

April 30, 2026

To the Independent Board Committees and the Independent Shareholders

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

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated April 30, 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On January 16, 2026, the Company entered into the Specific Mandate Subscription Agreement with Boyuan, pursuant to which the Company has conditionally agreed to allot and issue, and Boyuan has conditionally agreed to subscribe for, the Specific Mandate Subscription Shares at the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share in accordance with the terms and conditions as set out in the Specific Mandate Subscription Agreement. Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Specific Mandate Subscription, the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

As at the Latest Practicable Date, Boyuan is a substantial shareholder of the Company, hence, a connected person of the Company. The Specific Mandate Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription is fair and reasonable and make recommendation as to voting. Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription and the Whitewash Waiver, namely Mr. Xu, Zhan Kevin, Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has also been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders in this respect.

Boyuan is a wholly-owned subsidiary of Yili. As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Yili and its parties acting in concert that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the revision of annual caps under the financial services framework agreement entered into between the Company and Yili Finance Company Limited, a wholly-owned subsidiary of Yili, details of which were set out in the circular of the Company dated September 8, 2025; and (ii) the renewal of continuing connected transactions in relation the raw milk purchase and sale framework agreement and the financial services framework agreement, details of which were set out in the circular of the Company dated April 27, 2026. Other than that, there was no engagement or connection between the Group or Yili and its parties acting in concert and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or Yili and its parties acting in concert. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Specific Mandate Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Group is primarily engaged in the production and sale of raw milk, and the production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

(i) Financial performance

Set out in the table below is a summary of the audited consolidated financial information of the Group for the years ended December 31, 2023, 2024 and 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as extracted from the Company’s annual reports for FY2024 and FY2025:

	FY2025	FY2024	FY2023
	RMB’000	RMB’000	RMB’000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	20,653,706	20,096,160	18,693,896
– Raw milk	16,023,947	15,100,802	12,902,987
– Comprehensive ruminant farming solutions	4,629,759	4,995,358	5,790,909
Cost of sales	(19,520,335)	(18,782,079)	(17,499,357)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	5,020,326	4,468,909	3,275,246
Gross profit	6,153,697	5,782,990	4,469,785
Losses arising from changes in fair value less costs to sell of biological assets	(4,311,969)	(3,921,360)	(3,613,271)
Other income	429,167	549,370	453,821
Impairment losses under expected credit loss model, net of reversal	(45,630)	(24,473)	(6,629)
Impairment loss recognised in respect of goodwill	–	–	(120,966)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	(48,141)	(512,850)	(7,879)
Other gains and losses	1,860	(102,152)	143,430
Selling and distribution expenses	(638,155)	(632,290)	(619,566)
Administrative expenses	(854,553)	(806,677)	(778,154)

	FY2025	FY2024	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Other expenses	(166,374)	(122,881)	(70,383)
Share of losses of associates	(78,407)	(79,666)	(126,559)
Share of loss of a joint venture	(1,416)	(989)	(541)
Finance costs	(817,814)	(903,487)	(1,082,592)
Loss before tax	(377,735)	(774,465)	(1,359,504)
Income tax expense	(57,567)	(87,022)	(93,388)
Loss for the year	(435,302)	(861,487)	(1,452,892)
Loss for the year attributable to the Shareholders	(432,386)	(690,890)	(1,049,980)

FY2024 as compared to FY2023

The Group's revenue increased by 7.5% from RMB18,694 million for FY2023 to RMB20,096 million for FY2024, which was primarily due to the growth of raw milk business. The Group's revenue generated from raw milk increased by 17.0% from RMB12,903 million for FY2023 to RMB15,101 million for FY2024, which was mainly due to the increase of 24.6% in the sales volume of raw milk from 2,945,840 tons for FY2023 to 3,669,563 tons for FY2024 as a result of continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure. The Group's annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons for FY2024, representing an increase of 5.0% from 12.0 tons for FY2023. During FY2024, the Group put 6 new dairy farms into operation, including 1 organic dairy farm and 1 dairy goat farm, which further enriched the specialty raw milk offerings of the Group.

The Group's gross profit increased by 29.4% from RMB4,470 million for FY2023 to RMB5,783 million for FY2024, while its gross profit margin rose from 23.9% for FY2023 to 28.8% for FY2024. The increase in gross profit margin was mainly attributable to (a) a decrease in the purchase prices of bulk raw materials in the domestic market; (b) continued improvements in feed conversion rates and milk yield per milkable cow; and (c) strict cost control.

