

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ausnutria Dairy Corporation Ltd, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**AUSNUTRIA DAIRY CORPORATION LTD**  
**澳優乳業股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1717)**

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED  
TRANSACTION IN RELATION TO THE 2026 FINANCIAL SERVICES  
FRAMEWORK AGREEMENT;**  
**(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE  
REVISION OF EXISTING ANNUAL CAPS UNDER THE 2025  
MANUFACTURING SERVICE FRAMEWORK AGREEMENT;**  
**AND**  
**(3) NOTICE OF EGM**

**Sole financial adviser to the Company**



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

**FRONTPAGE 富比**

---

Capitalised 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 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 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 25 to 50 of this circular.

A notice convening the EGM to be held at 22nd Floor, Block A, Building 1, Ausnutria Building, Suncity, Purui East Road, Yueliangdao Street, Wangcheng District, Changsha City, Hunan Province, the PRC, on Thursday, 28 May 2026, at 11:00 a.m. (or immediately after the conclusion of the annual general meeting of the Company to be held at the same venue and on the same day, or any adjournment thereof) is set out on pages 60 to 61 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	23
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	25
<b>APPENDIX I – FINANCIAL INFORMATION</b> .....	51
<b>APPENDIX II – GENERAL INFORMATION</b> .....	54
<b>NOTICE OF THE EGM</b> .....	60

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:*

“2023 Financial Services Framework Agreement”	the financial services framework agreement dated 29 August 2023 entered into between the Company and Yili Finance in relation to the provision of a range of financial services by Yili Finance to the Group
“2025 Manufacturing Service Framework Agreement”	the manufacturing service framework agreement dated 27 December 2024 entered into between the Company and Yili Industrial in relation to the provision of manufacturing services by the Yili Industrial Group to the Group
“2026 Financial Services Framework Agreement”	the financial services framework agreement dated 31 March 2026 entered into between the Company and Yili Finance in relation to the provision of a range of financial services by Yili Finance to the Group, namely the Deposit Services, the Loan Services, the Settlement Services and the Other Financial Services
“2026 Manufacturing Service Framework Agreement”	the manufacturing service framework agreement dated 31 March 2026 entered into between the Company and Yili Industrial in relation to the provision of manufacturing services by the Yili Industrial Group to the Group in replacement of the 2025 Manufacturing Service Framework Agreement
“Board”	the board of Directors of the Company
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services provided by Yili Finance to the Group under which Yili Finance shall accept deposits from the Group of up to a maximum amount of daily balance of deposits (including the interest accrued thereon) pursuant to the 2026 Financial Services Framework Agreement
“Directors”	the directors of the Company
“EGM”	extraordinary general meeting of the Company

---

## DEFINITIONS

---

“Effective Date”	the date on which the Independent Shareholders approve the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders on the transactions contemplated under the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement
“Independent Financial Adviser” or “Frontpage Capital Limited”	Frontpage Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement
“Independent Shareholders”	the Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Latest Practicable Date”	11 May 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	including loans, commercial acceptance bills, commercial discounted bills, entrusted loans, and other loan services, with the financing amount not exceeding the maximum regulatory requirement limit, provided by Yili Finance to the Group under the 2026 Financial Services Framework Agreement

---

## DEFINITIONS

---

“Manufacturing Order(s)”	purchase order(s) to be placed by the Group with Yili Industrial Group from time to time for the internal formula registration allocation and manufacturing services of certain infant formula and related products in accordance with the 2026 Manufacturing Service Framework Agreement
“NFRA”	National Financial Regulatory Administration* (國家金融監督管理總局)
“Other Financial Services”	including financial consulting services, credit certification, consulting and agency services, and other services approved by the NFRA provided by Yili Finance to the Group under the 2026 Financial Services Framework Agreement
“PBOC”	People’s Bank of China (中國人民銀行)
“Percentage Ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	means Renminbi, the lawful currency of the PRC
“Settlement Services”	including fund settlement and payment collection and other settlement services approved by the NFRA provided by Yili Finance to the Group under the 2026 Financial Services Framework Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yili Finance”	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 Industrial

---

## DEFINITIONS

---

“Yili Industrial”	Inner Mongolia Yili Industrial Group Co., Ltd.* (內蒙古伊利實業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange of the PRC (stock code: 600887)
“Yili Industrial Group”	Yili Industrial and its subsidiaries (for the purpose of the 2026 Manufacturing Service Framework Agreement, excluding the Group)

\* *For identification purpose only*

---

LETTER FROM THE BOARD

---



**AUSNUTRIA DAIRY CORPORATION LTD**  
**澳優乳業股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1717)**

*Executive Directors:*

Mr. Ren Zhijian (*Chief Executive Officer*)  
Mr. Bartle van der Meer  
Mr. Zhang Zhi

*Non-executive Directors:*

Mr. Han Shixiu (*Chairman*)  
Ms. Yan Junrong  
Mr. Zou Ying

*Independent Non-executive Directors:*

Mr. Ma Ji  
Mr. Chen Fuquan  
Mr. Aidan Maurice Coleman

*Registered Office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business:*

Unit 16, 36/F.  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

13 May 2026

*To the Shareholders*

Dear Sir/Madam,

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED  
TRANSACTION IN RELATION TO THE 2026 FINANCIAL SERVICES  
FRAMEWORK AGREEMENT;  
(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE  
REVISION OF EXISTING ANNUAL CAPS UNDER THE 2025  
MANUFACTURING SERVICE FRAMEWORK AGREEMENT;  
AND  
(3) NOTICE OF EGM**

**1. THE 2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 29 August 2023 in relation to the entering into of the 2023 Financial Services Framework Agreement.

---

## LETTER FROM THE BOARD

---

As the 2023 Financial Services Framework Agreement will expire on 28 August 2026, on 31 March 2026 (after trading hours), the Company entered into the 2026 Financial Services Framework Agreement with Yili Finance, pursuant to which Yili Finance agreed to continue to provide a range of financial services, namely the Deposit Services, the Loan Services, the Settlement Services and the Other Financial Services, to the Group for a term of three years commencing from the Effective Date on similar terms and conditions as those contemplated under the 2023 Financial Services Framework Agreement.

The principal terms of the 2026 Financial Services Framework Agreement are set out below:

- Date : 31 March 2026
- Parties : (1) The Company; and  
(2) Yili Finance
- Term : The 2026 Financial Services Framework Agreement shall become effective on the Effective Date and shall remain in force for a term of three years from the Effective Date.

The 2023 Financial Services Framework Agreement shall be terminated on the Effective Date and be replaced in its entirety by the 2026 Financial Services Framework Agreement.

- Scope of services : Yili Finance shall provide the following financial services to the Group:
- (i) the Deposit Services;
  - (ii) the Loan Services;
  - (iii) the Settlement Services; and
  - (iv) the Other Financial Services.

- Pricing guidelines : The interest rates provided by Yili Finance and fees payable by the Group under the 2026 Financial Services Framework Agreement shall be determined according to the following guidelines:
- (i) the interest rates for the Deposit Services provided by Yili Finance shall be no less than (a) the benchmark deposit rates prescribed by the PBOC; and (b) deposit rates payable by major independent commercial banks in the PRC in respect of deposits of similar nature (by comparing with no less than two major independent commercial banks in the PRC in general);

---

## LETTER FROM THE BOARD

---

- (ii) the interest rates for the Loan Services provided by Yili Finance shall not be higher than the minimum interest rates quoted by major commercial banks in the PRC in respect of similar type of loans;
- (iii) the service fees payable by the Group to Yili Finance for the Settlement Services shall not be higher than the fees quoted by major commercial banks in the PRC for similar type of services; and
- (iv) the service fees payable by the Group to Yili Finance for the Other Financial Services shall be the lower of (i) the fees publicly quoted by major independent commercial banks in the PRC for similar type of services; (ii) the standard price prescribed by the PBOC, the NFRA or other applicable regulatory authorities for similar type of services; and (iii) the fee charged by other independent commercial banks for providing similar type of services to the Group.

Payment terms : For the Deposit Services, the principal amount and accrued interest shall be paid to the Group upon maturity (in the case of time deposits) or on demand (in the case of current deposits) in accordance with the specific terms of the relevant deposit arrangement to be entered into from time to time between the relevant member of the Group and Yili Finance.

For the Loan Services, the Settlement Services and the Other Financial Services contemplated under the 2026 Financial Services Framework Agreement, the relevant fees and repayments shall be paid in accordance with the specific terms as agreed in the separate agreement(s) to be entered into from time to time between the relevant member of the Group and Yili Finance.

---

## LETTER FROM THE BOARD

---

### Historical Transaction Amounts

#### *The Deposit Services*

Set out below are the historical aggregate amount of the maximum daily balance of deposits (including accrued interests) placed by the Group with Yili Finance for each of the financial years ended 31 December 2023, 2024 and 2025:

	Year ended 31 December		
	2023	2024	2025
Existing annual caps ( <i>RMB million</i> )	270	270	270
Aggregate amount of maximum daily balance of deposits (including accrued interests) ( <i>RMB million</i> )	209.9	195.2	204.2
Utilisation rate (%)	77.7	72.3	75.6

#### *The Loan Services*

The Group did not have any outstanding loan amount (including interests accrued thereon) from Yili Finance for the three years ended 31 December 2023, 2024 and 2025.

The Group did not conduct any bill acceptance, bill discounting, guarantee, financial leasing and other forms of credit services with Yili Finance for the three years ended 31 December 2023, 2024 and 2025 and up to the Latest Practicable Date.

#### *The Settlement Services and the Other Financial Services*

For each of the three years ended 31 December 2023, 2024 and 2025, Yili Finance did not charge the Group for the provision of the Settlement Services and the Other Financial Services.

---

## LETTER FROM THE BOARD

---

### Proposed Annual Caps

#### *The Deposit Services*

The aggregate amount of the maximum daily balance of deposits (including accrued interests) to be placed by the Group with Yili Finance pursuant to the 2026 Financial Services Framework Agreement for the three-year period commencing from the Effective Date shall not exceed the maximum amounts set out below (i.e. the proposed revised annual caps):

	Year ending 31 December			
	From the Effective Date up to 31 December 2026	2027	2028	2029 (up to the expiry date of the 2026 Financial Services Framework Agreement)
Aggregate amounts of the maximum daily balance of deposits (including the interest accrued thereon) (RMB million)	800	1,000	1,800	2,000

In arriving at the maximum daily balance of deposits (including interest accrued thereon) for the Deposit Services, the Directors considered the followings:

- (i) the historical transaction amounts where the utilisation rate for each of the three years ended 31 December 2023, 2024 and 2025 was over 70%;
- (ii) the latest cash and current assets position of the Group, in particular time deposits, restricted cash and cash and cash equivalents of approximately RMB931.3 million and long-term time deposits of approximately RMB923.5 million;
- (iii) the increasing asset and operation scale and the expected amount of cash of the Group available for deposit during the term of the 2026 Financial Services Framework Agreement, in particular, (i) the Group's total cash reserves as at 31 December 2025 has increased by 12.1% as compared to that of 31 December 2024; (ii) the Group recorded a strong operating cash inflow of over RMB200 million over the past few financial years; (iii) the Group has generated substantial profits from its business operations; and (iv) long-term time deposits of approximately RMB700 million are expected to mature in 2028; and
- (iv) the expected amount of interest income from Yili Finance taking into account the interest income that could otherwise be obtained by placing a comparable amount of deposits with other major commercial banks in the PRC.

