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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO**

(1) THE DAIRY PRODUCTS PURCHASE FRAMEWORK AGREEMENT

AND

(2) THE RAW MILK PURCHASE AND SALE FRAMEWORK AGREEMENT

AND

**RENEWAL OF DISCLOSEABLE AND CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO**

(3) THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

References are made to (a) the Company's announcement dated April 24, 2023 in relation to, among others, the 2023 Dairy Products Purchase Framework Agreement, the 2023 Raw Milk Purchase and Sale Framework Agreement and the 2023 Financial Services Framework Agreement; (b) the Company's circular dated April 25, 2023 in relation to, among others, the 2023 Raw Milk Purchase and Sale Framework Agreement and the 2023 Financial Services Framework Agreement; and (c) the Company's announcement dated August 22, 2025 and its circular dated September 8, 2025 in relation to, among others, the 2025 Supplemental Financial Services Framework Agreement.

THE FRAMEWORK AGREEMENTS

As each of the 2023 Framework Agreements will expire on December 31, 2026 and the Group expects to continue to conduct the transactions thereunder upon the expiry of such agreements, the Board announces that on April 13, 2026, the Company entered into the following Framework Agreements to renew the continuing connected transactions contemplated under each of the 2023 Framework Agreements:

- (i) the Dairy Products Purchase Framework Agreement with Yili, pursuant to which Yili Group agreed to supply dairy products, such as milk powder, feed-grade milk powder etc. to the Group for a term commencing from January 1, 2027 to December 31, 2029;
- (ii) the Raw Milk Purchase and Sale Framework Agreement with Yili, pursuant to which the Group agreed to supply raw milk to Yili Group for a term commencing from January 1, 2027 to December 31, 2029; and
- (iii) the 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 the Deposit Services, the Settlement Services, and the Other Financial Services, for a term commencing from January 1, 2027 to December 31, 2029.

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, Yili Finance Company is an associate of Yili and therefore also a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, the Deposit Services under the Financial Services Framework Agreement also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Dairy Products Purchase Framework Agreement

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

Raw Milk Purchase and Sale Framework Agreement

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Raw Milk Purchase and Sale Framework Agreement is more than 5%, the transactions contemplated under the Raw Milk Purchase and Sale Framework Agreement are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Financial Services Framework Agreement

In respect of the Deposit Services under the 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 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 Deposit Services under the Financial Services Framework Agreement also constitute a continuing connected transaction of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Settlement Services and the Other Financial Services to be provided by Yili Finance Company to the Group under the Financial Services Framework Agreement will be carried out on normal commercial terms or better and the aggregate annual fees to be paid by the Group to Yili Finance Company for each of the years ending December 31, 2027, 2028 and 2029 are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules. Accordingly, such transactions are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to (a) the Company's announcement dated April 24, 2023 in relation to, among others, the 2023 Dairy Products Purchase Framework Agreement, the 2023 Raw Milk Purchase and Sale Framework Agreement and the 2023 Financial Services Framework Agreement; (b) the Company's circular dated April 25, 2023 in relation to, among others, the 2023 Raw Milk Purchase and Sale Framework Agreement and the 2023 Financial Services Framework Agreement; and (c) the Company's announcement dated August 22, 2025 and its circular dated September 8, 2025 in relation to, among others, the 2025 Supplemental Financial Services Framework Agreement.

THE FRAMEWORK AGREEMENTS

As each of the 2023 Framework Agreements will expire on December 31, 2026 and the Group expects to continue to conduct the transactions thereunder upon the expiry of such agreements, the Board announces that on April 13, 2026, the Company entered into the following Framework Agreements to renew the continuing connected transactions contemplated under each of the 2023 Framework Agreements:

1. the Dairy Products Purchase Framework Agreement with Yili, pursuant to which Yili Group agreed to supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group for a term commencing from January 1, 2027 to December 31, 2029;
2. the Raw Milk Purchase and Sale Framework Agreement with Yili, pursuant to which the Group agreed to supply raw milk to Yili Group for a term commencing from January 1, 2027 to December 31, 2029; and
3. the 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 the Deposit Services, the Settlement Services, and the Other Financial Services, for a term commencing from January 1, 2027 to December 31, 2029.

The principal terms of each of the Framework Agreements are set out below:

1. The Dairy Products Purchase Framework Agreement

Date

April 13, 2026

Parties

- (i) the Company; and
- (ii) Yili.

Term

Unless terminated earlier in accordance with the terms of the Dairy Products Purchase Framework Agreement, the Dairy Products Purchase Framework Agreement shall be effective from January 1, 2027 to December 31, 2029.