The Group recorded impairment loss recognised in respect of property, plant and equipment and right-of-use assets of RMB513 million for FY2024, as compared to that of RMB8 million for FY2023. This was mainly due to the impact of the industry environment, which has led to indications of impairment on certain long-term assets of the Group's dairy farms located in low raw milk price regions in Northwest China.

The Group's loss for the year decreased by 40.7% from RMB1,453 million for FY2023 to RMB861 million for FY2024, which was mainly due to the increase in gross profit and partially offset by the increase in impairment loss recognised in respect of property, plant and equipment and right-of-use assets.

FY2025 as compared to FY2024

The Group's revenue increased by 2.8% from RMB20,096 million for FY2024 to RMB20,654 million for FY2025, which was mainly due to the increase in revenue generated from raw milk and partially offset by the decrease in revenue generated from comprehensive ruminant farming solutions. The Group's revenue generated from raw milk increased by 6.1% from RMB15,101 million for FY2024 to RMB16,024 million for FY2025, which was mainly due to the increase of 13.2% in the sales volume of raw milk from 3,669,563 tons for FY2024 to 4,153,082 tons for FY2025. The Group's revenue generated from comprehensive ruminant farming solutions decreased by 7.3% from RMB4,995 million for FY2024 to RMB4,630 million for FY2025, which was primarily attributable to (a) a decline in sales volume driven by weaker industry demand; and (b) dynamic adjustments to product pricing in response to lower market prices of bulk raw materials.

The Group recorded a gross profit of RMB5,783 million for FY2024, representing a gross profit margin of 28.8%, and a gross profit of RMB6,154 million for FY2025, representing a gross profit margin of 29.8%. The increase in gross profit margin was primarily attributable to the decline in domestic bulk raw material purchase prices, together with the Group's continued efforts in promoting lean operation management and enhancing efficiency through effective cross-business collaboration, which collectively contributed to the improvement in the Group's gross profit margin.

The Group's losses arising from changes in the fair value less costs to sell of biological assets amounted to RMB3,921 million for FY2024 and RMB4,312 million for FY2025. Such losses primarily arose from the decline in the selling price of raw milk, the increase in the number of culled cows and the decrease in market prices of heifers.

Despite recording gross profit, the Group remained in a net loss position due to the significant losses arising from changes in the fair value less costs to sell of biological assets. The Group's loss for the year decreased by 49.5% from RMB861 million for FY2024 to RMB435 million for FY2025, which was mainly due to the increase in gross profit, the decrease in impairment losses of property, plant and equipment and right-of-use assets, and the decrease in finance costs.

(ii) Financial position

Set out below is a summary of the consolidated financial position of the Group as at December 31, 2023, 2024 and 2025:

	December 31, 2025	December 31, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total current assets	8,708,765	8,356,193	11,406,409
Total non-current assets	33,662,048	35,300,474	34,793,319
Total current liabilities	20,321,338	21,109,887	20,914,580
– Bank and other borrowings	16,083,449	16,709,437	16,433,086
Total non-current liabilities	10,207,661	10,387,022	12,186,453
– Bank and other borrowings	7,328,389	7,546,965	9,826,502
Net assets	11,841,814	12,159,758	13,098,695
Net gearing ratio (<i>Note</i>)	176.7%	185.2%	165.2%

Note: Calculated as net debt (equivalent to bank and other borrowings, less bank balances and cash, and less pledged and restricted bank deposits, time deposits and deposits placed with a related party under current assets) divided by total equity and multiplied by 100%.

The Group's net assets decreased by 7.2% from RMB13,099 million as at December 31, 2023 to RMB12,160 million as at December 31, 2024, and further decreased by 2.6% to RMB11,842 million as at December 31, 2025, which was mainly due to that the Group recorded loss for the year of RMB861 million for FY2024 and RMB435 million for FY2025.

The Group's net gearing ratio increased from 165.2% as at December 31, 2023 to 185.2% as at December 31, 2024, and decreased to 176.7% as at December 31, 2025, which were mainly due to the decrease in the Group's net assets and the decrease in the Group's net debt respectively. The Group's total bank and other borrowings amounted to RMB26,260 million, RMB24,256 million and RMB23,412 million as at December 31, 2023, December 31, 2024 and December 31, 2025, respectively.

(iii) Industry overview

In 2025, despite a further contraction in cattle herd sizes in the PRC, raw milk output grew slightly due to improvements in milk yield per milkable cow. According to the National Bureau of Statistics, total raw milk output slightly increased by 0.3% for the year ended December 31, 2025. However, numerous external uncertainties, insufficient effective domestic demands and persistent supply demand imbalances in the industry have together exerted significant pressure on the dairy products industry. As a result, milk prices fell to multi-year lows. Data from the Ministry of Agriculture and Rural Affairs indicated that the average price of raw milk in China's major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg for the year ended December 31, 2025 from RMB3.32/kg for the year ended December 31, 2024.