---

## LETTER FROM THE BOARD

---

It is expected that the Group's total cash reserves will continue to grow and remain at a level above the proposed annual caps under the 2026 Financial Services Framework Agreement and therefore an increment of RMB200 million (to cater for the operational cash inflow each year as mentioned above) was included in each of the years ending 31 December 2027 and 2028 and for the period up to the expiry date in 2029. In particular, the substantial increase in the annual cap for the year ending 31 December 2028 was to cater for the release of the long-term time deposits in 2028 as mentioned above. As such, the Board considered that it is reasonable to set the maximum daily balance of the deposits placed with reference to the overall cash reserves of the Group, which allows the Group to have a greater flexibility to manage its funds to accommodate any unexpected circumstances.

### ***The Loan Services***

The Loan Services under the 2026 Financial Services Framework Agreement involve the provision of financial assistance by Yili Finance to the Group. As the Loan Services to be provided under the 2026 Financial Services Framework Agreement are on normal commercial terms or better, and no security is expected to be granted by the Group over its assets in respect of the Loan Services, therefore the Loan Services are fully exempt from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules. No annual caps are therefore set for the Loan Services.

### ***The Settlement Services and the Other Financial Services***

The Company expects that all of the applicable Percentage Ratios in respect of the service fees payable by the Group to Yili Finance, in aggregate, for the Settlement Services and the Other Financial Services under the 2026 Financial Services Framework Agreement, on an annual basis, are less than 0.1% and therefore fall below the de minimis threshold under Rule 14A.76 of the Listing Rules. Such services to be provided to the Group shall be on normal commercial terms or on terms that are no less favourable than those offered by other major commercial banks in the PRC. Accordingly, each of the Settlement Services and the Other Financial Services under the 2026 Financial Services Framework Agreement are fully exempt from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the applicable reporting, annual review, announcement and the Independent Shareholders' approval requirements of the Listing Rules if the service fees for the Settlement Services and/or the Other Financial Services to be provided by Yili Finance to the Group under the 2026 Financial Services Framework Agreement may exceed the de minimis threshold under Rule 14A.76 of the Listing Rules.

---

## LETTER FROM THE BOARD

---

### Reasons for and Benefits of Entering into the 2026 Financial Services Framework Agreement

The Board is of the view that it is beneficial to utilise the financial services from Yili Finance under the 2026 Financial Services Framework Agreement due to the following reasons:

- (i) By entering into the 2026 Financial Services Framework Agreement with Yili Finance, the Group will be able to accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation;
- (ii) The terms offered by or available from Yili Finance with respect to the 2026 Financial Services Framework Agreement are on normal commercial terms or better, which shall be no less favourable than the terms offered or available to the Group from other major commercial banks and/or financial institutions in the PRC for providing similar services;
- (iii) Yili Finance is regulated by the PBOC and the NFRA, and provides its services in accordance with the rules and operational requirements of these regulatory authorities;
- (iv) The Group is expected to benefit from Yili Finance's better understanding of the operation of the Group, which will facilitate more expedient and efficient services than those rendered by other commercial banks in the PRC; and
- (v) The financial services to be provided under the 2026 Financial Services Framework Agreement are diversified and can meet the business needs of the Group and shall be on a non-exclusive basis such that the Group is not obliged to engage Yili Finance for the financial services under the 2026 Financial Services Framework Agreement.

The Directors (other than the independent non-executive Directors whose view has been included in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that the 2026 Financial Services Framework Agreement and the transactions contemplated thereunder provide greater flexibility and efficiency to the business transactions between the Group and the Yili Industrial Group and would enable greater synergies being achieved between the Group and the Yili Industrial Group.

The Directors (other than the independent non-executive Directors, whose views are set out in the "Letter from the Independent Board Committee" in this circular) are of the view that the 2026 Financial Services Framework Agreement and the transactions contemplated thereunder are conducted on arm's length basis and on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the 2026 Financial Services Framework Agreement (including the annual caps) are fair and reasonable, and the 2026 Financial Services Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### Internal Control and Risk Management Measures

As Yili Finance is a licensed non-bank financial institution regulated by the PBOC and NFRA, it is required to provide its services in accordance with the rules and operational requirements of these regulatory authorities. Pursuant to the terms under the 2026 Financial Services Framework Agreement, the financial services (including the Deposit Services) to be provided by Yili Finance to the Group shall be on a non-exclusive basis and there are no lock-up covenants, restrictive withdrawal terms, or minimum balance requirements associated with the funds deposited with Yili Finance. As such, the Group is not obliged to engage Yili Finance for the Deposit Services and retains full discretion to place funds with other commercial banks or financial institutions based on prevailing treasury needs and risk considerations.

The Company will implement the following internal control measures to ensure that the transactions contemplated under the 2026 Financial Services Framework Agreement are on normal commercial terms or better and do not exceed the annual caps:

- (i) To ensure that the interest rates and other terms offered by Yili Finance under the 2026 Financial Services Framework Agreement will be fair and reasonable and on normal commercial terms or better, prior to placing cash deposits at or procuring other types of financial services from Yili Finance, the finance department of the Company will obtain quotations from no less than two major commercial banks who are independent third parties to determine the prevailing interest rate(s), service fee(s) and other terms being offered by those institutions for comparable deposits or other financial services of similar nature during the same period. Such reference interest rate(s) or service fee(s) will then be reviewed and approved by the management of the Company in accordance with its internal approval procedures prior to entering into each individual specific agreement for the deposit services or other types of financial services. The Company shall also take into account factors including, among other things, quality of services, safety of deposits, reputation of financial institutions and history of cooperation, before making decisions to place deposits with any banks or financial institutions. If the Company is aware that the terms (including deposit interest rate) offered by Yili Finance are less favourable than those offered by other major commercial banks, the Group will not maintain deposits with Yili Finance, or it will negotiate with Yili Finance to re-determine the relevant rates and terms;
- (ii) The Group has established a finance department, which operates without influence from Yili Industrial. 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 Industrial. Yili Industrial cannot control the use of any of the Group's bank accounts;

---

## LETTER FROM THE BOARD

---

- (iii) During its annual audit, the Company will engage its auditors to review the connected transactions between the Group and Yili Finance to ensure that the transactions under the 2026 Financial Services Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the caps thereunder. The independent non-executive Directors will also provide annual confirmations in the annual reports of the Company in respect of the transactions contemplated under the 2026 Financial Services Framework Agreement to ensure that such transactions are entered into on normal commercial terms or better, fair and reasonable, and carried pursuant to its contractual terms in accordance with the relevant requirements under the Listing Rules; and
- (iv) The Company will monitor the continuing connected transactions in accordance with its internal control procedures, in particular the Company will monitor the Group's daily balances with Yili Finance in a timely manner. The Group's responsible financial person shall check the balances on a daily basis and promptly report to the Company's chief financial officer or chief compliance officer if such daily balances are close to exceeding, or likely to exceed the proposed caps.

The Company and Yili Finance will also adopt the following measures to monitor and mitigate the risks arising from the transactions under the 2026 Financial Services Framework Agreement:

- (i) During the term of the 2026 Financial Services Framework Agreement, the Company shall obtain and review Yili Finance's financial reports and risk indicators and other necessary information on a semi-annual basis and shall also designate a dedicated department and personnel to conduct ongoing dynamic assessment and supervision of the risk status of the funds deposited with Yili Finance. Yili Finance shall cooperate by providing the relevant financial reports, risk indicators and other necessary information;
- (ii) When Yili Finance provides lending services to the Company, Yili Finance shall strictly comply with procedures for credit rating, credit approval, credit use, and post-loan management. Yili Finance shall conduct a comprehensive analysis based on the Company's business operations, creditworthiness, financial needs, and other relevant factors, to determine the credit plan. Yili Finance shall also prudently assess the reasonableness of the Company's financing needs, repayment ability, collateral/guarantee arrangements, credit status, and other relevant aspects, and shall supervise the use of loan funds in accordance with the agreed purposes.

Yili Finance shall conduct off-site inspections of the Company and/or Group member companies with outstanding loan balances on a quarterly basis, collect and analyse financial information, and inquire about and record any material events. In the event that the Company and/or any Group member company commit any violations of laws or regulations, or experience bankruptcy, production suspension, closure, dissolution, business rectification, revocation, or business license cancellation, or encounter operational difficulties or financial deterioration, Yili Finance shall promptly take effective risk prevention and mitigation measures such as early loan recovery and requiring additional collateral or guarantees.

---

## LETTER FROM THE BOARD

---

### 2. THE 2026 MANUFACTURING SERVICE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 27 December 2024 in relation to, among other things, the entering into of the 2025 Manufacturing Service Framework Agreement between the Company and Yili Industrial for provision of manufacturing services by the Yili Industrial Group to the Group.

Based on the Group's unaudited management accounts and operational data for the year ended 31 December 2025, it has come to the attention of the Board that the transaction amount under the 2025 Manufacturing Service Framework Agreement for the year ended 31 December 2025 was approximately RMB132.1 million (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) and it is expected that the existing annual caps under the 2025 Manufacturing Service Framework Agreement for the years ending 31 December 2026 and 2027 will be exceeded. As at the Latest Practicable Date, it is not expected that the annual cap for the year ending 31 December 2026 under the 2025 Manufacturing Service Framework Agreement will be exceeded before obtaining the Independent Shareholders' approval at the EGM.

Given the foregoing, on 31 March 2026, the Company entered into the 2026 Manufacturing Service Framework Agreement with Yili Industrial for a term commencing from the Effective Date up to and including 31 December 2028 in relation to the provision of manufacturing services by the Yili Industrial Group to the Group from time to time during the term of the 2026 Manufacturing Service Framework Agreement, replacing the 2025 Manufacturing Service Framework Agreement (in particular revising the annual caps thereunder).

#### **Principal Terms of the 2026 Manufacturing Service Framework Agreement**

Principal terms of the 2026 Manufacturing Service Framework Agreement are summarised below.

Date	:	31 March 2026
Parties	:	(1) The Company as customer; and (2) Yili Industrial as service provider
Duration	:	The 2026 Manufacturing Service Framework Agreement shall become effective from the Effective Date up to and including 31 December 2028.
		The 2025 Manufacturing Service Framework Agreement shall be terminated and be replaced in its entirety by the 2026 Manufacturing Service Framework Agreement with effect from the Effective Date.
Nature of Transaction	:	The Yili Industrial Group shall manufacture certain brands of infant formula and related products for the Group pursuant to the terms set out in each Manufacturing Order.

---

## LETTER FROM THE BOARD

---

Pricing Terms : The prices and charges for the provision of manufacturing services by the Yili Industrial Group under the 2026 Manufacturing Service Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or better. However, given that the infant formula milk products are tailor-made by the Yili Industrial Group based on a unique specification, the Group is unable to obtain quotations from third parties to compare the prices charged by the Yili Industrial Group.

As such, the fee shall be determined by comparable profit margin with reference to (i) the relevant cost such as raw material cost and production cost; and (ii) the market price of such products from time to time. Prior to placing the Manufacturing Order, the Group will compare the profit margin of the infant formula milk products produced by the Yili Industrial Group with the profit margins of other similar products of the Group and will only place the Manufacturing Order with the Yili Industrial Group if the profit margin of the infant formula milk products produced by the Yili Industrial Group is no less favourable than that of other similar products.