Subject matter

Yili Group agreed to supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group.

Pricing guidelines

The payment terms and the details of the dairy products to be ordered shall be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Dairy Products Purchase Framework Agreement.

The purchase price for the dairy products shall be determined after arm's length negotiation between the parties based on the following specific pricing mechanism: the Group and Yili Group will negotiate and determine the monthly minimum order quantity for the dairy products. If the Group's purchase volume meets the monthly minimum order quantity, the purchase price shall be the lowest selling price offered by Yili Group to independent third parties for the same products in that month. If the Group's purchase volume does not meet the monthly minimum order quantity, the purchase price shall be the weighted average selling price offered by Yili Group to independent third parties for the same products in that month. In order to ensure that such purchase prices are fair and reasonable to the Group and not higher than the prices charged by Yili Group to independent third parties, the Group's procurement department will regularly obtain and review the relevant price lists and sales records of Yili Group to independent third parties. Furthermore, to obtain the prevailing market reference price before placing an order with Yili Group, the procurement department of the Group will collect the unit price of the same type of products in the international market during the same period for comparison, ensuring that the prices offered by Yili Group are in line with the prevailing market price.

The Directors (including the independent non-executive Directors) consider that the above methods and procedures can ensure that the transactions will be conducted on normal commercial terms, are fair and reasonable, and are not prejudicial to the interests of the Shareholders.

Historical amounts

The annual caps under the 2023 Dairy Products Purchase Framework Agreement for the years ended December 31, 2024 and 2025 and for the year ending December 31, 2026 are RMB134 million, RMB139 million and RMB148 million, respectively. The transaction amounts under the 2023 Dairy Products Purchase Framework Agreement for the years ended December 31, 2024 and 2025 amounted to approximately RMB48.1 million and RMB55.2 million, respectively, representing approximately 35.9% and 39.7% of the annual caps under the 2023 Dairy Products Purchase Framework Agreement in 2024 and 2025, respectively.

Annual caps and basis of determination

The annual caps under the Dairy Products Purchase Framework Agreement for the years ending December 31, 2027, 2028 and 2029 are as follows:

2027	Year ending December 31,	2029
<i>RMB million</i>	2028	<i>RMB million</i>
	<i>RMB million</i>	
204	204	215

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

- (i) the historical and current market prices of dairy products and potential fluctuations in the market prices of the dairy products in the future. It is expected that the average price of milk powder in bulk packs in the PRC will increase moderately between 2027 and 2029. The Company notes that the market prices of dairy products, including milk powder in bulk packs, have exhibited significant cyclical volatility in recent years. Having considered publicly available market data, the Company has taken into account the possibility of price fluctuations during the term of the Dairy Products Purchase Framework Agreement (including a projected moderate increase in the average price of milk powder in bulk packs in the PRC between 2027 and 2029) in determining the annual caps;
- (ii) the historical transaction volume of dairy products over the past three years and the significant expected growth in the Group's demand for dairy products for the years ending December 31, 2027, 2028 and 2029. It is expected that the quantity of the dairy products to be purchased by the Group will increase by not less than 200% on average in each of the three years ending 31 December 2029 as compared to 2025 due to the following factors: (a) the shift in calf feeding strategy. Over the past two years, the Group fed calves with its own dairy products to manage inventory and reduce costs, which suppressed external procurement volumes in 2024 and 2025. As the supply and demand for domestic raw milk improve and the raw milk prices are expected to recover as set out in the paragraph headed "Proposed annual caps and basis of determination" under the section headed "2. The Raw Milk Purchase and Sale Framework Agreement" below, the expected cost of utilizing the Group's own dairy products for calf feeding will increase. Consequently, purchasing dairy products for calf feeding is expected to be more cost-effective than using the Group's own dairy products. Accordingly, to maximize overall profitability and operational efficiency, the Group intends to increase its procurement of dairy products from Yili Group to meet its calf feeding needs; and (b) the growth in demand for dairy products driven by the expected steady increase in the number of calves. The Group expects its calf population to experience steady growth over the next few years, driven by the full commissioning and scaling up of operations at the Group's newly built ranches. This steady expansion will naturally lead to a corresponding increase in the total procurement volume of dairy products required for calf feeding; and
- (iii) a 20% buffer in anticipation of the expected continued business growth and possible continued development of China's dairy industry in the future.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DAIRY PRODUCTS PURCHASE FRAMEWORK AGREEMENT

As compared with the purchase of dairy products by the Group on its own or through an independent third-party agent, the dairy products provided to the Group, by virtue of Yili's economies of scale and bargaining power, make it possible for the Group to obtain the dairy products required for its operations at a lower cost, thus enabling the Group to maintain competitiveness.