On the policy front, the Ministry of Agriculture and Rural Affairs explicitly stated in June 2025 its intention to expand the coverage of “Student Milk” during a dairy industry symposium, extending the program from the compulsory education stage to preschool education to increase its penetration rate. Concurrently, the National Health Commission and the State Administration for Market Regulation jointly issued the Amendment No. 1 to the National Food Safety Standard for Sterilized Milk, which stipulates that only raw milk can be used in the production of sterilized milk, and the use of reconstituted milk is forbidden. The new standard took effect on September 16, 2025. The aforementioned policies aim to strengthen the quality of milk sources, expand the demand for raw milk, promote the development of domestic dairy cattle breeding industry, meet consumers’ demand for high-quality dairy products, and facilitate the high-quality development of the entire dairy industry chain. The policies are expected to have a positive impact on the industry’s long-term outlook. However, in the short term, the industry continues to face supply-demand imbalances, which have contributed to continued decline in the selling price of raw milk in 2025. As a result, while the policy direction is supportive, we consider that near-term market conditions remain challenging.

(iv) Overall comments

The Group’s raw milk sales volume increased by 24.6% for FY2024 and 13.2% for FY2025, and the Group’s gross profit margin increased by 4.9 percentage points for FY2024 and 1.0 percentage point for FY2025. Despite recording gross profit, the Group remained in a net loss position due to significant losses arising from changes in the fair value less costs to sell of biological assets. Loss arising from changes in fair value less costs to sell of biological assets represents the difference in fair value less costs to sell of the Group’s biological assets from period to period, due to the changes in biological assets’ physical attributes and market prices of the Group’s biological assets and the changes in discounted future cash flows to be generated by the Group’s biological assets. The fair value is measured by reference to local market selling prices or by projecting future cash flows to be generated from those biological assets and discounting them to a present day value. Because biological assets are revalued at every reporting period, their fair value changes are unaffected by the original acquisition cost. As at December 31, 2025, the Group’s biological assets comprised 19,932 dairy goats and 618,796 dairy cows (including 340,408 milkable cows and 278,388 calves and heifers). Attributable to the prolonged downturn in raw milk prices in recent years, the Company recorded losses arising from changes in fair value less costs to sell of biological assets of RMB3,613 million, RMB3,921 million and RMB4,312 million for FY2023, FY2024 and FY2025, respectively, representing approximately 80.8%, 67.8% and 70.1% of the gross profit for the corresponding periods. Although the Group still maintained strong operational momentum, given that raw milk prices have yet to show any significant signs of recovery, we consider the Company’s short-term outlook to remain uncertain.

2. Information on Boyuan

Boyuan is a company incorporated in the Cayman Islands, it is a wholly-owned subsidiary of Yili, and is held as to 91.64% and 8.36% by Yili and Jingang, respectively. Jingang is a company incorporated in Hong Kong and a wholly-owned subsidiary of Yili.

Yili is a company established under the laws of the PRC in June 1993 whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is the Company's controlling shareholder and one of its major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC.

3. Reasons for and benefits of the Specific Mandate Subscription

The Company intends to apply the total amount of net proceeds from the Specific Mandate Subscription as to (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency; (ii) approximately 55% for repaying interest-bearing debt; and (iii) approximately 10% for replenishing working capital and for general corporate purposes.

In terms of advancing technology enablement, the Company plans to invest in the procurement, construction and upgrading of intelligent and electronic equipment and facilities of dairy farms, as well as the upgrading of the production lines of feed factories to further enhance the level of automation. In addition, the Company will plan to implement upgrading projects such as replacing fuel-powered vehicles with electric vehicles. In terms of digital transformation, the Company plans to invest in, including but not limited to, developing precision dairy cow feeding project and digital-intelligence large-model system for precision nutrition, establishing big data analysis and decision-making platform, and developing an intelligent management system of forage cultivation. The Group expects to fully utilize this portion of the net proceeds and complete its technological enablement and digital transformation by December 31, 2028. As disclosed in the Group's annual reports for FY2024 and FY2025, the Group has actively responded to industry challenges and achieved breakthroughs through technological empowerment. The Group has continued to promote lean operations and digital management practices to further enhance operational efficiency. Given the challenging industry conditions, we consider it necessary for the Group to continue strengthening its technological capabilities and digital initiatives.