Payment Terms : Payment shall be made by the Group to the Yili Industrial Group in accordance with the terms in the Manufacturing Order and in any event within 60 natural days.

### ***Existing annual caps and historical transaction amount***

The existing annual caps and historical transaction amount under the 2025 Manufacturing Service Framework Agreement for each of the three years ended/ending 31 December 2025, 2026 and 2027 shall be respectively as follows:

	Year ended/ending 31 December		
	2025	2026	2027
Existing annual caps ( <i>RMB million</i> )	140	140	140
Historical transaction amount ( <i>RMB million</i> )	132.1	N/A	N/A
Utilisation rate (%)	94.3	N/A	N/A

---

## LETTER FROM THE BOARD

---

### ***Proposed annual caps***

The proposed revised annual caps for the transactions contemplated under the 2026 Manufacturing Service Framework Agreement for the three years ending 31 December 2026, 2027 and 2028 are as follows:

	Year ending 31 December		
	2026	2027	2028
Revised annual caps ( <i>RMB million</i> )	188	221	243

The proposed revised annual caps under the 2026 Manufacturing Service Framework Agreement were determined after taking into account the following key factors:

- (i) the historical transaction amount of approximately RMB132.1 million for the year ended 31 December 2025 (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) that the Group paid to the Yili Industrial Group pursuant to the 2025 Manufacturing Service Framework Agreement;
- (ii) the expected demands of milk products to be manufactured under the 2026 Manufacturing Service Framework Agreement for the three years ending 31 December 2026, 2027 and 2028. In particular, expected demands of milk products to be manufactured for the year ending 31 December 2026 were determined with reference to the highest quarterly procurement of the two existing branded milk products and the expected demands of milk products to be manufactured for the year ending 31 December 2027 included additional production demand of a new brand of infant formula goat milk product is in the process of registration at relevant authority which is expected to be launched in the first quarter of 2027; and
- (iii) a buffer of 10% was applied to the aggregate estimated demands for each of the three years ending 31 December 2026, 2027 and 2028 to accommodate for unexpected production demands, currency fluctuations and potential fluctuations in the price of raw materials for production, in particular based on the recent currency fluctuation and price in raw materials in light of the instability in the global economy.

In light of the above, the Board considered that the proposed annual caps under the 2026 Manufacturing Service Framework Agreement were determined with sufficient basis, in particular taking into account of, among other things, (i) the expected demands with reference to historical transaction amounts; (ii) the expected demands for the new product to be launched; and (iii) a buffer to allow flexibility for potential growth and fluctuation of currency and cost of material. As such, the Board is of the view that the proposed revised annual caps are fair and reasonable.

---

## LETTER FROM THE BOARD

---

### **Internal Control**

The Company has implemented internal control procedures and policies to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with pricing policies and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Before entering into any connected transactions, the procurement and operation department of the Group will compare no less than two quotations and/or prices for similar transactions with independent third parties for similar services or materials. If such quotation and/or price is not available, the procurement and operation department of the Group will compare prices and/or relevant costs of similar products within the Group as reference. Accordingly, the Company is able to ensure that the pricing terms under the 2026 Manufacturing Service Framework Agreement are on normal commercial terms and no less favourable than those available from independent third parties.

The Company will closely monitor the connected transactions to ensure that they are conducted in accordance with the terms of the relevant connected transaction agreements. In the event that the annual caps of any of the 2026 Manufacturing Service Framework Agreement are about to be exceeded, the Company will revise the annual caps in accordance with the relevant Listing Rules requirements.

In addition, the independent non-executive Directors will conduct an annual review of the transactions contemplated under the 2026 Manufacturing Service Framework Agreement. The Company's external auditors will also review the transactions as contemplated under the 2026 Manufacturing Service Framework Agreement annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

The Directors consider that the Company has established sufficient internal control measures to ensure the transactions under the 2026 Manufacturing Service Framework Agreement are conducted in the usual and ordinary course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **Reasons for and benefits of entering into the 2026 Manufacturing Service Framework Agreement**

The Group is one of the major infant formula players in the PRC, particularly in the goat milk sector which has secured certain volume of goat milk related resources over the years of developments and with production facilities located in various major dairy countries. The Yili Industrial Group is the largest dairy enterprise in the PRC with the most comprehensive product portfolio. The Company believes that the entering into of the 2026 Manufacturing Service Framework Agreement will better leverage both parties' strength, particularly in the production capabilities as well as the resources that they have established in different countries over the years.

---

## LETTER FROM THE BOARD

---

As the transaction amount under the 2025 Manufacturing Service Framework Agreement for the year ended 31 December 2025 was approximately RMB132.1 million (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) and it is expected that the existing annual caps under 2025 Manufacturing Service Framework Agreement for the years ending 31 December 2026 and 2027 will be exceeded, the Company entered into the 2026 Manufacturing Service Framework Agreement with Yili Industrial to set the annual caps for the years ending 31 December 2028.

The Directors (other than the independent non-executive Directors, whose views are set out in the “Letter from the Independent Board Committee” in this circular) are of the view that the 2026 Manufacturing Service Framework Agreement and the transactions contemplated thereunder are conducted on arm’s length basis and on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the 2026 Manufacturing Service Framework Agreement (including the revised annual caps) are fair and reasonable, and the 2026 Manufacturing Service Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE COMPANY, YILI INDUSTRIAL AND YILI FINANCE**

The Group is principally engaged in the (i) dairy industry with activities ranging from research and development, raw milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia, the Middle East and other overseas countries; and (ii) research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.

Yili Industrial is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange in the PRC (stock code: 600887). Yili Industrial is a dairy product enterprise with the largest scale and most comprehensive product categories in the PRC. It is principally engaged in the processing, manufacturing and sales of various dairy products and healthy beverages. It has several major product series, including liquid milk, milk beverages, milk powder, yoghurt, frozen beverages, cheese, milk fat and packaged drinking water.

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

---

## LETTER FROM THE BOARD

---

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Yili Industrial is a controlling Shareholder holding 1,070,113,149 Shares, representing 60.18% of the issued Shares and Yili Finance is a wholly-owned subsidiary of Yili Industrial. Accordingly, Yili Industrial is a connected person of the Company under the Listing Rules and the entering into of the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### **The 2026 Financial Services Framework Agreement**

##### ***The Deposit Services***

Based on the aggregate maximum daily balance of deposits (including the interests accrued thereon) to be placed by the Group with Yili Finance, the highest of the applicable Percentage Ratios in respect of the Deposit Services under the 2026 Financial Services Framework Agreement is 25% or more but less than 100%. As such, the Deposit Services under the 2026 Financial Services Framework Agreement constitute (i) non-exempt continuing connected transaction subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) major transaction subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

##### ***The Loan Services***

The Loan Services under the 2026 Financial Services Framework Agreement involve the provision of financial assistance by Yili Finance to the Group. As the Loan Services to be provided under the 2026 Financial Services Framework Agreement shall be on normal commercial terms or better (i.e. terms that are similar or more favourable than those offered by other major commercial banks in the PRC for the provision of comparable services) and no security will be granted by the Group over its assets in respect of such loan services, the Loan Services are fully exempt from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

##### ***The Settlement Services and the Other Financial Services***

As all the applicable Percentage Ratios in respect of the service fees payable by the Group to Yili Finance, in aggregate, for the Settlement Services and the Other Financial Services under the 2026 Financial Services Framework Agreement on an annual basis are expected to be less than 0.1% and therefore fall below the de minimis threshold under Rule 14A.76 of the Listing Rules; and the terms of such services shall be on normal commercial terms or better, the Settlement Services and the Other Financial Services are fully exempt from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

---

## LETTER FROM THE BOARD

---

### **The 2026 Manufacturing Service Framework Agreement**

As the highest applicable Percentage Ratio in respect of the annual caps under the 2026 Manufacturing Service Framework Agreement exceeds 5%, the transactions contemplated under the 2026 Manufacturing Service Framework Agreement are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Ma Ji, Mr. Chen Fuquan and Mr. Aidan Maurice Coleman) has been established to advise the Independent Shareholders in connection with the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and transactions contemplated under the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps for the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement).

Frontpage Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and transactions contemplated under the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps for the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement).

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2026.

---

## LETTER FROM THE BOARD

---

### EGM

The EGM will be convened and held at 22nd Floor, Block A, Building 1, Ausnutria Building, Suncity, Purui East Road, Yueliangdao Street, Wangcheng District, Changsha City, Hunan Province, the PRC on Thursday, 28 May 2026 at 11:00 a.m. (or immediately after the conclusion of the annual general meeting of the Company to be held at the same venue and on the same day, or any adjournment thereof), with a notice of the EGM set out on pages 60 to 61 of this circular, for the purpose of considering and, if thought fit, approving the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and transactions contemplated under the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps).

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](http://www.hkexnews.hk)) and the Company ([www.ausnutria.com.hk](http://www.ausnutria.com.hk)). Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by 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 resolutions set out in the notice of the EGM will be voted by way of a poll.

As at the Latest Practicable Date, Yili Industrial, through its wholly owned subsidiary, holds 1,070,113,149 Shares, representing approximately 60.18% of the total number of Shares in issue and Yili Finance is an associate of Yili Industrial. As such, Yili Industrial is regarded as having a material interest in the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement and is therefore required to abstain from voting at the EGM on the resolutions approving the same. Save for the aforementioned and to the best knowledge, information and belief having made all reasonable enquiries of the Directors, no other Shareholder is required to abstain from voting on the resolutions approving the transactions contemplated under the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement at the EGM. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

---

## LETTER FROM THE BOARD

---

### 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 Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps) set out on pages 23 to 24 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 Deposit Services contemplated under 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps) set out on pages 25 to 50 of this circular.

The Directors (including the independent non-executive Directors, whose view has been included in the section headed “Letter from the Independent Board Committee” in this circular) consider the terms of the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps) are fair and reasonable, the terms of the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors, whose view has been included in the section headed “Letter from the Independent Board Committee” in this circular) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement.

Yours faithfully,  
By Order of the Board  
**Ausnutria Dairy Corporation Ltd**  
**HAN Shixiu**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*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 Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement.*



### AUSNUTRIA DAIRY CORPORATION LTD

### 澳優乳業股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1717)**

13 May 2026

*To the Independent Shareholders*

Dear Sir or Madam,

- (1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT;**
- (2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE REVISION OF EXISTING ANNUAL CAPS UNDER THE 2025 MANUFACTURING SERVICE FRAMEWORK AGREEMENT;**
- AND**
- (3) NOTICE OF EGM**

We refer to the circular (the “**Circular**”) of the Company dated 13 May 2026 of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

We have been appointed by the Board as members of the Independent Board Committee to advise you on whether the terms of the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement are on normal commercial terms or better and are fair and reasonable as far as the Independent Shareholders are concerned and whether such transactions are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Frontpage Capital Limited has been appointed as the Independent Financial Adviser to advise in this regard. We wish to draw your attention to the letter from the Board set out on pages 5 to 22 of the Circular and the letter from the Independent Financial Adviser as set out on pages 25 to 50 of the Circular, which contains, *inter alia*, advice and recommendation regarding the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement with the principal factors and reasons for its advice and recommendation.