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

2. The Raw Milk Purchase and Sale Framework Agreement

Date

April 13, 2026

Parties

- (i) the Company; and
- (ii) Yili.

Term

Unless terminated earlier in accordance with the terms of the Raw Milk Purchase and Sale Framework Agreement, the Raw Milk Purchase and Sale Framework Agreement shall be effective from January 1, 2027 to December 31, 2029.

Scope of services

- (i) Yili Group agreed to purchase raw milk that meets the relevant national standards and the quality requirements of Yili Group from the Group; and
- (ii) the Group agreed to sell and Yili Group agreed to buy not less than 70% of the Group's annual raw milk production on the terms and subject to the conditions of the Raw Milk Purchase and Sale Framework Agreement. Yili Group also agreed to buy the remaining 30% of the Group's raw milk production volume so long as the Group is willing and able to supply raw milk to Yili Group.

Pricing guidelines

Yili Group should settle the payment for the raw milk by the 30th day of the following month. Specific payment arrangements shall be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Raw Milk Purchase and Sale Framework Agreement.

The minimum price and terms of raw milk to be supplied by the Group to Yili Group shall not be lower than the price of and comparable to the terms of raw milk to be supplied to Yili Group by dairy farms of a similar scale in terms of, among others, size of the dairy farms and number of milkable cows, located in the same or nearby geographical location as the Group, or in the absence of such dairy farms, by similar dairy farms in other regions and/or shall be negotiated on an arm's length basis between both parties based on the type, quality, purchase volume and historical transaction price of raw milk.

The purchase price of raw milk shall be determined and adjusted based on market conditions and seasonal factors (for example, the quality grade of raw milk may vary due to the weather conditions in different seasons). As agreed between both parties, the final purchase price of raw milk shall vary depending on the quality grade. In particular, the purchase price shall not be lower than the market average price with adjustments based on the quality grade of the milk. The market reference price refers to the average raw milk price, excluding the delivery fee and quality adjustments, of the preceding month of the top five dairy farms (the “**Top Five Dairy Farms**”) in the same region as the Group's dairy farms which supply raw milk to Yili Group (the “**Base Milk Prices**”) on a month-to-month basis in terms of the quantity of raw milk supply. To obtain such market reference price and terms, the operation management department and finance department of the Group will collect the prices and terms of raw milk supplied to Yili Group by the Top Five Dairy Farms based on the monthly sales volume to Yili Group. The quality grade is determined with reference to physical and chemical specifications, including but not limited to, the fat and protein content, color, taste, smell, texture, impurity level, bacteria content, and somatic cell count. In addition, the quality of raw milk supplied by the Group must satisfy the standards set by the government and the requirements of Yili Group.

Further, given the dairy retail market in the PRC being highly concentrated with a limited number of large conglomerates accounting for a significant market share, it is prevalent that the raw milk suppliers supply a substantial portion or all of its production to a single major customer. Despite such market norm, to maintain the Group's gross profit margin in the raw milk business, the Group will not only take into account the historical gross profit margin of the Group's raw milk business, but will also compare its selling price of raw milk to Yili Group against the average raw milk price in major dairy-producing provinces published by the Ministry of Agriculture and Rural Affairs of the PRC (the “**Benchmark Price**”). Where the average monthly settlement price is lower than the Benchmark Price by more than 10%, the Group will renegotiate the selling price with Yili Group. Based on the historical Benchmark Price published by the Ministry of Agriculture and Rural Affairs of the PRC, the year-on-year fluctuations in the average unit price of raw milk for the corresponding month between 2023 and 2024 and between 2024 and 2025 ranged from approximately 3% to approximately 16%, indicating a certain level of price fluctuations in raw milk. As such, according to the current trend in price fluctuations of raw milk, the 10% threshold as an indicator helps to filter out minor fluctuations in market price, and save the time and costs on engaging in frequent renegotiations triggered by short-term and minor price fluctuations, thereby enhancing operational efficiency.

Given the aforementioned nature of the dairy retail market in the PRC, it is paramount for the Group to maintain a stable and long-term business relationship with the dairy conglomerates, such as Yili Group. The stable demand and reliable settlement track record of Yili Group enable the Group to achieve higher capacity utilisation, reduce sales and credit risks and maintain operational stability. Meanwhile, as the Group’s settlement price of raw milk had made reference to the Base Milk Prices, the Group’s average monthly settlement price for the years ended December 2023, 2024 and 2025 was not lower than the Benchmark Price. This ensured the Group to maintain a stable gross profit margin in the raw milk business.

