of Association, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of the EGM will be voted by way of a poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative, shall have one vote for every fully paid Share of which he/she is the holder. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

10. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the approval of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder set out on pages 16 to 17 of this circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the approval of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder set out on pages 18 to 29 of this circular.

The Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) consider that the approval of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) 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 its Shareholders as a whole.

Accordingly, the Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) recommend that the Independent Shareholders to vote in favor of the resolution approving the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder at the EGM.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the revision of annual caps for existing continuing connected transactions in relation to the Supplemental Financial Services Framework Agreement.

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)

September 8, 2025

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated September 8, 2025 (the "**Circular**") to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the revision of annual caps for existing continuing connected transactions in relation to the Supplemental Financial Services Framework Agreement, details of which are set out in the "Letter from the Board" contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons the Independent Financial Adviser has taken into consideration in giving such advice are set out in the "Letter from the Independent Financial Adviser" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the respective appendices thereto.

Having taken into account the terms of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we are of the opinion that the revision of annual caps for existing continuing connected transactions in relation to the Supplemental Financial Services Framework Agreement is 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 its Shareholders as a whole. We, therefore, recommend that you vote in favor of the resolution to be proposed at the EGM to approve the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Ms. XIE Xiaoyan **Mr. YAO Feng** **Ms. HUANG Lin**
Independent Non-executive Directors

The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Financial Services Framework Agreement and the Revised Annual Caps, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

September 8, 2025

To the Independent Board Committee and the Independent Shareholders

China Youran Dairy Group Limited
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Financial Services Framework Agreement and the Revised Annual Caps, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated September 8, 2025 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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 Company, 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. Except for the revision of the annual caps under the Deposit Services, all other terms of the Existing Financial Services Framework Agreement remain unchanged.

As at the Latest Practicable Date, 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 subsidiary of Yili, Yili Finance Company is an associate of Yili and therefore also a connected person of the Company under the Listing Rules. 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.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin, has been formed to advise the Independent Shareholders on (i) whether the entering into of the Supplemental Financial Services Framework Agreement is in the ordinary and usual course of business of the Group; (ii) whether the terms of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Yili Finance Company that could reasonably be regarded as relevant to our independence. There was no engagement or connection between the Group or Yili Finance Company and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or Yili Finance Company. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 and therefore are qualified to give independent advice in respect of the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, Yili Finance Company or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information of the Group and Yili Finance Company

(i) Information of the Group

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.

Set out below is a summary of the consolidated financial information of the Group for the three years ended December 31, 2024 ("**FY2022**", "**FY2023**" and "**FY2024**", respectively) as extracted from the annual reports of the Company for FY2023 and FY2024:

	For the year ended/As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	18,050,761	18,693,896	20,096,160
Bank balances and cash	936,358	3,935,982	829,310
Deposits placed with Yili Finance Company	515,895	552,359	785,359

The Group's revenue increased by approximately 3.6% from approximately RMB18,050.8 million for FY2022 to approximately RMB18,693.9 million for FY2023, and further increased by approximately 7.5% to approximately RMB20,096.2 million for FY2024, which was mainly due to the continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure.

As at December 31, 2024, the Group's bank balances and cash and deposits placed with Yili Finance Company amounted to approximately RMB829.3 million and RMB785.4 million, respectively.

(ii) Information of Yili Finance Company

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 (formerly known as the China Banking and Insurance Regulatory Commission). It is a wholly-owned subsidiary of Yili and principally engaged in the provision of financial services in the PRC.

As at December 31, 2024, Yili Finance Company had a registered and fully-paid capital of RMB1,000.0 million. We have obtained and reviewed the audit report of Yili Finance Company for FY2024, and noted that Yili Finance Company had total assets of approximately RMB12,359.6 million and net assets of approximately RMB2,215.0 million as at December 31, 2024, among which cash and deposits amounted to approximately RMB780.4 million and deposits from peers amounted to approximately RMB10,035.6 million.