Having considered the terms of the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement, and taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the terms of such transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company. We, therefore, recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under the 2026 Manufacturing Service Framework Agreement.

For and on behalf of  
the Independent Board Committee of  
**AUSNUTRIA DAIRY CORPORATION LTD**

**Mr. Ma Ji**  
*Independent non-executive  
Director*

**Mr. Chen Fuquan**  
*Independent non-executive  
Director*

**Mr. Aidan Maurice Coleman**  
*Independent non-executive  
Director*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Set out below is the text of a letter received from Frontpage Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.*

FRONTPAGE 富比

13 May 2026

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND  
(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE REVISION OF EXISTING ANNUAL CAPS UNDER THE 2025 MANUFACTURING SERVICE FRAMEWORK AGREEMENT**

### 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 Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the continuing connected transactions contemplated under the 2026 Manufacturing Service Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 May 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

As the 2023 Financial Services Framework Agreement will expire on 28 August 2026, on 31 March 2026 (after trading hours), the Company entered into the 2026 Financial Services Framework Agreement with Yili Finance, pursuant to which Yili Finance agreed to continue to provide a range of financial services, including but not limited to the Deposit Services, to the Group for a term of three years commencing from the Effective Date on the similar terms and conditions as those contemplated under the 2023 Financial Services Framework Agreement.

In addition, based on the Group’s unaudited management accounts and operational data for the year ended 31 December 2025, it has come to the attention of the Board that the transaction amount under the 2025 Manufacturing Service Framework Agreement for the year ended 31 December 2025 was approximately RMB132.1 million (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) and it is expected that the existing annual caps under the 2025 Manufacturing Service Framework Agreement for the years ending 31 December 2026 and 2027 will be exceeded.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Given the foregoing, on 31 March 2026, the Company entered into the 2026 Manufacturing Service Framework Agreement with Yili Industrial for a term commencing from the Effective Date up to and including 31 December 2028 in relation to the provision of manufacturing services by the Yili Industrial Group to the Group from time to time during the term of the 2026 Manufacturing Service Framework Agreement, replacing the 2025 Manufacturing Service Framework Agreement (in particular revising the annual caps thereunder).

As stated in the Letter from the Board, as at the Latest Practicable Date, Yili Industrial is a controlling Shareholder holding 1,070,113,149 Shares, representing 60.18% of the issued Shares and Yili Finance is a wholly-owned subsidiary of Yili Industrial. Accordingly, each of Yili Industrial and Yili Finance is a connected person of the Company under the Listing Rules and the entering into of the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the aggregate maximum daily balance of deposits (including the interests accrued thereon) to be placed by the Group with Yili Finance, as the highest of the applicable Percentage Ratios in respect of the Deposit Services under the 2026 Financial Services Framework Agreement is 25% or more but less than 100%. As such, the Deposit Services under the 2026 Financial Services Framework Agreement constitute (i) non-exempt continuing connected transaction subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) major transaction subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the annual caps under the 2026 Manufacturing Service Framework Agreement exceeds 5%, the transactions contemplated under the 2026 Manufacturing Service Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Yili Industrial, through its wholly owned subsidiary, holds 1,070,113,149 Shares, representing approximately 60.18% of the total number of Shares in issue and Yili Finance is an associate of Yili Industrial. As such, Yili Industrial is regarded as having a material interest in the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement and is therefore required to abstain from voting at the EGM on the resolutions approving the same. Save for the aforementioned and to the best knowledge, information and belief having made all reasonable enquiries of the Directors, no other Shareholder and is required to abstain from voting on the resolutions approving the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement at the EGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement are on normal commercial terms or better and are fair and reasonable as far as the Independent Shareholders are concerned, whether the Deposit Services contemplated under the 2026 Financial Services Framework Agreement and the transactions contemplated under 2026 Manufacturing Service Framework Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. We, Frontpage Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the 2023 Financial Services Framework Agreement, the 2026 Financial Services Framework Agreement, the 2025 Manufacturing Service Framework Agreement and the 2026 Manufacturing Service Framework Agreement; (ii) the annual report of the Company (the “**2025 Annual Report**”) for the year ended 31 December 2025 (the “**FY2025**”); (iii) the annual report of the Company (the “**2024 Annual Report**”) for the year ended 31 December 2024 (the “**FY2024**”); (iv) other information as set out in the Circular; and (v) relevant market data and information available from public sources.

We have also relied on all relevant information and representations provided, and the opinions expressed, by the Directors and/or the management of the Company (the “**Management**”). We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as at the date thereof.

The Directors and the Management have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. 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, and they have confirmed that no material information has been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management, nor have we conducted an independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group and its associates.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### OUR INDEPENDENCE

We are not connected with the Directors, chief executive or substantial shareholders of the Company, the Group or any of their respective subsidiaries or associates and do not have any shareholding, direct or indirect, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date. There is no arrangement whereby we will receive any benefits from the Group, the Directors, the chief executive or substantial shareholders of the Company, the Group or any of their respective subsidiaries or associates for our services to the Company in connection with this appointment aside from our professional fees. Aside from the aforesaid engagement, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders in the past two years. Therefore, we consider ourselves independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Background Information of the parties

##### *1.1. Information on the Group*

###### *Principal business of the Group*

The Group is principally engaged in the (i) dairy industry with activities ranging from research and development, raw milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia, the Middle East and other overseas countries; and (ii) research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Historical financial performance of the Group*

A summary of the financial information of the Group for FY2024 and FY2025 and as extracted from 2025 Annual Report is set out below:

	<b>FY2025</b>	<b>FY2024</b>
	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)
<b>Revenue</b>		
Own-branded formula milk powder products		
– Cow milk	1,767.1	2,106.6
– Goat milk	<u>3,553.7</u>	<u>3,699.2</u>
	5,320.8	5,805.8
Cheese, private label and others	1,846.8	1,292.0
Nutrition products	<u>320.4</u>	<u>304.6</u>
	7,488.0	7,402.4
<b>Gross profit</b>	2,893.2	3,107.9
<b>Profit for the year</b>	189.1	247.2

### *Comparison between FY2024 and FY2025*

The revenue of the Group increased from approximately RMB7,402.4 million for FY2024 to approximately RMB7,488.0 million for FY2025, representing an increase of approximately 1.2%. Such increase was mainly due to the increase in the sales of in goat cheese products as a result of acquisition of the remaining 50% equity interest in Amalthea in October 2024 that turned into a wholly-owned subsidiary of the Company. The Group's gross profit decreased from approximately RMB3,107.9 million for FY2024 to approximately RMB2,893.2 million for FY2025. Such decrease was mainly due to the increase of production cost for the Group's infant formula milk products as a result of the increase in raw materials price and the high inflation during the year. The Group recorded a decrease in net profit from approximately RMB247.2 million for FY2024 to approximately RMB189.1 million for FY2025. Such decrease was mainly driven by (i) the intensive market competition in the PRC and the decrease in gross profit as explained above; and (ii) the increase in the administrative expenses due to the increase in staff costs and professional fees.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Summary of the Group's financial position*

A summary of the financial position of the Group as at 31 December 2024 and 2025 as extracted from 2025 Annual Report is set out below:

	<b>As at 31 December 2025</b>	<b>As at 31 December 2024</b>
	<i>RMB' million</i>	<i>RMB' million</i>
	(audited)	(audited)
<b>Total assets</b>	10,255.7	9,662.1
Long-term time deposits	923.5	224.1
Time deposits	21.8	206.2
Restricted cash	1.9	9.3
Cash and cash equivalents	907.6	1,214.7
Trade and bills receivables	697.7	689.6
<b>Total liabilities</b>	4,169.3	3,878.7
Trade and bills payables	537.7	533.9
Other payables and accruals	612.4	661.3
Bank borrowings	2,508.7	2,137.7
<b>Net assets</b>	6,086.4	5,783.5

The Group recorded total assets of approximately RMB9,662.1 million and RMB10,255.7 million as at 31 December 2024 and 2025, respectively. According to the 2025 Annual Report, as at 31 December 2025, the total assets of the Group mainly comprised of (i) property, plant and equipment of approximately RMB3,560.7 million; (ii) long-term time deposits of approximately RMB923.5 million; (iii) inventories of approximately RMB1,981.1 million; (iv) trade and bills receivables of approximately RMB697.7 million; and (v) cash and cash equivalents of approximately RMB907.6 million. The increase in total assets of the Group as at 31 December 2025 was mainly attributable to the net effect of: (i) the net increase in cash and cash equivalents, time deposits and long-term time deposits with original maturity over one year of a total of approximately RMB207.8 million as a result of the cashflows generated from operating activities; (ii) the increase in inventories by approximately RMB50.8 million as a result of the scale-up of the Group's operations; and (iii) the net increase of property, plant and equipment of approximately RMB295.1 million, mainly arising from the additions and capitalization of the building of the new IMF factory in the Netherlands as well as positively effected by the appreciation of EUR against RMB.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In addition, the Group also recorded total liabilities of approximately RMB3,878.7 million and RMB4,169.3 million as at 31 December 2024 and 2025, respectively. As at 31 December 2025, the total liabilities of the Group mainly comprised of (i) trade and bills payables of approximately RMB537.7 million; (ii) other payables and accruals of approximately RMB612.4 million; and (iii) bank borrowings of approximately RMB2,508.7 million. The increase in total liabilities of the Group as at 31 December 2025 was mainly attributable to the increase in bank borrowings.

The Group reported net assets of approximately RMB6,086.4 million as at 31 December 2025, representing an increase of 5.2% as compared to that of approximately RMB5,783.5 million as at 31 December 2024. The increase in net assets of the Group as at 31 December 2025 was mainly a result of the net effect of the (i) net profit generated for the FY2025 of RMB189.1 million (2024: RMB247.2 million); (ii) appreciation of the EUR against RMB which contributed to an increase in exchange differences on translation of foreign operation of RMB229.9 million; and (iii) payment of final 2024 dividend of RMB97.2 million during the FY2025.

### ***1.2. Information of Yili Finance***

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

### ***1.3. Information of Yili Industrial***

Yili Industrial is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange in the PRC (stock code: 600887). Yili Industrial is a dairy product enterprise with the largest scale and most comprehensive product categories in the PRC. It is principally engaged in the processing, manufacturing and sales of various dairy products and healthy beverages. It has several major product series, including liquid milk, milk beverages, milk powder, yoghurt, frozen beverages, cheese, milk fat and packaged drinking water.

## **2. Deposit Services under the 2026 Financial Services Framework Agreement**

### ***2.1. Principal terms of the Deposit Services under the 2026 Financial Services Framework Agreement***

Reference is made to the announcement of the Company dated 29 August 2023 in relation to the entering into of the 2023 Financial Services Framework Agreement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As the 2023 Financial Services Framework Agreement will expire on 28 August 2026, on 31 March 2026 (after trading hours), the Company entered into the 2026 Financial Services Framework Agreement with Yili Finance, pursuant to which Yili Finance agreed to continue to provide a range of financial services, namely the Deposit Services, the Loan Services, the Settlement Services and the Other Financial Services, to the Group for a term of three years commencing from the Effective Date on the similar terms and conditions as those contemplated under the 2023 Financial Services Framework Agreement.