Therefore, the Board considers that the 10% threshold is within a reasonable range and the above pricing guidelines are fair and reasonable.

Historical amounts

The annual caps under the 2023 Raw Milk Purchase and Sale Framework Agreement for the years ended December 31, 2024 and 2025 and for the year ending December 31, 2026 are RMB19,900 million, RMB22,400 million and RMB24,000 million, respectively. The transaction amounts under the 2023 Raw Milk Purchase and Sale Framework Agreement for the years ended December 31, 2024 and 2025 amounted to approximately RMB14,322.8 million and RMB15,471.3 million, respectively, representing approximately 72.0% and 69.1% of the annual caps under the 2023 Raw Milk Purchase and Sale Framework Agreement in 2024 and 2025, respectively.

Proposed annual caps and basis of determination

The annual caps under the Raw Milk Purchase and Sale Framework Agreement for the years ending December 31, 2027, 2028 and 2029 are as follows:

	Year ending December 31,		
2027	2028	2029	
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
22,400	24,200	26,100	

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

- (i) the historical and current market prices of raw milk and potential fluctuations in the market prices of raw milk in the future. According to the monitoring data of the Ministry of Agriculture and Rural Affairs of the PRC, the average price of raw milk in major dairy-producing provinces was approximately RMB4.16 per kg, RMB3.84 per kg, RMB3.32 per kg and RMB3.06 per kg for the years ended December 31, 2022, 2023, 2024 and 2025, representing a year-on-year decrease of approximately 7.7% in 2023, 13.5% in 2024 and 7.8% in 2025. This shows that the average unit price of raw milk began to decline since 2022 due to the imbalance between its supply and demand.

However, it is expected that the supply and demand for raw milk will improve in 2026 given:

- (a) the contraction of supply of raw milk. According to the monitoring data of the Ministry of Agriculture and Rural Affairs of the PRC, the domestic inventory of dairy cows declined since 2024 as a result of a number of dairy farms disposing of low-yield cows or gradually exiting the market in light of the decline in raw milk prices. This is evidenced by the negative growth rate of the domestic raw milk production in the fourth quarter of 2025 according to the statistics from the National Bureau of Statistics of the PRC. In addition, the supply of raw milk will further contract due to the decrease in dairy products imports as a result of the implementation of anti-subsidy measures on certain dairy products imported from the European Union;
- (b) the increase in demand for dairy products. In light of the rising health awareness, the consumption of high value-added dairy products such as cheese, cream and butter continues to grow, and major dairy brands (including Yili, Mengniu and Feihe) are expanding their downstream deep processing and production capacity, which is expected to drive the demand for raw milk; and
- (c) improved industry chains collaboration. The “National Food Safety Standard – Sterilized Milk” jointly issued by the National Health Commission and the State Administration for Market Regulation in September 2025 stressed that sterilized milk production shall only use raw milk as the sole raw material and prohibited the addition of reconstituted milk, which is expected to increase the importance of the stable supply of raw milk in the dairy products industry. It is therefore expected that the relationship between upstream raw milk suppliers and downstream dairy products processors and producers will become closer, improving the industry chains collaboration. As a result, the dairy products processors and producers are more willing to enter into medium- to long-term supply arrangements with raw milk suppliers in order to ensure long-term supply arrangements, minimize price volatility and ensure a more stable operating environment. Furthermore, according to the development plan to be achieved by 2030 put forward by the Dairy Association of China, milk production should increase to about 45 million tonnes, milk self-sufficiency rate should be kept at above 70%, and milk consumption per capita should reach more than 47 kg in China by 2030. The dairy products processors and producers have been striving to enhance the production capacity by improving the capacity layout, upgrading processing facilities and expanding production lines to reach the above targets and meet the downstream consumer demand. In light of the above, it is expected that the supply-demand matching efficiency will be improved through enhanced long-term supply arrangements and improved capacity layout of downstream deep processing of dairy products, with market participants generally expecting a turning point in supply-demand balance of raw milk in 2026.