In determining which interest-bearing debt to repay, the Group will take into account the respective maturity profiles and interest rates, and will prioritize the settlement of higher-cost debt maturing within the next twelve months. The Group's net gearing ratio was 176.7% as at December 31, 2025 and it decreased to 152.0% after completion of the Top-up Subscription on January 26, 2026. The Top-up Subscription and the Specific Mandate Subscription are not inter-conditional. The Specific Mandate Subscription will further optimise the Company's capital structure, reduce its net gearing ratio, and increase its net assets. Taking into account the net proceeds of approximately HK\$1,171.59 million from the Specific Mandate Subscription, the Company's net gearing ratio would further decrease to 131.2%. A lower net gearing ratio will allow the Company

greater flexibility in selecting fundraising methods for potential acquisitions, including the possibility of debt financing or funding with internal resources. The Company intends to seize favourable opportunities to acquire high quality dairy farming assets at reasonable prices, accelerate its strategic deployment, meet future market demand and ensure the stability of raw milk supply. As at the Latest Practicable Date, the Company had not identified any potential acquisition targets or investment opportunities.

As stated in the Letter from the Board, the Specific Mandate Subscription demonstrates the confidence of Yili and its parties acting in concert in the industry outlook and the Company's long term business development. It also further enlarges the Shareholders' equity base of the Company and supports the development of the Company. We consider that, following the significant increase in the Company's Share price during the Review Period (as defined below), the controlling shareholder's proposed increase in shareholding would enhance market confidence in the Company.

The Company has considered other alternative fundraising methods such as debt financing. However, debt financing may incur financial costs on the Group and may be subject to lengthy due diligence and negotiations with lenders, which is not in line with the Company's funding needs. We have reviewed the Company's annual report for FY2025. The Group had cash and deposits of approximately RMB2,491 million and bank and other borrowings of approximately RMB23,412 million as at December 31, 2025. Of these borrowings, RMB16,083 million is due within one year. As at December 31, 2025, the Group's net gearing ratio was 176.7%. Accordingly, we consider that debt financing would increase the Company's financial burden and is not the most appropriate financing method for the Company.

In respect of other equity financing methods, rights issue is the most commonly adopted equity financing method in the market. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. Additional cost would be required for rights issue and open offer, including underwriting commission, as compared to the Specific Mandate Subscription. In view of the current industry conditions, there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required. Therefore, we consider that rights issue and open offer are not the most appropriate financing methods for the Company.

We have reviewed the Stock Exchange's website and noted that since the Company's listing, apart from the issuance of consideration shares in July 2024 to acquire 8.50% of the total equity interest in SKX and the Top-up Subscription completed on January 26, 2026, the Company did not conduct any equity financing. While the Group's operating performance is improving, the Group requires fund to continuously leverage technological advancements to enhance milk yield per milkable cow and cost control. This is essential for maintaining the Group's competitive edge amid the current market conditions of oversupply and downward price pressure. Furthermore, the Group's net gearing ratio remained high, and there is further room and need to optimize finance costs. Although no specific acquisition targets have been identified, maintaining a robust capital buffer is critical for strategic agility. Relying on reactive fundraising only after a target is found risks missing time-sensitive acquisition opportunities. Following the Placing and

the Top-up Subscription, Yili's shareholding in the Company was diluted to 31.51%. The Specific Mandate Subscription will (i) maintain the stability of the controlling shareholder's stake; (ii) eliminate placing fees and minimize the time required to identify and negotiate with new subscribers; and (iii) further improve the Company's liquidity levels, optimize its capital structure, and enhance its risk-resistance capabilities.

Having taken into consideration the above factors, we consider that although the Specific Mandate Subscription is not conducted in the ordinary and usual course of business of the Company, the Specific Mandate Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Share Subscription Agreement

Set out below is a summary of the principal terms of the Specific Mandate Subscription Agreement, details of which are set out in the Letter from the Board.

Parties	:	(i) the Company; and (ii) Boyuan.
Specific Mandate Subscription Shares	:	Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.
Specific Mandate Subscription Price	:	HK\$3.92 per Specific Mandate Subscription Share.
Lock-up undertaking	:	Boyuan undertook that, during a period of one year from the date of completion of the Specific Mandate Subscription, Boyuan will not, and Boyuan will procure its affiliates not to, without the prior written consent of the Company: (i) offer, lend, pledge, charge, sell, mortgage, assign, dispose of, or otherwise grant or create any options, rights, interests or encumbrances, either directly or indirectly, conditionally or unconditionally, any of the Shares (including the Specific Mandate Subscription Shares); or (ii) agree or contract to enter into any transaction described in paragraph (i) above, provided that it shall not restrict any transfer of Shares by Boyuan to any of its affiliates.