As extracted from the Letter from the Board, the principal terms of the Deposit Services under the 2026 Financial Services Framework Agreement are as follows;

Date	:	31 March 2026
Parties	:	(i) the Company; and (ii) Yili Finance.
Term	:	The 2026 Financial Services Framework Agreement shall become effective on the Effective Date and shall remain in force for a term of three years from the Effective Date.  The 2023 Financial Services Framework Agreement shall be terminated on the Effective Date and be replaced in its entirety by the 2026 Financial Services Framework Agreement.
Scope of services	:	Yili Finance shall accept deposits from the Group of up to a maximum daily balance of deposits (including the interest accrued thereon) pursuant to the 2026 Financial Services Framework Agreement.
Pricing guidelines	:	The interest rates for the Deposit Services provided by Yili Finance and shall be no less than (a) the benchmark deposit rates prescribed by the PBOC; and (b) deposit rates payable by major independent commercial banks in the PRC in respect of deposits of similar nature (by comparing with no less than two major independent commercial banks in the PRC in general).
Payment terms	:	For the Deposit Services, the principal amount and accrued interest shall be paid to the Group upon maturity (in the case of time deposits) or on demand (in the case of current deposits) in accordance with the specific terms of the relevant deposit arrangement to be entered into from time to time between the relevant member of the Group and Yili Finance.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We have discussed with the Management in relation to the pricing guidelines as stated above and were given to understand that the Group will compare the interest rates for the Deposit Services provided by Yili Finance against the benchmark deposit rates prescribed by the PBOC and the deposit rates offered by no less than two major independent commercial banks prior to placing cash deposits. If the Group is aware that the terms (including deposit interest rate) offered by Yili Finance are less favourable than those offered by other major commercial banks as well as the PBOC, the Group will not maintain deposits with Yili Finance, or it will negotiate with Yili Finance to re-determine the relevant rates and terms. The Group shall also take into account factors including, among other things, quality of services, safety of deposits, reputation of financial institutions and history of cooperation, before making decisions to place deposits with any banks or financial institutions. As advised by the Management, the Company obtains and reviews Yili Finance's financial reports, risk indicators, and other necessary information on a semi-annual basis, and has designated the finance department to conduct ongoing dynamic assessment and supervision of the risk status of the funds deposited with Yili Finance. In the event that the Company discovers that Yili Finance fails to comply with any regulatory requirement, fails to maintain financial indicators at certain levels, or otherwise delays the repayment of principal or interest when due, the Group will not place further deposits with Yili Finance until the conditions improve.

In order to assess the fairness and reasonableness of the pricing guidelines, we obtained a full list of cash deposits placed by the Group to Yili Finance from 29 August 2023 to 31 December 2025 (the "**Review Period A**"), being the period covering the commencement of the term of 2023 Financial Services Framework Agreement up to the end of the financial year 2025. From the above cash deposits list, we selected the largest cash deposits for each month during the Review Period A (28 transactions in total). We then obtained and reviewed the corresponding 28 sets of cash deposit slips and the relevant interest rate offered by Yili Finance, PBOC and no less than two other major commercial banks, to understand the pricing process and verify its consistency across all relevant subsidiaries. Based on our review, we noted that the interest rates offered by Yili Finance in respect of the Group's deposits were no less favourable than the interest rates prescribed by the PBOC and the deposit rates offered by no less than two major independent commercial banks for all of the sample selected. As such, we concur with the Management that the Deposit Services have been carried out in accordance with the pricing guidelines of the Company.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Given that (i) the objective of our review is to understand the process of the pricing guidelines and the whole process of the Deposit Services; (ii) we have selected samples from each month throughout the Review Period A; (iii) the selected samples represented the highest deposit amounts in each month; and (iv) all of the selected samples have been conducted in accordance with the relevant pricing guidelines and no discrepancy has been identified, we are of the view that the selected samples and the sample size are sufficient and representative for understanding the pricing guidelines of the Deposit Services under the 2026 Financial Services Framework Agreement.

Having considered the above, we are of the view that the terms of the Deposit Services are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.2. The historical annual caps and the proposed annual caps***

Set out below are the historical annual caps and the historical aggregate amount of the maximum daily balance of deposits (including accrued interests) placed by the Group with Yili Finance pursuant to the 2023 Financial Services Framework Agreement for the years ended 31 December 2023, 2024 and 2025, and the proposed revised annual caps for the aggregate amount of the maximum daily balance of deposits (including accrued interests) to be placed by the Group with Yili Finance pursuant to the 2026 Financial Services Framework Agreement for the three-year period commencing from the Effective Date.

	Year ended 31 December		
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical annual caps	270	270	270
Historical aggregate amount of maximum daily balance of deposits (including accrued interests)	209.9	195.2	204.2
Utilisation rate	77.7%	72.3%	75.6%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>Year ending 31 December</b>			<b>2029 (up to the expiry date of the 2026 Financial Services Framework Agreement)</b>
	<b>From the Effective Date up to 31 December 2026</b>	<b>2027</b>	<b>2028</b>	<b>RMB million</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Aggregate amounts of the maximum daily balance of deposits (including the interest accrued thereon)	800	1,000	1,800	2,000

As stated in the Letter from the Board, the proposed annual caps for maximum daily balance of deposits (including interest accrued thereon) under the 2026 Financial Services Framework Agreement were determined after taking into account (i) the historical transaction amounts where the utilisation rate for each of the three years ended 31 December 2023, 2024 and 2025 was over 70%; (ii) the latest cash and current assets position of the Group, in particular time deposits, restricted cash and cash and cash equivalents of approximately RMB931.3 million and long-term time deposits of approximately RMB923.5 million; (iii) the increasing asset and operation scale and the expected amount of cash of the Group available for deposit during the term of the 2026 Financial Services Framework Agreement, in particular (a) the Group's total cash reserves as at 31 December 2025 has increased by 12.1% as compared to that of 31 December 2024; (b) the Group recorded a strong operating cash inflow of over RMB200 million over the past few financial years; (c) the Group has generated substantial profits from its business operations; and (d) the long-term time deposits of approximately RMB700 million are expected to mature in 2028; and (iv) the expected amount of interest income from Yili Finance taking into account the interest income that could otherwise be obtained by placing a comparable amount of deposits with other major commercial banks in the PRC.

It is expected that the Group's total cash reserves will continue to grow and remain at a level above the proposed annual caps under the 2026 Financial Services Framework Agreement and therefore an increment of RMB200 million (to cater for the operational cash inflow each year as mentioned above) was included in each of the years ending 31 December 2027 and 2028 and for the period up to the expiry date in 2029. In particular, the substantial increase in the annual cap for the year ending 31 December 2028 was to cater for the release of the long-term time deposits in 2028 as mentioned above. As such, the Board considered that it is reasonable to set the maximum daily balance of the deposits placed with reference to the overall cash reserves of the Group, which allows the Group to have a greater flexibility to manage its funds to accommodate any unexpected circumstances.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

On 29 August 2023, the Group first engaged the Deposit Services with Yili Finance by entering into the 2023 Financial Services Framework Agreement and established prudent annual caps to manage the credit risks in connection with the initial business relationship. Given that (i) the interest rates offered by Yili Finance are no less favourable than those offered by other commercial banks; (ii) the lower transaction costs charged by Yili Finance facilitate fund turnover and enhance the amount and efficiency of funds utilisation; and (iii) Yili Finance's better understanding of the Group's operations enables more expeditious and efficient services than those provided by other commercial banks, the Group intends to increase the proposed annual caps for the Deposit Services to allow a larger portion of the Group's funds to be deposited with Yili Finance and to meet the business demands of the Group. To assess the fairness and reasonableness of the proposed new annual caps for the aggregate amount of the maximum daily outstanding balance of deposits (including accrued interests) to be placed by the Group with Yili Finance pursuant to the 2026 Financial Services Framework Agreement, we have discussed with the Management and note that proposed annual caps for the Deposit Services for the three-year period commencing from the Effective Date are determined after taking into account, among others, the expected cash level of the Group and expected net cash flow from operating activities of the Group for the next three years.

We noted from the 2025 Annual Report that the Group had total cash reserves of approximately RMB1,854.8 million as at 31 December 2025 comprising bank balance classified as current assets (including time deposits, restricted cash and cash and cash equivalents) of approximately RMB931.3 million and long-term time deposits of approximately RMB923.5 million, which will be matured in 2028. Based on the discussion with the Management, it is expected that the growth of the Group will likely be sustained for the next three years. Having considered that (i) the Group's total cash reserves as at 31 December 2025 has increased by 12.1% as compared to that of 31 December 2024; (ii) the Group recorded a strong operating cash inflow of over RMB200 million over the past few financial years; (iii) the Group has generated substantial profits from its business operations; and (iv) the substantial portion of interest income will be generated from the Group's cash deposits, it is expected that the Group's total cash reserves will continue to grow and remain at a level that could cover the possible demands of the Deposit Services as stipulated under the proposed revised annual caps during the term of the 2026 Financial Services Framework Agreement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In addition, we understood from the Management that the substantial increase in proposed deposits caps is intended to provide the operational flexibility in managing its treasury activities and sourcing financial services providers with favourable interest rates. The proposed caps do not imply a mandatory allocation of the full cash balance but instead represent a maximum allowable limit to ensure responsiveness in deposit allocation. As noted from the Letter from the Board, the Group will utilise the services of Yili Finance on a non-exclusive basis and is not obliged to engage Yili Finance for the Deposit Services under the 2026 Financial Services Framework Agreement. The Group retains full discretion to place funds with other commercial banks or financial institutions based on prevailing treasury needs and risk considerations. We also note that there are no lock-up covenants, restrictive withdrawal terms, or minimum balance requirements associated with these deposits. As such, we considered that it is reasonable to set the maximum daily balance of the deposits placed with reference to the overall cash reserves of the Group, which allows the Group to have a greater flexibility to manage its funds to accommodate any unexpected circumstances under the volatile business environment.

Taking into account the above, we are of the view that the proposed annual caps for the Deposit Services are fairly determined and are fair and reasonable.

### ***2.3. Reasons for and benefits of the transaction***

The Board is of the view that it is beneficial to utilise the financial services from Yili Finance under the 2026 Financial Services Framework Agreement due to the following reasons:

- (i) By entering into the 2026 Financial Services Framework Agreement with Yili Finance, the Group will be able to accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation;
- (ii) The terms offered by or available from Yili Finance with respect to the 2026 Financial Services Framework Agreement are on normal commercial terms or better, which shall be no less favourable than the terms offered or available to the Group from other major commercial banks and/or financial institutions in the PRC for providing similar services;
- (iii) Yili Finance is regulated by the PBOC and the NFRA, and provides its services in accordance with the rules and operational requirements of these regulatory authorities;
- (iv) The Group is expected to benefit from Yili Finance's better understanding of the operation of the Group, which will facilitate more expedient and efficient services than those rendered by other commercial banks in the PRC; and
- (v) The financial services to be provided under the 2026 Financial Services Framework Agreement are diversified and can meet the business needs of the Group and shall be on a non-exclusive basis such that the Group is not obliged to engage Yili Finance for the financial services under the 2026 Financial Services Framework Agreement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Directors (including the independent non-executive Directors, whose views are set out in the “Letter from the Independent Board Committee” in the Circular) considered that the Deposit Services under the 2026 Financial Services Framework Agreement provide greater flexibility and efficiency to the business transactions between the Group and the Yili Industrial Group and would enable greater synergies being achieved between the Group and the Yili Industrial Group.