Accordingly, with the expected improvement in its supply and demand starting from 2026, the Board expects that the average unit price of raw milk will increase moderately between 2027 and 2029;

- (ii) the historical transaction volume of raw milk purchased by Yili Group from the Group during the three years ended December 31, 2025. In particular, the historical transaction amount of raw milk sold by the Group to Yili Group for the three years ended December 31, 2025 amounted to approximately 96.5%, 94.8% and 96.6% of the Group's total revenue from raw milk business for the corresponding years. The large amount of raw milk sales to Yili Group is mainly attributable to the in-depth and long-term cooperation between the Group and Yili Group, which is expected to continue for the three years ending December 31, 2029;
- (iii) the historical annualized average milk yield per milkable cow (excluding Jerseys) of the Group for the years ended December 31, 2023, 2024 and 2025 was 12.0 tons, 12.6 tons and 12.8 tons respectively. In particular, in recent years, the Group has consistently utilized genetic testing and advanced breeding technologies to improve the breed of its milkable cows, increase the proportion of high-yielding dairy cows, and implement lean management, resulting in a steady increase in the Group's milk yield per milkable cow. It is expected that the Group's milk yield per milkable cow will continue to increase steadily, and therefore, the raw milk production is expected to continue to grow steadily in the coming years;
- (iv) the number of milkable cows will continue to increase steadily after considering the full operation of the Group's newly built ranches and the available capacity of the Group's existing ranches, which is expected to bring about a compound annual growth rate of approximately 3.9% of the average number of milkable cows from 2025 to 2029. Hence, the Group's raw milk production is expected to continue to grow for the years ending December 31, 2027, 2028, and 2029; and
- (v) a 20% buffer in anticipation of the expected continued business growth and possible continued development of China's dairy industry in the future.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RAW MILK PURCHASE AND SALE FRAMEWORK AGREEMENT

The Raw Milk Purchase and Sale Framework Agreement helps Yili to ensure its own operation and future growth with high quality and stable source of raw milk and is an indication of Yili's reliance on the Group's continuous supply of premium raw milk as the Group has been Yili's largest raw milk supplier since 2020. Further, Yili is one of the dominant dairy conglomerates in the PRC and a long-term purchase and sale arrangement with Yili ensures a stable demand for the Group's raw milk, which provides a stable and sustainable guarantee to the Group's business growth and future strategic and operational planning.

The Board is of the view that despite the Group's reliance on Yili Group, it is in line with industry practice and can be properly managed for the following reasons:

- (i) the PRC dairy retail market is dominated by a handful of conglomerates, who are major customers of raw milk suppliers (including the Company) in the PRC. Accordingly, it is the industry norm in the PRC for a raw milk supplier such as the Group to sell a majority of its raw milk to a single customer. In addition, due to the high entry barriers of the dairy retail industry and the market dominance of a few conglomerates such as Yili Group in the dairy retail market in the PRC, it is arduous for the Company to diversify or reduce its reliance on its major customer;

- (ii) the Group is a leading integrated provider of products and services in the upstream dairy industry, and Yili Group, one of the world's top five largest and fast-growing dairy manufacturers. The Group and Yili Group are complementary to each other and our business relationship is mutually beneficial. It is important for the Group to maintain a stable demand for its products as it is important for Yili Group to secure a stable supply of high-quality raw milk. As such, the relationship between Yili Group and the Group under the Raw Milk Purchase and Sale Framework Agreement is mutually dependent and stable, and not subject to any material adverse changes in the foreseeable future; and
- (iii) pursuant to the terms of the Raw Milk Purchase and Sale Framework Agreement, the agreement may only be amended or terminated with both parties' consent and cannot be amended or terminated unilaterally by Yili Group. Accordingly, it is unlikely for the business relationship between the Group and Yili Group to terminate or materially or adversely change.

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 Raw Milk Purchase and Sale Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. The Financial Services Framework Agreement

Date

April 13, 2026

Parties

- (i) the Company; and
- (ii) Yili Finance Company.

Term

Unless terminated earlier in accordance with the terms of the Financial Services Framework Agreement, the Financial Services Framework Agreement shall be effective from January 1, 2027 to December 31, 2029.

Scope of services

Yili Finance Company shall provide the following financial services to the Group:

- (i) deposit services, 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) not exceeding RMB3,000 million, RMB3,200 million and RMB3,400 million for the years ending December 31, 2027, 2028 and 2029 (the "**Deposit Services**");
- (ii) settlement services, including collection, payment or internal settlement services and other settlement services approved by NFRA (the "**Settlement Services**"); and

- (iii) other financial services, including financial and financing consulting services, credit certification and related consulting and agency services, and other services approved by NFRA (the “**Other Financial Services**”).

Pricing guidelines

The payment terms and the details of the financial services shall be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Financial Services Framework Agreement.

The interest rate payable by Yili Finance Company and fees payable by the Group under the Financial Services Framework Agreement shall be determined according to the following guidelines:

- (i) the interest rate 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 etc.;
- (ii) the fees charged by Yili Finance Company for the Settlement Services shall not be higher than the fees publicly quoted by the major commercial banks in the PRC for the same type of services; and
- (iii) the fees charged by Yili Finance Company for Other Financial Services shall be equal to the lower of (a) the fees publicly quoted by the major commercial banks in the PRC for the same type of services; and (b) the pricing standard prescribed by PBOC, NFRA or other applicable regulatory authorities for the same type of services.