5. Specific Mandate Subscription Price

(i) Price comparison

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents:

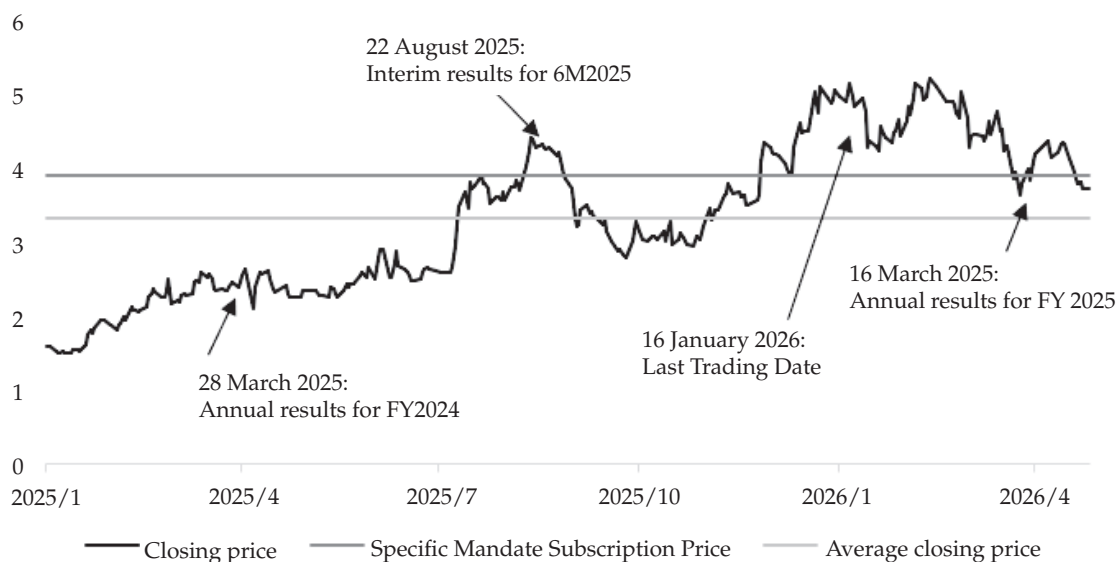
- (a) a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (b) a discount of approximately 8.84% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 15.21% to the average closing price of approximately HK\$4.62 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Date;
- (f) a premium of approximately 25.10% to the audited consolidated equity per Share attributable to the Shareholders as at December 31, 2024 of approximately HK\$3.1334 per Share calculated based on the audited consolidated equity of the Group attributable to the Shareholders of approximately RMB11,295,246,000 as at 31 December 2024 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.92604 as at December 31, 2024 published by the State Administration of Foreign Exchange for illustration purposes); and
- (g) a premium of approximately 25.52% to the audited consolidated equity per Share attributable to the Shareholders as at December 31, 2025 of approximately HK\$3.1229 per Share calculated based on the audited consolidated equity of the Group attributable to the Shareholders of approximately RMB10,980,148,000 as at December 31, 2025 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.90322 as at December 31, 2025 published by the State Administration of Foreign Exchange for illustration purposes).

The Specific Mandate Subscription Price was arrived at after arm’s length negotiations between the Company and Boyuan with reference to, among other things, the prevailing market price of the Shares and the market conditions, and the funding needs and financial position of the Group. The Specific Mandate Subscription Price was the same as the Placing and Top-up Subscription price.

(ii) Historical Share price performance

Set out below is the chart showing the movement of the daily closing price of the Shares during the period from January 1, 2025 to the Latest Practicable Date (the “**Review Period**”). We consider such Review Period to be fair, reasonable and representative as we consider it a sufficient period to illustrate the general trend and level of movement of the daily closing price of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a comparison between the closing price of the Shares and the Specific Mandate Subscription Price. In addition, a longer 1-year period for the Share price analysis serves to filter out short-term market volatility. The Review Period ensures that the comparison between the closing price and the Specific Mandate Subscription Price is grounded in a reasonable historical trend, rather than being influenced by short-term market volatility.

Historical daily closing price per Share



During the Review Period, the closing price of the Shares ranged from HK\$1.50 per Share recorded on January 8, 2025 to HK\$5.23 per Share recorded on February 13, 2026, with an average closing price of HK\$3.34 per Share. The Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period.