The Directors (including the independent non-executive Directors, whose views are set out in the “Letter from the Independent Board Committee” in this circular) are of the view that the Deposit Services contemplated under 2026 Financial Services Framework Agreement are conducted on arm’s length basis and on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the Deposit Services contemplated under 2026 Financial Services Framework Agreement (including the annual caps) are fair and reasonable, and the Deposit Services contemplated under 2026 Financial Services Framework Agreement are in the interests of the Company and the Shareholders as a whole.

In light of the above reasons, in particular, (i) the 2026 Financial Services Framework Agreement was entered to renew the terms of the 2023 Financial Services Framework Agreement; (ii) the interest rate of the Deposit Services shall not be lower than those offered by the PBOC and other major commercial banks; and (iii) the Deposit Services provided by Yili Finance to the Group under the 2026 Financial Services Framework Agreement shall be on a non-exclusive basis and the Group is not obliged to engage Yili Finance for the Deposit Services, which in turn serves to enhance flexibility for the Group’s capital management, we concur with the Directors that the Deposit Services contemplated under the 2026 Financial Services Framework Agreement are in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

### ***2.4. Internal control and risk management measures***

As Yili Finance is a licensed non-bank financial institution regulated by the PBOC and NFRA, it is required to provide its services in accordance with the rules and operational requirements of these regulatory authorities. Pursuant to the terms under the 2026 Financial Services Framework Agreement, the Deposit Services to be provided by Yili Finance to the Group shall be on a non-exclusive basis and there are no lock-up covenants, restrictive withdrawal terms, or minimum balance requirements associated with the funds deposited with Yili Finance. As such, the Group is not obliged to engage Yili Finance for the Deposit Services and retains full discretion to place funds with other commercial banks or financial institutions based on prevailing treasury needs and risk considerations.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Company will implement the following internal control measures to ensure that the Deposit Services are on normal commercial terms or better and do not exceed the annual caps:

- (i) To ensure that the interest rates and other terms offered by Yili Finance for the Deposit Services will be fair and reasonable and on normal commercial terms or better, prior to placing cash deposits at or procuring other types of financial services from Yili Finance, the finance department of the Company will obtain quotations no less than two from major commercial banks who are independent third parties to determine the prevailing interest rate(s) and other terms being offered by those institutions for comparable deposit services of similar nature during the same period. Such reference interest rate(s) will then be reviewed and approved by the management of the Company in accordance with its internal approval procedures prior to entering into each individual specific agreement for the deposit services. The Company shall also take into account factors including, among other things, quality of services, safety of deposits, reputation of financial institutions and history of cooperation, before making decisions to place deposits with any banks or financial institutions. If the Company is aware that the terms (including deposit interest rate) offered by Yili Finance are less favourable than those offered by other major commercial banks, the Group will not maintain deposits with Yili Finance, or it will negotiate with Yili Finance to re-determine the relevant rates and terms;
- (ii) The Group has established a finance department, which operates without influence from Yili Industrial. 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 Industrial. Yili Industrial cannot control the use of any of the Group's bank accounts;
- (iii) During its annual audit, the Company will engage its auditors to review the connected transactions between the Group and Yili Finance to ensure that the transactions under the 2026 Financial Services Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the caps thereunder. The independent non-executive Directors will also provide annual confirmations in the annual reports of the Company in respect of the transactions contemplated under the 2026 Financial Services Framework Agreement to ensure that such transactions are entered into on normal commercial terms or better, fair and reasonable, and carried pursuant to its contractual terms in accordance with the relevant requirements under the Listing Rules; and
- (iv) The Company will monitor the continuing connected transactions in accordance with its internal control procedures, in particular the Company will monitor the Group's daily balances with Yili Finance in a timely manner. The Group's responsible financial personnel shall check the balances on a daily basis and promptly report to the Company's chief financial officer or chief compliance officer if such daily balances are close to exceeding, or likely to exceed the proposed caps.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Company and Yili Finance will also adopt, among others, the following measures to monitor and mitigate the risks arising from the transactions under the 2026 Financial Services Framework Agreement:

- (i) During the term of the 2026 Financial Services Framework Agreement, the Company shall obtain and review Yili Finance's financial reports and risk indicators and other necessary information on a semi-annual basis and shall also designate a dedicated department and personnel to conduct ongoing dynamic assessment and supervision of the risk status of the funds deposited with Yili Finance. Yili Finance shall cooperate by providing the relevant financial reports, risk indicators and other necessary information.

We have been given to understand that the Management considers the interest rate a crucial factor when determining whether to place deposits with Yili Finance or other domestic commercial banks. Based on the internal control measures put in place for the purpose of the Deposit Services, comparable quotations for deposits of similar nature shall be obtained by the finance department of the Company from no less than two major commercial banks with which the relevant member of the Group has established business relationship. These quotations will then be compared against the rates offered by Yili Finance prior to making any deposits under the 2026 Financial Services Framework Agreement. Deposit Services provided by Yili Finance will only be utilised when the interest rates offered are more favourable than those offered by no less than two other major commercial banks and PBOC. Such reference interest rate(s) will then be reviewed and approved by the Management prior to placing the deposits. We have (i) reviewed the full list of cash deposits placed by the Group to Yili Finance during Review Period A, being the period covering the commencement of the term of 2023 Financial Services Framework Agreement up to the end of the financial year 2025, provided by the Management and (ii) selected and reviewed the largest cash deposits for each month during Review Period A and the interest rate quotations obtained from POBC and no less than two independent third party major domestic commercial banks for the purpose of ascertaining the relevant reference interest rate(s) for the said deposits. Based on our review, we note that the Group had adhered to the aforementioned internal control policies. It was noted that the interest rates offered by Yili Finance to the Group in those selected samples were no less favourable than the interest rates offered by comparable commercial banks and financial institutions for similar type of deposits. Furthermore, based on the annual review performed by the independent non-executive Directors and the auditors of the Company, we are not aware of any non-compliance with the aforesaid internal control measures.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In addition, the Company has adopted certain measures to monitor and mitigate the credit risks arising from the transactions under the 2026 Financial Services Framework Agreements with details as set out above. Having considered that (i) a designated financial personnel will monitor the Group's daily balance with Yili Finance in a timely manner; (ii) the Company will obtain and review Yili Finance's financial reports and conduct a dynamic assessment on Yili Finance on an ongoing basis to assess the financial standing and creditworthiness of Yili Finance, as well as the credit risk and/or default risk associated with deposits placed with Yili Finance; (iii) Yili Finance is a licensed non-bank financial institution regulated by PBOC and NFRA, which is required to provide its services in accordance with the rules and operational requirements of these regulatory authorities; (iv) the Group is not obliged to engage Yili Finance for the Deposit Services and retains full discretion to place funds with other commercial banks or financial institutions based on prevailing treasury needs and risk considerations; and (v) there no lock-up covenants, restrictive withdrawal terms, or minimum balance requirements associated with the funds deposited with Yili Finance, we consider that the measures to monitor and mitigate the credit risks are sufficient and credit risk associated with funds deposited with Yili Finance is manageable.

Given the above, we consider there exists appropriate procedures and arrangements to ensure that the transactions contemplated under the 2026 Financial Services Framework Agreement will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and on normal commercial terms and in the ordinary and usual course of business of the Group.

### **3. Manufacturing Service Framework Agreement**

#### ***3.1. Principal terms of the Manufacturing Service Framework Agreement***

Reference is made to the announcement of the Company dated 27 December 2024 in relation to, among other things, the entering into of the 2025 Manufacturing Service Framework Agreement between the Company and Yili Industrial for provision of manufacturing services by the Yili Industrial Group to the Group.

Based on the Group's unaudited management accounts and operational data for the year ended 31 December 2025, it has come to the attention of the Board that the transaction amount under the 2025 Manufacturing Service Framework Agreement for the year ended 31 December 2025 was approximately RMB132.1 million (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) and it is expected that the existing annual caps under the 2025 Manufacturing Service Framework Agreement for the years ending 31 December 2026 and 2027 will be exceeded. As at the Latest Practicable Date, it is not expected that the annual cap for the year ending 31 December 2026 under the 2025 Manufacturing Service Framework Agreement will be exceeded before obtaining the Independent Shareholders' approval at the EGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Given the foregoing, on 31 March 2026, the Company entered into the 2026 Manufacturing Service Framework Agreement with Yili Industrial for a term commencing from the Effective Date up to and including 31 December 2028 in relation to the provision of manufacturing services by the Yili Industrial Group to the Group from time to time during the term of the 2026 Manufacturing Service Framework Agreement, replacing the 2025 Manufacturing Service Framework Agreement (in particular revising the annual caps thereunder).

As extracted from the Letter from the Board, the principal terms of the 2026 Manufacturing Service Framework Agreement are as follows:

Date	:	31 March 2026
Parties	:	(1) The Company as customer; and (2) Yili Industrial as service provider
Duration	:	The 2026 Manufacturing Service Framework Agreement shall become effective from the Effective Date up to and including 31 December 2028.  The 2025 Manufacturing Service Framework Agreement shall be terminated and be replaced in its entirety by the 2026 Manufacturing Service Framework Agreement with effect from the Effective Date.
Nature of Transaction	:	The Yili Industrial Group shall manufacture certain brands of infant formula and related products for the Group pursuant to the terms set out in each manufacturing order
Pricing Terms	:	The prices and charges for the provision of manufacturing services by the Yili Industrial Group under the 2026 Manufacturing Service Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or better. However, given that the infant formula milk products are tailor-made by the Yili Industrial Group based on a unique specification, the Group is unable to obtain quotations from third parties to compare the prices charged by the Yili Industrial Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As such, the fee shall be determined by comparable profit margin with reference to (i) the relevant cost such as raw material cost and production cost; and (ii) the market price of such products from time to time. Prior to placing the Manufacturing Order, the Group will compare the profit margin of the infant formula milk products produced by the Yili Industrial Group with the profit margins of other similar products of the Group and will only place the Manufacturing Order with the Yili Industrial Group if the profit margin of the infant formula milk products produced by the Yili Industrial Group is no less favourable than that of other similar products.

Payment Terms : Payment shall be made by the Group to the Yili Industrial Group in accordance with the terms in the Manufacturing Order and in any event within 60 natural days.