The banking industry of the PRC is regulated by the NFRA. We are advised by the management of the Group that the regulation imposed by the NFRA on finance companies of enterprise groups such as Yili Finance Company are no less stringent than the regulations imposed on commercial banks. In addition, NFRA monitors Yili Finance Company's compliance with relevant regulators and conducts on-site visits from time to time, and may issue opinions on corrective measures to Yili Finance Company.

According to a notice issued by the Inner Mongolia Financial Regulatory Bureau, Yili Finance Company ranked 2A among the 2024 regulatory ratings for finance companies of enterprise groups, which indicates that Yili Finance Company has a stable operation, strong risk management capabilities, and its major shareholder has good operation and can provide necessary support to the financial company's operation.

We have also reviewed the information relating to Yili Finance Company provided by the Group, including but not limited to, its financial information as at June 30, 2025 and noted that it had met its major regulatory ratios requirements such as liquidity ratio, loan ratio and capital adequacy ratio, and no material irregularities were noted.

Taking into account that (i) Yili Finance Company had total assets of approximately RMB12,359.6 million and net assets of approximately RMB2,215.0 million as at December 31, 2024; (ii) based on our review of Yili Finance Company's financial ratios as at June 30, 2025, it has high current ratio and low loan ratio (i.e. the amount of loans provided to peers divided by the sum of deposits from peers and paid-in capital), demonstrating its stable operation; (iii) the regulations imposed by the NFRA on Yili Finance Company are no less stringent than those imposed on commercial banks; (iv) Yili Finance Company received a good rating in the 2024 regulatory review; (v) Yili, the sole shareholder of Yili Finance Company, has stable operation and can provide necessary support to Yili Finance Company's operation; and (vi) the interest rates offered by Yili Finance Company on deposits remain not less favorable than those offered by independent commercial banks, we consider the Group's risk in relation to placing deposits at Yili Finance Company to be acceptable.

2. Reasons for and benefits of entering into the Supplemental Financial Services Framework Agreement

As stated in the Letter from the Board, the Group currently records monthly operating cash inflows of approximately RMB1,900.0 million, which was concentrated at month-end. 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.

Given that (i) 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; and (ii) the current working capital reserves are expected to increase accordingly as the Group's operational scale continued to expand and newly built farms are put into full operation, the proposed increase of the maximum daily balance of deposits (including the interest accrued thereon) is necessary to provide operational stability and financial flexibility.

Based on the above, we concur with the Directors that the entering into of the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Supplemental Financial Services Framework Agreement

Details of the terms of the Supplemental Financial Services Framework Agreement are set out in the Letter from the Board. The principal terms of the Supplemental Financial Services Framework Agreement are set out below:

Date	:	August 22, 2025
Parties	:	(a) The Company; and (b) 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.

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, inter alia, 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 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 that 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.

Except for the revision of the annual caps under the Deposit Services, all other terms of the Existing Financial Services Framework Agreement remain unchanged.

The terms offered by Yili Finance Company will be equal to or no less favorable than the terms offered by independent commercial banks in the PRC as the Company would obtain quotations from the major commercial banks in the PRC for the same type of services it will request from Yili Finance Company before it conducts business with Yili Finance Company so as to ensure that the most favorable terms are obtained. In particular, the deposit interest rates payable by Yili Finance Company to the Group for the Deposit Services shall not be lower than (i) the benchmark deposit interest rates prescribed by the PBOC; and (ii) deposit interest rates payable by the major commercial banks in the PRC, for the same period and of similar nature. The Group has adopted internal control measures to ensure the pricing terms of individual transactions under the Existing Financial Services Framework Agreement, as supplemented by the Supplemental Financial Services Framework Agreement, will be made in accordance with the pricing

principles. As advised by the management of the Group, the Group entered into two deposit contracts with Yili Finance Company during the period from 1 January 2024 to the Latest Practicable Date. In this regard, we have obtained and reviewed the Group's approval forms for the aforesaid transactions, which showed that the finance department of the Group had compared the deposit interest rate offered by Yili Finance Company with those offered by five major commercial banks in the PRC, ensuring the deposit interest rate offered by Yili Finance Company was no less favorable than those offered by the banks and was consistent with the pricing guidelines of the Existing Financial Services Framework Agreement.