For each of the Deposit Services, the Settlement Services and the Other Financial Services, the Company will obtain quotes from no less than five 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.

Historical amounts

The maximum amount of daily deposit balance (including the interest accrued thereon) under the 2023 Financial Services Framework Agreement (as amended and supplemented by the 2025 Supplemental Financial Services Framework) for the years ended December 31, 2024 and 2025 and for the year ending December 31, 2026 shall not exceed RMB1,500 million, RMB2,500 million and RMB2,750 million, respectively. The actual amount of daily deposit balance (including the interest accrued thereon) under the 2023 Financial Services Framework Agreement (as amended and supplemented by the 2025 Supplemental Financial Services Framework Agreement) for the years ended December 31, 2024 and 2025 amounted to approximately RMB1,381.7 million and RMB1,608.5 million, respectively, representing approximately 92.1% and 64.3% of the maximum amount of daily deposit balance under the 2023 Financial Services Framework Agreement (as amended and supplemented by the 2025 Supplemental Financial Services Framework Agreement) in 2024 and 2025, respectively.

Proposed annual caps and basis of determination

The maximum amount of daily deposit balance (including the interest accrued thereon) of the Deposit Services under the Financial Services Framework Agreement for the years ending December 31, 2027, 2028 and 2029 shall not exceed the following:

	Year ending December 31,		
2027	2028	2029	
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
3,000	3,200	3,400	

In arriving at the aforementioned maximum amount of daily deposit balance (including the interest accrued thereon) of the Deposit Services for the period from January 1, 2027 to December 31, 2029, the Directors considered the following:

- (i) according to the Group's 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. In order to enhance capital utilization efficiency, the Group strives to centralize its collection and payment activities through Yili Finance Company to reduce the need for inter-bank fund transfers and lower the settlement costs. The aforementioned maximum amount of daily deposit balance for the three years ending December 31, 2029 is set accordingly to accommodate the Group's monthly cash inflows and working capital reserves within this centralized management model;
- (ii) by leveraging the Group's full-industry chain advantages and advanced management, operations, and research and development capabilities, the Group's business scale continues to expand and operational efficiency has enhanced. Driven by these, the Group recorded a year-on-year growth of approximately 7.5% and 2.8% in its revenue for the years ended December 31, 2024 and 2025 respectively and is therefore expected to generate more operating cash flow. According to the unaudited consolidated management accounts of the Group for the year ended December 31, 2025, the Group's historical monthly operating cash inflow in 2025 was approximately RMB1,900.0 million, with collections of payments concentrated towards the end of each month. Furthermore, the subsidiaries of the Company maintain an aggregate working capital 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 of the Group;
- (iii) the year-on-year increase of the actual amount of daily deposit balance with Yili Finance Company in 2025 was approximately 16.4%. The maximum amount of daily deposit balance under the Financial Services Framework Agreement for the three years ending December 31, 2029 is set to accommodate the Group's expected increase in the amount of bank balances and cash available for deposit in anticipation of the aforementioned expansion of business scale of the Group;

- (vi) given the settlement cycle of the Group, the Group usually collects trade receivables at the end of each month and the collections will be further concentrated if coupled with the receipt of substantial financing proceeds. Accordingly, the aforementioned maximum amount of daily deposit balance for the three years ending December 31, 2029 is set to ensure that the Group will not be urgently required to suspend settlement arrangements or implement pressing fund transfers, thereby maintaining the stability and continuity of its operations; and
- (v) a 20% buffer in anticipation of the expected continued business growth in the future.

Despite the absence of a limit on the percentage of cash and bank balances to be placed with Yili Finance Company, the Group has deposited its bank balances and cash which accounted for approximately 54.6% and 71.3% of its total bank balances and cash with more than five financial institutions other than Yili Finance Company as at December 31, 2024 and 2025, respectively, and will continue to do so during the term of the Financial Services Framework Agreement, thereby retaining flexibility to allocate its deposits among different financial institutions, reducing concentration risk and enhancing the Group's financial flexibility.