We have discussed with the Management in relation to the pricing policy in relation to the manufacturing services provided by the Yili Industrial Group. We noted that Yili Industrial is one of the world's leading dairy product producers with annual revenue over RMB100 billion, and offers a wide range of milk products including milk powder. According to the annual report of Yili Industrial for the year ended 31 December 2024, the market share of its infant formula milk products has reached 17.3%. With more than 80 production bases across Asia, Europe and Oceania, the Yili Industrial Group is able to secure a stable supply of raw materials through bulk procurement at lower prices and to manufacture dairy products with stringent standards. In order to leverage the Yili Industrial Group's competitive costs and technical know-how, the Group has engaged the Yili Industrial Group to manufacture certain brands of infant formula milk products. As understood from the Management, the infant formula milk products are tailor made by the Yili Industrial Group with based on a unique specification. As such, the Group is unable to obtain third party quotations to compare the price charged by the Yili Industrial Group. In order to ensure the price charged by the Yili Industrial Group is fair and reasonable and is not excessive, the Group expects that the profit margins of the infant formula milk products shall be no less favourable to that of other similar products of the Group. Therefore, the Group will compare the profit margin of infant formula milk products as produced by the Yili Industrial Group against other similar products of the Group prior to placing the Manufacturing Order. The Group will only place the Manufacturing Order with the Yili Industrial Group if the profit margin of the infant formula milk products as produced by the Yili Industrial Group is no less favourable to that of other similar products.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In order to assess the fairness and reasonableness of the pricing policy, we obtained a full list of all transactions made between the Group and the Yili Industrial Group from 1 January 2025 to 31 December 2025 (the “**Review Period B**”), being the period covering the commencement of the term of 2025 Manufacturing Service Framework Agreement up to the end of the financial year 2025. From the above list of transactions, we selected the highest-value transaction for each month during the Review Period B (12 transactions in total). We then obtained and reviewed the corresponding 12 sets of invoices issued by the Yili Industrial Group to the Group. In order to examine the relevant profit margin for these selected samples, we have compared the unit costs of the products as shown on the invoices and the standard selling price of these products sold to the Group’s customers. We have further obtained the relevant cost sheets and profit margin for the other similar products of the Group and compared them against the relevant profit margin of the selected samples. In such a case, we noted that the profit margin of the infant formula milk products as produced by the Yili Industrial Group in those 12 selected samples were no less favourable to that of other similar products. As such, we concur with the Management that the transactions conducted under the 2026 Manufacturing Service Framework Agreement have been carried out in accordance with the pricing policy.

Given that (i) the objective of our review is to understand the pricing process and the whole process of procurement of the services; (ii) we have selected samples from each month throughout the Review Period B; (iii) the selected samples represented the highest-value transactions each month; and (iv) all of the selected samples have been conducted in accordance with the relevant pricing terms and no discrepancy has been identified, we are of the view that the selected samples and the sample size are sufficient and representative for understanding the pricing terms under the 2026 Manufacturing Service Framework Agreement.

Having considered the above, we are of the view that the terms of the 2026 Manufacturing Service Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### ***3.2. The historical annual caps and the proposed annual caps***

Set out below are the historical annual caps and historical transaction amount under the 2025 Manufacturing Service Framework Agreement for the years ended/ending 31 December 2025, 2026 and 2027 and the proposed revised annual caps for the transactions contemplated under the 2026 Manufacturing Service Framework Agreement for the years ending 31 December 2026, 2027 and 2028.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>Year ended/ending 31 December</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing annual caps	140	140	140
Historical transaction amount	132.1	N/A	N/A
Utilisation rate (%)	94.3	N/A	N/A

	<b>Year ending 31 December</b>		
	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revised annual caps	188	221	243

As stated in the Letter from the Board, the proposed revised annual caps under the 2026 Manufacturing Service Framework Agreement were determined after taking into account (i) the historical transaction amount of approximately RMB132.1 million for the year ended 31 December 2025 (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) that the Group paid to the Yili Industrial Group pursuant to the 2025 Manufacturing Service Framework Agreement; (ii) the expected demands of milk products to be manufactured under the 2026 Manufacturing Service Framework Agreement for the three years ending 31 December 2026, 2027 and 2028. In particular, expected demands of milk products to be manufactured for the year ending 31 December 2026 were determined with reference to the highest quarterly procurement of the two existing branded milk products and the expected demands of milk products to be manufactured for the year ending 31 December 2027 included additional production demand of a new brand of infant formula goat milk product is in the process of registration at relevant authority which is expected to be launched in the first quarter of 2027; and (iii) a buffer of 10% was applied to the aggregate estimated demands for each of the years ending 31 December 2026, 2027 and 2028 to accommodate for unexpected production demands, currency fluctuations and potential fluctuations in the price of raw materials for production, in particular based on the recent currency fluctuation and price in raw materials in light of the instability in the global economy.

In light of the above, the Board considered that the proposed annual caps under the 2026 Manufacturing Service Framework Agreement were determined with sufficient basis, in particular taking into account of, among other things, (i) the expected demands with reference to historical transaction amounts; (ii) the expected demands for the new product to be launched; and (iii) a buffer to allow flexibility for potential growth and fluctuation of currency and cost of material. As such, the Board is of the view that the proposed revised annual caps are fair and reasonable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

To assess the fairness and reasonableness of the proposed revised annual caps for the transactions contemplated under the 2026 Manufacturing Service Framework Agreement, we have (i) reviewed schedules prepared by the Management in relation to the Group's budgeted and forecasted transaction amount with the Yili Industrial Group (the "**Calculation**"); and (ii) discussed with the Management the major assumptions made in preparing the forecast schedules and determining the proposed revised annual caps for the transactions contemplated under the 2026 Manufacturing Service Framework Agreement. We understood from the Management that the Yili Industrial Group is currently manufacturing two branded milk products for the Group. Based on the Calculation, we noted the proposed annual caps were estimated based on the expected demands of milk products to be manufactured for the three years ending 31 December 2028.

As depicted from the table above, we noted that the utilisation rate of the historical annual in relation to the provision of manufacturing services under the 2025 Manufacturing Service Framework Agreement was approximately 94.3% for the year ended 31 December 2025. In light of such utilisation rate and the historical transaction amount, it is expected that the existing annual caps under 2025 Manufacturing Service Framework Agreement for the years ending 31 December 2026 and 2027 will be exceeded. In order to reassess the demands for the manufacturing services from the Yili Industrial Group, we noted that the Management have extrapolated the annual caps of production demands of two existing branded milk products for the year ending 31 December 2026 based on the highest quarterly procurement of the respective branded milk products from the Yili Industrial Group during the year ended 31 December 2025, which amounted to approximately RMB170.9 million. A buffer of approximately 10% was applied to the aggregate estimated demands for the year ending 31 December 2026 to accommodate the unexpected production demands, currency fluctuations and the potential fluctuations in the price of raw materials for production. Accordingly, the proposed annual caps for the provision of manufacturing services by the Yili Industrial Group was revised from RMB140 million to RMB188 million for the year ending 31 December 2026.

In estimating the proposed annual caps for the year ending 31 December 2027, we noted that the Group has applied a buffer of 10% on the projected production demands of the existing products for the year ending 31 December 2026. As further understood from the Management, a new brand of infant formula goat milk product is in the process of registration at relevant authority and is expected to be launched in the first quarter of 2027. Based on the past experience of the Management for the product cycle and the historical sales volume of other new product launched in the past years, an additional production demand of approximately RMB14 million for such new products is estimated for the year ending 31 December 2027. As such, the proposed annual cap for the year ending 31 December 2027 is estimated to be approximately RMB221 million. For the year ending 31 December 2028, the Management further applied a buffer of 10% on the production demands as forecasted for the year ending 31 December 2027 and the annual cap for the year ending 31 December 2028 is proposed to be approximately RMB243 million.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In light of the foregoing, we are of the view that the proposed revised annual caps for the transactions contemplated under the 2026 Manufacturing Service Framework Agreement has been formulated with sufficient and reasonable basis and we concur with the Directors' view that the proposed revised annual caps for the transactions contemplated under the 2026 Manufacturing Service Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

### ***3.3. Reasons for and benefits of the transaction***

The Group is one of the major infant formula players in the PRC, particularly in the goat milk sector which has secured a certain volume of goat milk related resources over the years of developments and with production facilities located in various major dairy countries. The Yili Industrial Group is the largest dairy enterprise in the PRC with the most comprehensive product portfolio. The Company believes that the entering into of the 2026 Manufacturing Service Framework Agreements will better leverage both parties' strength, particularly in the production capability as well as the resources that they have established in different countries over the years.

As the transaction amount under the 2025 Manufacturing Service Framework Agreement for the year ended 31 December 2025 was approximately RMB132.1 million (representing approximately 94.3% of the existing annual caps for the year ended 31 December 2025) and it is expected that the existing annual caps under 2025 Manufacturing Service Framework Agreement for the years ending 31 December 2026 and 2027 will be exceeded, the Company entered into the 2026 Manufacturing Service Framework Agreement with Yili Industrial to set the annual caps for the years ending 31 December 2028.

The Directors (including the independent non-executive Directors, whose views are set out in the "Letter from the Independent Board Committee" in the Circular) are of the view that the 2026 Manufacturing Service Framework Agreement and the transactions contemplated thereunder are conducted on arm's length basis and on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the 2026 Manufacturing Service Framework Agreement (including the revised annual caps) are fair and reasonable, and the 2026 Manufacturing Service Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Having considered (i) the 2026 Manufacturing Service Framework Agreement was entered to revise the terms of the 2025 Manufacturing Service Framework Agreement; and (ii) the 2026 Manufacturing Service Framework Agreement could allow the Group to leverage the production capabilities and resources of the Yili Industrial Group to produce milk products with stringent standards, we concur with the Directors that the transactions contemplated under the 2026 Manufacturing Service Framework Agreement are in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### ***3.4. Internal Control***

The Company has implemented internal control procedures and policies to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with pricing policies and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Before entering into any connected transactions, the procurement and operation department of the Group will compare no less than two quotations and/or prices for similar transactions with independent third parties for similar services or materials. If such quotation and/or price is not available, the procurement and operation department of the Group will compare prices and/or relevant costs of similar products within the Group as reference. Accordingly, the Company is able to ensure that the pricing terms under the 2026 Manufacturing Service Framework Agreement are on normal commercial terms and no less favourable than those available from independent third parties.

The Company will closely monitor the connected transactions to ensure that they are conducted in accordance with the terms of the relevant connected transaction agreements. In the event that the annual caps of any of the 2026 Manufacturing Service Framework Agreement are about to be exceeded, the Company will revise the annual caps in accordance with the relevant Listing Rules requirements.

In addition, the independent non-executive Directors will conduct an annual review of the transactions contemplated under the 2026 Manufacturing Service Framework Agreement. The Company's external auditors will also review the transactions as contemplated under the 2026 Manufacturing Service Framework Agreement annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

The Directors consider that the Company has established sufficient internal control measures to ensure the transactions under the 2026 Manufacturing Service Framework Agreement are conducted in the usual and ordinary course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We have discussed with the Management and understood that the Management is aware of the internal control procedures as set out above and will comply with the said internal control procedures when conducting the transactions contemplated under the 2026 Manufacturing Service Framework Agreement. We have (i) reviewed the full list of all transactions made between the Group and the Yili Industrial Group during Review Period B, being the period covering the commencement of the term of 2025 Manufacturing Service Framework Agreement up to the end of the financial year 2025, provided by the Management and (ii) selected and reviewed the highest-value transaction for each month during Review Period B and invoices issued by the Yili Industrial Group to the Group for the said transaction. We have compared the unit costs of the products as shown on the invoices and the standard selling price of these products sold to the Group's customers. We have further obtained the relevant cost sheets and profit margin for the other similar products of the Group and compared them against the relevant profit margin of the selected samples. Based on our review, we note that the Group had adhered to the aforementioned internal control policies. It was noted that the profit margin of the infant formula milk products as produced by the Yili Industrial Group in those selected samples were no less favourable to that of other similar products. Furthermore, based on the annual review performed by the independent non-executive Directors and the auditors of the Company, we are not aware of any non-compliance with the aforesaid internal control measures.