The Share price demonstrated a strong upward trajectory during the Review Period. Based on our review of the information published by the Company, we consider that the increase in the Share price was mainly driven by market recognition of the Group's cost-control initiatives and the stability in its raw milk output despite pricing pressures. As discussed in the section headed "1. Information on the Group" above, the Group still maintained strong operational momentum. The Group's raw milk sales volume increased by 24.6% for FY2024 and 13.2% for FY2025, and the Group's gross profit margin increased by 4.9 percentage points for FY2024 and 1.0 percentage point for FY2025. The Share price was also influenced by the market sentiment as reflected by the Hang Seng Index, which increased by 27.8% in 2025. Following the publication of the interim results for the six months ended June 30, 2025 on 22 August 2025, the Share price declined from HK\$4.18 per Share on August 25, 2025 to HK\$2.80 per Share on September 26, 2025, and subsequently rebounded to a peak of HK\$5.16 per Share on January 7, 2026. We have made enquiries with the management of the Company and, save for the disposals of Shares by PAGAC Yogurt Holding II Limited and Meadowland Investment Limited Partnership in September 2025, which may have affected investor confidence, we are not aware of any other information that contributed to the decline in the Share price during the period from August 25, 2025 to September 26, 2025.

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents a discount of approximately 8.84% to the closing price of HK\$4.30 per Share on the Last Trading Date and a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as at the Latest Practicable Date.

(iii) *Historical trading liquidity of the Shares*

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of the Shares in issue and held by the public during the Review Period:

		Approximate average daily trading volume of the Shares	Approximate percentage of average daily trading volume to the total number of the Shares in issue (Note 1)	Approximate percentage of average daily trading volume to the total number of the Shares held by the public (Note 2)
2025				
January	19	8,734,619	0.2244%	0.3396%
February	20	19,141,273	0.4917%	0.7442%
March	21	14,554,943	0.3739%	0.5659%
April	19	21,727,161	0.5581%	0.8448%
May	20	11,034,336	0.2835%	0.4290%
June	21	22,138,846	0.5687%	0.8608%
July	22	30,467,731	0.7827%	1.1846%
August	21	22,162,197	0.5693%	0.8617%
September	22	43,117,197	1.1076%	1.6765%
October	20	17,969,889	0.4616%	0.6987%
November	20	23,877,978	0.6134%	0.9284%
December	21	23,514,259	0.6041%	0.9143%
2026				
January	21	45,548,938	1.0866%	1.5864%
February	17	16,761,872	0.3999%	0.5838%
March	22	26,481,884	0.6317%	0.9223%
From April 1, 2026 to the Latest Practicable Date	16	18,715,189	0.4465%	0.6518%

Notes:

1. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly return of the Company.
2. Based on the number of the Shares held by the public Shareholders as calculated by deducting the number of Shares held by the Yili and its parties acting in concert as at the Latest Practicable Date.

As illustrated in the above table, the trading of the Shares was generally inactive during the Review Period. The maximum average daily trading volume of the Shares in 2025 was approximately 43,117,197 Shares in September 2025, representing approximately 1.1076% of the total issued Shares and approximately 1.6765% of the issued Shares held by the public. The higher trading volume in September 2025 relative to other months in 2025 was mainly due to that (a) PAGAC Yogurt Holding II Limited, a substantial Shareholder sold 92,500,000 Shares on September 2, 2025, representing 2.38% of the issued Shares; and (b) Meadowland Investment Limited Partnership, a substantial Shareholder sold 92,500,000 Shares on September 2, 2025, representing 2.38% of the issued Shares. Such disposals not only directly increased trading volume but also may have affected other investors' confidence in the Shares, further contributing to the overall rise in trading activity.

The maximum average daily trading volume of the Shares in January 2026 was approximately 45,548,938 Shares, representing approximately 1.0866% of the total issued Shares and approximately 1.5864% of the issued Shares held by the public, which we consider was mainly driven by the announcement of the Specific Mandate Subscription.

The generally thin liquidity of the Shares during the Review Period which indicates the potential difficulties in initiating Boyuan to participate in the Specific Mandate Subscription should the Specific Mandate Subscription Price have been set at a premium to the Share price on the Last Trading Date.