As confirmed by the management of the Group, the Group's deposits in Yili Finance Company were mainly agreement deposits. We have obtained and reviewed (i) five contracts in relation to agreement deposit services entered into between independent commercial banks and the Group in each of 2024 and 2025 (the "**Deposit Contracts**"); and (ii) the notices issued by Yili Finance Company to members of Yili Group in relation to adjustments of deposit interest rates (the "**Notices**"). We noted that the deposit interest rates offered by Yili Finance Company are higher than those offered by independent commercial banks from 1 January 2024 up to the Latest Practicable Date.

Further, we have reviewed the latest annual RMB benchmark deposit rates prescribed by the PBOC. According to the "Notice of the PBOC on Lowering the RMB Benchmark Loan and Deposit Interest Rates for Financial Institutions and Further Promoting the Interest Rate Liberation Reform (Yin Fa [2015] No.325))" (中國人民銀行關於下調金融機構人民幣貸款和存款基準利率並進一步推進利率市場化改革的通知(銀發[2015]325號) prescribed by the PBOC on 24 October 2015, the latest annual RMB benchmark deposit rates are set out in the below:

Current deposit	Agreement deposit	Term deposit		Fixed deposit		
		1-day	7-day	Three-month	Six-month	One-year
0.35%	1.15%	0.80%	1.35%	1.10%	1.30%	1.50%

We noted that the latest deposit interest rate offered by Yili Finance Company was not lower than the annual RMB benchmark agreement deposit rate prescribed by the PBOC.

As such, we consider that the pricing policy for the Deposit Services has been adherence in accordance with the Group's internal control procedures, and the terms of the Existing Financial Services Framework Agreement, as supplemented by the Supplemental Financial Services Framework Agreement are on normal commercial terms which are fair and reasonable.

4. Internal control measures of the Group

In order to protect the interests of the Shareholders, the Group 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:

(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; and

(v) 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.

In assessing whether the above internal control measures are put in place and effectively implemented, we have obtained and reviewed (i) the Deposit Contracts; (ii) the Notices; and (iii) the latest annual RMB benchmark deposit rates prescribed by the PBOC. We noted the deposit interest rates offered by Yili Finance Company to the Group for the Deposit Services are not lower than (i) the benchmark deposit rates prescribed by the PBOC; and (ii) deposit interest rates offered by the independent commercial banks. We have further obtained and reviewed all monthly reports in respect of the daily balance of deposits under the Existing Financial Services Framework Agreement in FY2024 and the six months ended June 30, 2025 prepared by the Company and noted that the balances had been closely monitored such that the existing annual caps were not exceeded.

As such, we are of the view that the internal control measure for monitoring the transactions contemplated under the Existing Financial Services Framework Agreement, as supplemented by the Supplemental Financial Services Framework Agreement, have been effectively implemented.

5. Assessment of the Revised Annual Caps

(i) Review of the historical figures

Set out below are the historical transaction amounts regarding the transactions contemplated under the Existing Financial Services Framework Agreement:

	For the year ended December 31, 2024 *(RMB million)*	**For the six months ended June 30, 2025** *(RMB million)*
The maximum amount of the Group's total deposit balance (including the interest accrued thereon)	1,381.7	1,152.2
Historical annual caps	1,500.0	1,500.0
Utilisation rate	92.1%	76.8%

The actual maximum daily balance of deposits (including the interest accrued thereon) for FY2024 and the six months ended June 30, 2025 were approximately RMB1,381.7 million and RMB1,152.2 million, respectively, representing approximately 92.1% and 76.8% of the annual caps for FY2024 and the year ending December 31, 2025, respectively.