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

- (i) The rates on deposits to be offered by Yili Finance Company to the Group under the Deposit Services will be similar to or more favorable than those offered by the major commercial banks in the PRC.
- (ii) The fees for the Settlement Services and Other Financial Services to be charged by Yili Finance Company will not be higher than the fees publicly quoted by the major commercial banks in the PRC for the same type of services.
- (iii) Yili Finance Company is regulated by PBOC and NFRA or other applicable regulatory authorities, and provides its services in accordance with the rules and operational requirements of these regulatory authorities. Key operational requirements of non-bank financial institutions in the PRC like Yili Finance Company include, among others, (a) a capital adequacy ratio of not less than 10.5%; (b) a liquidity ratio of not less than 25%; (c) a provision coverage ratio of not less than 150%; (d) a fixed assets ratio of not more than 20%; (e) a non-performing assets ratio of not more than 4%; and (f) a bad loan ratio of not more than 5%. Based on Yili Finance Company's confirmation, as at the date of this announcement, it had complied with such requirements. The NFRA is responsible for monitoring Yili Finance Company's compliance with relevant regulations and conducting on-site visits from time to time, and may issue opinions on corrective measures to Yili Finance Company if non-compliance found. Based on the information available to the Company, the NFRA has not issued any opinions on corrective measures or taken any disciplinary actions, or imposed fines on the deposit business of Yili Finance Company since its incorporation.
- (iv) By depositing majority of the cash that is temporarily not in use by the Group, the Group can earn a higher interest income and thereby maximize the interest income received by the Group and maximize the Shareholders' value at the same time.
- (v) The Group is expected to benefit from Yili Finance Company's better understanding of the operation of the Group, which will facilitate more expedient and efficient services than those rendered by the major commercial banks in the PRC.

- (vi) By entering into the Financial Services Framework Agreement with Yili Finance Company, the Group will be able to centralize its control and management over its financial resources, therefore improve the utilization and efficiency of fund usage and mitigate its operating risks. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilization. Meanwhile, the financial services to be provided under the Financial Services Framework Agreement are diversified and can meet the business needs of the Group.

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 Financial Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

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

- (i) in respect of the Dairy Products Purchase Framework Agreement, further to the steps taken by the procurement department of the Group to ensure the fairness and reasonableness of the purchase price of the dairy products purchased by the Group from Yili Group as set out in the paragraph headed “Pricing Guidelines” under the section headed “1. The Dairy Products Purchase Framework Agreement” above, the finance department of the Group reviews the transactions contemplated under the Dairy Products Purchase Framework Agreement on a quarterly basis and issues relevant reports to ensure the transactions have been conducted in accordance with the pricing policies, the terms of the agreement and the annual caps thereunder;
- (ii) in respect of the Raw Milk Purchase and Sale Framework Agreement, the operation management department and finance department of the Group review the transactions contemplated under the Raw Milk Purchase and Sale Framework Agreement on a monthly basis and issue relevant reports. In particular, the Group conducts monthly reviews on, among other things, the raw milk prices of the Top Five Dairy Farms and prepares the monthly price comparison reports to confirm the reasonableness and accuracy of the Base Milk Prices of the Top Five Dairy Farms as well as the comparability of the Base Milk Prices of the Top Five Dairy Farms to the Base Milk Prices of the Group;
- (iii) in respect of the Financial Services Framework Agreement, the Group would obtain quotations from the major independent third party service providers in the PRC for the same services it will request from Yili Finance Company before it conducts business with Yili Finance Company and compare the service fees with those quoted from Yili Finance Company to ensure that the most favorable terms are obtained. In addition, the transactions will be reported to and approved by the head of the finance department of the Group;

- (iv) in respect of the Financial Services Framework Agreement, the Group has established a finance department, which operates without influence from Yili and Yili Finance Company. The Group has adopted a financial management system to guide and monitor its financial activities. The Group also maintains accounts with external independent banks, and does not share any bank accounts with Yili or Yili Finance Company. Yili and Yili Finance Company cannot control the use of any of the Group's bank accounts. The Group has an independent tax registration and has paid tax independently pursuant to applicable PRC laws and regulations;
- (v) the Company's independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions conducted under the Framework Agreements. If a majority of the independent non-executive Directors reasonably consider that it would be in the Company's interests to reduce the level of transactions with Yili and/or Yili Finance Company, the Company will take appropriate steps to implement the decision of the independent non-executive Directors. Information on the transactions conducted under the Framework Agreements and the views of the independent non-executive Directors on the transactions conducted under the Framework Agreements will be disclosed in the annual reports of the Company;
- (vi) during its annual audit, the Company will engage its auditors to review the continuing connected transactions to ensure that the transactions under the Framework Agreements have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the annual caps thereunder; and
- (vii) the Company will monitor the continuing connected transactions in accordance with its internal control procedures, in particular, to ensure that the Company will monitor the transaction amounts under the Framework Agreements in a timely manner. The Group's responsible financial person shall promptly report to the Company's chief financial officer or the Board if such transaction amounts are close to exceeding, or likely to exceed the proposed caps.