(iv) Comparison transactions

To assess the fairness and reasonableness of the Specific Mandate Subscription Price, we have conducted a review of recent market practices involving the issuance of new shares under a specific mandate. We identified an exhaustive list of 7 comparable transactions (the "**Comparable Transactions**") based on the following criteria (the "**Criteria**"): (a) transactions announced by companies listed on the Main Board of the Stock Exchange during the period from July 17, 2025 up to and including the Last Trading Date, being approximately six months prior to the Last Trading Date that allows us to identify sufficient samples of comparable transactions for analysis; (b) transactions involving a connected subscription of new shares under the specific mandate; and (c) transactions that did not involve acquisitions, issuance of convertible bond or A shares, rights issues, open offers, loan capitalisation, or restructuring. Such transactions were excluded as the pricing of such transactions may be influenced by factors and conditions that are not comparable to the Specific Mandate Subscription. The review period for the Comparable Transactions is more condensed than the Review Period for the Share price movement, primarily to strike an optimal balance between maintaining a robust sample size and ensuring the Comparable Transactions reflect the latest market pricing benchmarks.

Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions conducted by companies listed on the Main Board of the Stock Exchange. We are of the view that

the discounts of subscription prices to market prices are not solely determined by these companies' financial performance or funding needs, nor is it merely a result of commercial negotiations with the subscribers. Such discounts are also significantly influenced by prevailing market sentiment. As the market price serves as the most direct reference for independent shareholders, the Comparable Transactions provide a meaningful reference range for the discounts of subscription prices to market prices, as typically accepted by independent shareholders under similar market conditions. Furthermore, as discussed below, there is a lack of recent, comparable transactions among industry peers, and the comparable company analysis is not appropriate. Therefore, we consider that the Comparable Transactions offer a more reliable benchmark for assessing the Specific Mandate Subscription Price and are fair and representative for our analysis.

Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price over/to the closing price per share on the last trading date (the "LTD Premium/ Discount") (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days immediately prior to and including the last trading date (the "5 Days	Premium/ (discount) of the subscription price over/to the average closing price per share for the last 30 consecutive trading days immediately prior to and including the last trading date (the "30 Days	Premium/ (discount) of the subscription price over/to the average closing price per share for the last 60 consecutive trading days immediately prior to and including the last trading date (the "60 Days
			Premium/ Discount") (%)	Premium/ Discount") (%)	Premium/ Discount") (%)
Energy International Investments Holdings Limited (353)	December 24, 2025	(18.33)	(19.41)	(22.79)	(23.54)
BeijingWest Industries International Limited (2339)	November 17, 2025	(34.21)	(20.00)	(18.17)	(2.35)
China Wacan Group Company Limited (1920)	November 10, 2025	4.34	2.19	-	(7.05)
WuXi XDC Cayman Inc. (2268)	September 3, 2025	(4.00)	(2.87)	1.09	15.07
DL Holdings Group Limited (1709)	August 7, 2025	(11.94)	(12.98)	(16.78)	(11.51)
Tesson Holdings Limited (1201)	July 25, 2025	(16.67)	(19.09)	(11.66)	(6.25)
OSL Group Limited (863)	July 25, 2025	(15.34)	(16.18)	(3.47)	9.15
	Max	4.34	2.19	1.09	15.07
	Min	(34.21)	(20.00)	(22.79)	(23.54)
	Median	(15.34)	(16.18)	(14.22)	(6.25)
	Average	(13.74)	(12.62)	(11.96)	(3.78)
The Company (9858)	January 16, 2026	(8.84)	(17.89)	(15.21)	(3.37)

As shown in the table above:

- (a) the LTD Premium/Discount of the Comparable Transactions ranged from a discount of approximately 34.21% to a premium of approximately 4.34%, with average discount of approximately 13.74% and median discount of approximately 15.34%;
- (b) the 5 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 20.00% to a premium of approximately 2.19%, with average discount of approximately 12.62% and median discount of approximately 16.18%;
- (c) the 30 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 22.79% to a premium of approximately 1.09%, with average discount of approximately 11.96% and median discount of approximately 14.22%; and
- (d) the 60 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 23.54% to a premium of approximately 15.07%, with average discount of approximately 3.78% and median discount of approximately 6.25%.

Each of the LTD Discount, the 5 Days Discount, the 30 Days Discount and the 60 Days Discount represented by the Specific Mandate Subscription Price falls within the range of the Comparable Transactions. The LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions.

We have also conducted an exhaustive search based on the Criteria for comparable transactions conducted by companies listed on the Stock Exchange and engaged in the PRC raw milk industry. However, no comparable transactions were identified. Consequently, we expanded our search criteria to encompass all equity fundraising activities announced by companies listed on the Stock Exchange and engaged in the PRC raw milk industry during 2025. We only noted that AustAsia Group Ltd. (2425.HK) completed a rights issue on August 4, 2025. The LTD Discount, 5 Days Discount, 30 Days Discount and 60 Days Discount of such rights issue amounted to 29.11%, 29.11%, 21.42% and 12.60%, respectively, each of which is higher than the discount represented by the Specific Mandate Subscription Price. Given the nature of a rights issue differs from the Specific Mandate Subscription, such price discounts serve as a supplementary reference for the Independent Shareholders only and the Independent Shareholders should place greater emphasis on our other analysis.