(ii) Assessment of the Revised Annual Caps

Pursuant to the Supplemental Financial Services Framework Agreement, the Revised Annual Caps are set out below:

	For the year ending December 31, 2025 *(RMB million)*	**For the year ending December 31, 2026** *(RMB million)*
The maximum amount of the Group's total deposit balance (including the interest accrued thereon)	2,500.0	2,750.0

In assessing the reasonableness of the Revised Annual Caps, we have discussed with the management of the Group on the basis and assumption underlying the projections for the maximum amount of the Group's total deposit balance (including the interest accrued thereon).

As advised by the management of the Group, in order to ensure that the daily deposit balance does not exceed the annual caps under the Existing Financial Services Framework Agreement, the Group used external bank accounts to collect trade receivables, while the Group's daily operation expenses were settled through accounts maintained with Yili Finance Company. The Group intends to centralise its collection and payment accounts to reduce interbank transfers and enhance cash management efficiency, which will lead to an increase in the expected maximum daily balance of deposits 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 as compared to the existing annual caps.

Based on our review of the Company's annual report for FY2024, we noted (a) the Group's revenue was approximately RMB20,096.2 million for FY2024, representing average monthly revenue of approximately RMB1,674.7 million, which increased by approximately 7.5% as compared to that for FY2023 mainly due to the continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure; and (b) the Group had bank balances and cash and deposits placed with Yili Finance Company of approximately RMB829.3 million and RMB785.4 million, respectively, as at December 31, 2024. Assuming the Revised Annual Caps are approved by the Shareholders and the Group uses accounts with Yili Finance Company to collect trade receivables as planned, the maximum daily balance of deposit would be approximately RMB2,460.1 million, being the sum of the deposit balance with Yili Finance Company as at December 31, 2024 (i.e. RMB785.4 million) and the average monthly revenue for FY2024 (i.e. RMB1,674.7 million).

Taking into account (a) the Group's cash balance as at December 31, 2024; (b) the Group's expected operating cash inflows of over RMB1,600.0 million per month based on the Group's average monthly revenue for FY2024; (c) the increase of approximately 10.0% in the proposed annual cap for the year ending December 31, 2026 as compared to that for the year ending December 31, 2025 is justified given the Group's continued business expansion as evidenced by the Group's increasing revenue and net cash inflows from operating activities in 2024; (d) the deposit interest rate offered by Yili Finance Company is higher than those offered by independent commercial banks as at the Latest Practicable Date, and therefore transferring deposits from external banks to accounts with Yili Finance Company would be beneficial to the Group; (e) Yili Finance Company's background as discussed in the section headed "Information of Yili Finance Company" above; (f) the risk relating to the provision of the Deposit Services by Yili Finance Company would be controlled by the Group's internal control measures; and (g) the high utilisation rates of approximately 92.1% for FY2024 and 76.8% for the six months ended June 30, 2025 of annual caps under the Existing Financial Services Framework Agreement, we consider the Revised Annual Caps to be fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Supplemental Financial Services Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Interests of Directors and chief executive in the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

Interests of substantial Shareholders in the Company

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares[(1)]	Percentage of issued share capital (%)[(2)]
Yili[(3)]	Interest in controlled Corporations	1,320,800,000 (L)	33.93 (L)
Boyuan Investment Holding Limited (博源投資控股有限公司)[(3)]	Beneficial interest	800,000,000 (L)	20.55 (L)
Jingang[(3)]	Beneficial interest	520,800,000 (L)	13.38 (L)