Given the above, we consider there exists appropriate procedures and arrangements to ensure that the transactions contemplated under the 2026 Manufacturing Service Framework Agreement will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and on normal commercial terms and in the ordinary and usual course of business of the Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors' view that the terms of the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement are on normal commercial terms or better and are fair and reasonable as far as the Independent Shareholders are concerned and the transactions contemplated under the 2026 Financial Services Framework Agreement and the 2026 Manufacturing Service Framework Agreement is entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that (i) the Independent Board Committee advise the Independent Shareholders; and (ii) the Independent Shareholders, vote in favour of the relevant resolution(s) at the EGM in this regard.

Yours faithfully,  
For and on behalf of  
**Frontpage Capital Limited**  
**Wu Man Kit**  
*Director*

*Mr. Wu Man Kit is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Frontpage Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 12 years of experience in corporate finance.*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2023, 2024 and 2025 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ausnutria.com.hk](http://www.ausnutria.com.hk)):

- (a) Annual report of the Company for the year ended 31 December 2023 published on 29 April 2024 (pages 62 to 171);

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042900705.pdf>

- (b) Annual report of the Company for the year ended 31 December 2024 published on 29 April 2025 (pages 62 to 159)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042900703.pdf>

- (c) Annual report of the Company for the year ended 31 December 2025 published on 29 April 2026 (pages 67 to 163)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0429/2026042900690.pdf>

## 2. INDEBTEDNESS

As at 31 March 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

	<b>As at 31 March 2026</b>
	<i>RMB'000</i>
Bank borrowings – unsecured <sup>(Note 1)</sup>	2,475,796
Bank borrowings – secured <sup>(Note 2)</sup>	35,427
Lease liabilities	<u>108,588</u>
	<u><u>2,619, 811</u></u>

Notes:

- (1) Supported by corporate guarantee provided by the ultimate shareholder, Yili Industrial.
- (2) Bank borrowings denominated in Taiwan dollars were secured by a joint and several guarantee provided by Li Yuzheng and by restricted cash and bank borrowings denominated in EUR (within a facility amounting to EUR10,000,000) were pledged by certain commercial assets of Amalthea Group B.V., a wholly-owned subsidiary of the Group.

Save as disclosed above, and apart from intra-group liabilities and normal trade and other payables in the normal course of business, as at 31 March 2026, the Group did not have any outstanding debt securities, term loans, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, contingent liabilities, liabilities under acceptances or acceptance credits or hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities.

### **3. WORKING CAPITAL**

The Directors are of the opinion that, taking into account the Group's existing available financial resources, including internally generated funds, available borrowing facilities and cash on hand, the Group has sufficient working capital for the Group's requirements for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

With the macroeconomic environment remaining highly uncertain and continued declines in newborn births, competition in a shrinking market is expected to intensify. To achieve the defined goals of the Group's new strategic cycle amidst such fierce competition, the key lies in maintaining strategic focus, strengthening organisational capabilities aligned with both strategic objectives and the competitive landscape, and proactively optimising operating strategies. Accordingly, the Group formulated a new five-year strategic plan that clearly outlines its future direction and conducted a meticulous deployment of its strategic roadmap and key priorities:

- (1) The Group's own-branded cow and goat milk powder business will serve as the core foundation for steady growth, while the nutrition and international businesses will serve as the second growth driver to maintain rapid momentum. The Group is also actively exploring opportunities in deep processing of goat-derived raw materials. To support its strategic direction, the Group will continue to strengthen its core businesses and brands, leverage its end-to-end nutrition industry chain, and build a core competitive advantage. Furthermore, the Group remains committed to its internationalisation strategy, targeting sales breakthroughs in key markets and accelerating development in the Indian market;
- (2) The Group will stay focused on its strategic moves and accelerate business evolution. The Group will align with industry trends and the competitive landscape to maintain its established strategic direction. Upgrading its flagship products, the Group will implement a membership-based operating system supported by digitalisation. The Group will also comprehensively optimise production costs and continuously accelerate operational efficiency improvements, aiming to reduce overall operating costs and enhance profitability;

- (3) The Group will drive growth through innovation. As the target consumer population declines, attracting the next generation of consumers is a key priority for the Group. Moving forward, the Group will further grasp industry trends and closely monitor market dynamics. By deepening its market insights and analysing competitors, the Group is committed to prevailing in this competition with unwavering resolve and a meticulous approach. The Group will increase investment in innovative R&D and strengthen intellectual property protection. Furthermore, the Group will efficiently leverage multi-party resources to promote industrial synergy and use technological innovation to enhance the overall competitiveness of the entire supply chain; and
- (4) The Group will embrace technology and adapt to this evolving era with an open mind, learning to work alongside artificial intelligence.

## 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### A. Directors' interests in Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which (i) 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 were deemed to have under such provisions of the SFO); (ii) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix C3 to the Listing Rules (the “**Model Code**”) were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Number of Shares held, capacity and nature of interest			Approximate percentage of issued share capital <sup>(2)</sup>
	Beneficial Owner	Interest of a controlled corporation	Total	
Mr. Bartle van der Meer	1,509,000	95,453,230 <sup>(1)</sup>	96,962,230 <sup>(1)</sup>	5.45% <sup>(1)</sup>

Long positions in ordinary shares of associated corporations:

Name of Director	Company/Name of associated corporation	Capacity/Nature of interest	Number of shares interested	Total	Approximate percentage of interest in such corporation <sup>(3)</sup>
Mr. Ren Zhijian	Yili Industrial	Beneficial owner	240,000	240,000	0.00%
Mr. Zhang Zhi	Yili Industrial	Beneficial owner	30,000	30,000	0.00%
Ms. Yan Junrong	Yili Industrial	Beneficial owner	629,400	629,400	0.01%
Mr. Zou Ying	Yili Industrial	Beneficial owner	132,800	132,800	0.00%

Note:

- (1) The Shares are held by Dutch Dairy Investments HK Limited (“**DDIHK**”), which is in turn wholly-owned by Dutch Dairy Investments B.V. (“**DDI**”). DDI is wholly-owned by Fan Deming B.V., which is wholly-owned by Mr. Bartle van der Meer. Mr. Bartle van der Meer is therefore deemed to be interested in 95,453,230 Shares held by DDIHK and is interested in 96,962,230 Shares in aggregate under the SFO.
- (2) As at the Latest Practicable Date, the total number of the issued Shares was 1,778,144,841.
- (3) As at the Latest Practicable Date, the total number of issued A shares of Yili Industrial was 6,325,360,667.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations) which were required (i) 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 were deemed to have under such provisions of the SFO); or (ii) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**B. Substantial shareholders' interests in Shares**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the shares and underlying interests of 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company:

Name of substantial Shareholder	Notes	Number of Shares	Nature of interest	Approximate percentage of issued share capital <sup>(3)</sup>
Inner Mongolia Yili Industrial Group Co, Ltd	1	1,070,113,149	Interest of controlled corporation	60.18%
Center Laboratories, Inc.		146,918,271	Beneficial owner	8.26%
Dutch Dairy Investments HK Limited	2	95,453,230	Beneficial owner	5.37%
Dutch Dairy Investments B.V.	2	95,453,230	Interest of a controlled corporation	5.37%
Fan Deming BV	2	95,453,230	Interest of a controlled corporation	5.37%

Note:

- (1) Yili Industrial is beneficially interested in 1,070,113,149 Shares through its wholly-owned subsidiary, Hongkong Jingang Trade Holding Co., Limited.
- (2) DDIHK is wholly-owned by DDI. DDI is wholly-owned by Fan Deming B.V., which is in turn wholly-owned by Mr. Bartle van der Meer. Each of DDI, Fan Deming B.V. and Mr. Bartle van der Meer is therefore deemed to be interested in the Shares held by DDIHK under the SFO.
- (3) As at the Latest Practicable Date, the total number of the issued Shares was 1,778,144,841.

As at the Latest Practicable Date, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

**3. FURTHER INFORMATION CONCERNING DIRECTORS****A. Competing interests**

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had any business or interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**B. Directors' service contracts**

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

**C. Directors' interest in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased, or which were proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**D. Directors' interest in contracts**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial position or trading position of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

## 6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been named in this circular and has given opinions and advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Frontpage Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Frontpage Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated 13 May 2026, and reference to its name, and/or its advice in the form and context in which it appears.

As at the Latest Practicable Date, Frontpage Capital Limited did not:

- (i) have any shareholding, directly or indirectly, in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.ausnutria.com.hk](http://www.ausnutria.com.hk) from the date of this circular up to the date of the EGM :

- a) the 2023 Financial Services Framework Agreement;
- b) the 2025 Manufacturing Service Framework Agreement;
- c) the 2026 Financial Services Framework Agreement;
- d) the 2026 Manufacturing Service Framework Agreement;
- e) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 to this circular;
- f) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, the text of which is set out on pages 25 to 50 to this circular;

- g) the written consent referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- h) this circular.

**8. MISCELLANEOUS**

The company secretary of the Company is Ms. Cheung Ka Lai, who is a Chartered Secretary and a Chartered Governance Professional.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is at Unit 16, 36/F. China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

In the event of inconsistency, the English version of this circular shall prevail over the Chinese text.

---

## NOTICE OF EGM

---



# AUSNUTRIA DAIRY CORPORATION LTD

## 澳優乳業股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1717)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of Ausnutria Dairy Corporation Ltd (the “**Company**”) will be held at 22nd Floor, Block A, Building 1, Ausnutria Building, Suncity, Purui East Road, Yueliangdao Street, Wangcheng District, Changsha City, Hunan Province, the People’s Republic of China, on Thursday, 28 May 2026 at 11:00 a.m. (or immediately after the conclusion of the annual general meeting of the Company to be held at the same venue and on the same day, or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions with or without amendments. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 13 May 2026 of which this notice forms part (the “**Circular**”). Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the Circular.

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Deposit Services contemplated under the 2026 Financial Services Framework Agreement (including the proposed annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one director, the chief financial officer or the company secretary of the Company be and is hereby authorised to do all such further acts and things as he/she considers necessary and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the Deposit Services contemplated under the 2026 Financial Services Framework Agreement (including the proposed annual caps).”

2. “**THAT**

- (a) the 2026 Manufacturing Service Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

---

## NOTICE OF EGM

---

- (b) any one director, the chief financial officer or the company secretary of the Company be and is hereby authorised to do all such further acts and things as he/she considers necessary and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the 2026 Manufacturing Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).”

By Order of the Board  
**Ausnutria Dairy Corporation Ltd**  
**HAN Shixiu**  
*Chairman*

PRC, 13 May 2026

*Notes:*

1. The register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive. No transfer of shares of the Company will be registered during that period. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 21 May 2026.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company but must be present in person to represent the member.
3. If the appointer is a corporation, the form of proxy must be under its common seal, or under the hand of an officer or attorney duly authorised on its behalf.
4. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude a member from attending and voting at the meeting if he so wishes. In the event that he attends the meeting after having lodged the form of proxy, the form of proxy will be deemed to have been revoked.
5. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote and will be accepted to the exclusion of other joint registered holders in respect hereof.