(v) Comparable companies

For the purpose of evaluating the Specific Mandate Subscription Price, we conducted a Bloomberg search for companies comparable to the Company that (a) are listed on the Main Board of the Stock Exchange; (b) derive more than 50% of their revenue from the sale of raw milk in the PRC; and (c) have a market capitalisation within the range of HK\$11.7 billion to HK\$21.7 billion (being approximately plus or minus 30% of the Company's market capitalisation of HK\$16.7 billion on the Last Trading Date, which we consider to be a reasonable range for comparison). Based on these criteria, we identified only one comparable company, namely China Modern Dairy Holdings Ltd. Given the insufficient sample size, we consider a comparison with peer companies to be immaterial for analytical purposes.

(vi) Overall comments

Having considered that:

- (a) the Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period; and
- (b) the LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions,

we are of the view that the Specific Mandate Subscription Price is fair and reasonable.

6. Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the section headed "Effects on shareholding structure of the Company" of the Letter from the Board, immediately following the completion of the Specific Mandate Subscription, the shareholding interests of the existing public Shareholders in the Company would be diluted from 61.35% to 57.27%. Nonetheless, in view of (i) the reasons for and the benefits of the Specific Mandate Subscription, which is an appropriate fund-raising method currently available to the Company; and (ii) the Specific Mandate Subscription (including the Specific Mandate Subscription Price) being on normal commercial terms and fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

7. Whitewash Waiver

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the date of the Latest Practicable Date to the completion of the Specific Mandate Subscription, the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

Completion of the Specific Mandate Subscription is conditional upon the granting of the Whitewash Waiver. Having taken into consideration (i) the reasons for and benefits of the Specific Mandate Subscription as discussed in the section headed “3. Reasons for and benefits of the Specific Mandate Subscription”; (ii) that the Specific Mandate Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Specific Mandate Subscription would not proceed if the Whitewash Waiver is not granted or approved or is invalidated, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- Continuing the downward trend of recent years, the average price of raw milk in China’s major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg for the year ended December 31, 2025 from RMB3.32/kg for the year ended December 31, 2024. Although the Group still maintained strong operational momentum, given that raw milk prices have yet to show any significant signs of recovery, we consider the Company’s short-term outlook to remain uncertain;

- The Specific Mandate Subscription demonstrates the confidence of Yili and its parties acting in concert in the industry outlook and the Company's long term business development;
- Debt financing will increase the Company's financial burden and may be subject to lengthy due diligence and negotiations with lenders, while there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required;
- The Group's net gearing ratio was 176.7% as at December 31, 2025 and it decreased to 152.0% after completion of the Top-up Subscription on January 26, 2026. Taking into account the net proceeds of approximately HK\$1,171.59 million from the Specific Mandate Subscription, the Company's net gearing ratio would further decrease to 131.2%. The Company has completed the Placing and the Top-up Subscription. The Specific Mandate Subscription was negotiated contemporaneously and priced at the same price of HK\$3.92 per Share to maintain consistency across the Company's capital raising exercises and to avoid differential treatment;
- While the Group's operating performance is improving, the Group requires fund to continuously leverage technological advancements to enhance milk yield per milkable cow and cost control. This is essential for maintaining the Group's competitive edge amid the current market conditions of oversupply and downward price pressure. Furthermore, the Group's net gearing ratio remained high, and there is further room and need to optimize finance costs. Although no specific acquisition targets have been identified, maintaining a robust capital buffer is critical for strategic agility. Relying on reactive fundraising only after a target is found risks missing time-sensitive acquisition opportunities. Following the Placing and the Top-up Subscription, Yili's shareholding in the Company was diluted to 31.51%. The Specific Mandate Subscription will (i) maintain the stability of the controlling shareholder's stake; (ii) eliminate placing fees and minimize the time required to identify and negotiate with new subscribers; and (iii) further improve the Company's liquidity levels, optimise its capital structure, and enhance its risk-resistance capabilities;
- The Specific Mandate Subscription Price is fair and reasonable after considering the following:
 - the Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period; and

- the LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions. The Comparable Transactions provide a meaningful reference range for the discounts of subscription prices to market prices, as typically accepted by independent shareholders under similar market conditions.

Based on the above, we consider that the Specific Mandate Subscription is on normal commercial terms, and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Specific Mandate Subscription and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Larry Choi
Managing Director

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