Name of Shareholder	Nature of interest	Number of Shares[1]	Percentage of issued share capital (%)[2]
PAG[4]	Interest in controlled corporations	822,602,530 (L)	21.13 (L)
Pacific Alliance Group Limited[4]	Interest in controlled corporations	822,602,530 (L)	21.13 (L)
Shan Weijian[4]	Interest in controlled corporations	822,602,530 (L)	21.13 (L)
PAG Capital Limited[4]	Interest in controlled corporations	822,602,530 (L)	21.13 (L)
PAG Dairy GP I Limited[4]	Interest in controlled corporations	822,602,530 (L)	21.13 (L)
PAG Dairy I LP[4]	Interest in controlled corporations	822,602,530 (L)	21.13 (L)
PAG II[4]	Beneficial interest	822,602,530 (L)	21.13 (L)
Meadowland Investment Limited Partnership[5]	Beneficial interest	564,982,819 (L)	14.51 (L)

Notes:

1. The letter "L" denotes the Shareholder 's long position in such Shares.

2. The percentages are calculated on the basis of 3,892,727,833 Shares in issue as at the Latest Practicable Date.

3. Boyuan Investment Holding Limited (formerly known as "China Youran Dairy Holding Limited") directly held 800,000,000 Shares and Jingang directly held 520,800,000 Shares. Each of Boyuan Investment Holding Limited and Jingang is a wholly-owned subsidiary of Yili. Accordingly, Yili was deemed to be interested in an aggregate of 1,320,800,000 Shares.

4. PAGAC Yogurt Holding II Limited ("**PAG II**") directly held 822,602,530 Shares in the long position. PAG II was a wholly-owned subsidiary of PAG Dairy I LP, a fund managed by PAG Capital Limited, and the general partner of PAG Dairy I LP is PAG Dairy GP I Limited. Accordingly, PAG Dairy I LP and PAG Dairy GP I Limited were deemed to be interested in 822,602,530 Shares in the long position held by PAG II. PAG Capital Limited is wholly controlled by Pacific Alliance Group Limited and Pacific Alliance Group Limited is wholly controlled by PAG. PAG is controlled as to 34.67% by Mr. Shan Weijian. Accordingly, PAG Capital Limited, Pacific Alliance Group Limited, Mr. Shan Weijian and PAG were deemed to be interested in 822,602,530 Shares in the long position held by PAG II.

5. Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, no other parties had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

None of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2024, the date to which the latest published audited financial statements of the Group were made up, and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates were to considered to have any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has not been any material adverse change in the financial or trading position of the Group since December 31, 2024, being the date to which the latest published audited financial statements of the Company were made up.

7. EXPERT QUALIFICATION AND CONSENT

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

Name	Qualification
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 SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had been since December 31, 2024 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

8. DOCUMENTS ON DISPLAY

The Supplemental Financial Services Framework Agreement will be available on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.yourandairy.com) for a period of 14 days from the date of this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of China Youran Dairy Group Limited will be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China at 10:00 a.m. on Friday, September 26, 2025 to consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT

(a) the Supplemental Financial Services Framework Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more directors of the Company be and are hereby authorized to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the Revised Annual Caps under the Supplemental Financial Services Framework Agreement."

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

September 8, 2025

Registered office:
89 Nexus Way, Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

Headquarter and principal place of business in the PRC:
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street, Causeway Bay
Hong Kong

Notes:

(i) A Shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The proxy does not need to be a Shareholder.

(ii) Where there are joint registered holders of any Shares, any one of such persons may vote at the EGM (or at any adjournment of it), either personally or by proxy, in respect of such Shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(iii) In order to be valid, the completed form of proxy, must be deposited at the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), at least 48 hours before the time appointed for holding the above meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

(iv) The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, September 26, 2025. The register of members of the Company will be closed from Tuesday, September 23, 2025 to Friday, September 26, 2025, both days inclusive, in order to determine the eligibility of Shareholders to attend the above meeting, during which period no Share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, September 22, 2025.

(v) Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolution set out in this notice will be taken by poll at the EGM.

(vi) Unless the context otherwise requires, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated September 8, 2025.

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