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

INFORMATION ABOUT THE PARTIES

The Company and the Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of the Stock Exchange (stock code: 9858) since June 18, 2021. The Group is primarily engaged in the production and sale of raw milk, and the trading, production and sale of feeds, ruminant farming products and breeding products in the PRC.

Yili and 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 the Company's controlling shareholder and one of its major customers. 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 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.

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, Yili Finance Company is an associate of Yili and therefore also a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, the Deposit Services under the Financial Services Framework Agreement also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Dairy Products Purchase Framework Agreement

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

Raw Milk Purchase and Sale Framework Agreement

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Raw Milk Purchase and Sale Framework Agreement is more than 5%, the transactions contemplated under the Raw Milk Purchase and Sale Framework Agreement are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Financial Services Framework Agreement

In respect of the Deposit Services under the 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 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 Deposit Services under the Financial Services Framework Agreement also constitute a continuing connected transaction of the Company and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Settlement Services and the Other Financial Services to be provided by Yili Finance Company to the Group under the Financial Services Framework Agreement will be carried out on normal commercial terms or better and the aggregate annual fees to be paid by the Group to Yili Finance Company for each of the years ending December 31, 2027, 2028 and 2029 are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules. Accordingly, such transactions are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Both Mr. Bai Wenzhong (白文忠) (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (李林) (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Framework Agreements. 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 Framework Agreements. 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 Framework Agreements and the transactions contemplated thereunder.

GENERAL

An 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 consider, and to advise the Independent Shareholders, among other things, whether the Raw Milk Purchase and Sale Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Rainbow Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Raw Milk Purchase and Sale Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder.

The AGM will be held for the Independent Shareholders to consider and, if thought fit, passing the ordinary resolutions to approve, among other matters, the Raw Milk Purchase and Sale Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the renewal of the Raw Milk Purchase and Sale Framework Agreement and the Financial Services Framework Agreement; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the renewal of the Raw Milk Purchase and Sale Framework Agreement and the Financial Services Framework Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the AGM, is expected to be despatched to the Shareholders within 15 business days after the date of this announcement.

DEFINITIONS

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

“2023 Dairy Products Purchase Framework Agreement”	the dairy products purchase framework agreement entered into between the Company and Yili on April 24, 2023 in respect of the provision of dairy products by Yili Group to the Group
“2023 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 by Yili Finance Company to the Group
“2023 Framework Agreements”	collectively, the 2023 Dairy Products Purchase Framework Agreement, the 2023 Raw Milk Purchase and Sale Framework Agreement and the 2023 Financial Services Framework Agreement (as amended and supplemented by the 2025 Supplemental Financial Services Framework Agreement)
“2023 Raw Milk Purchase and Sale Framework Agreement”	the raw milk purchase and sale framework agreement entered into between the Company and Yili on April 24, 2023 in respect of the provision of long-term supply of raw milk by the Group to Yili Group
“2025 Supplemental Financial Services Framework Agreement”	the supplemental agreement to the 2023 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 2025 Supplemental Financial Services Framework Agreement to December 31, 2026
“AGM”	the annual general meeting of the Company to be held on May 22, 2026
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Company”	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 21, 2020, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 9858)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Dairy Products Purchase Framework Agreement”	the dairy products purchase framework agreement entered into between Yili and the Company on April 13, 2026 in respect of the provision of dairy products by Yili to the Group
“Director(s)”	the director(s) of the Company
“Financial Services Framework Agreement”	the financial services framework agreement entered into between Yili Finance Company and the Company on April 13, 2026 in respect of the provision of a range of financial services by Yili Finance Company to the Group
“Framework Agreements”	collectively, the Dairy Products Purchase Framework Agreement, the Raw Milk Purchase and Sale Framework Agreement and the Financial Services Framework Agreement
“Group”	the Company, its subsidiaries and its associates
“Hong Kong”	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 Raw Milk Purchase and Sale Framework Agreement, the 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 Raw Milk Purchase and Sale Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who have no material interest in, and are not required to abstain from voting at the AGM to consider, and if thought fit, approve, among other things, the Raw Milk Purchase and Sale Framework Agreement, the 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)
“PBOC”	The People’s Bank of China (中國人民銀行)
“Raw Milk Purchase and Sale Framework Agreement”	the raw milk purchase and sale framework agreement entered into between Yili and the Company on April 13, 2026 in respect of the provision of long-term supply of raw milk by the Group to Yili Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company established under the laws of the PRC in June 1993 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and the Company’s controlling shareholder, 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
“Yili Group”	Yili, together with its subsidiaries and associates
“%”	per cent.

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

Hohhot, April 13, 2026

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

* For identification purposes only.