

April 30, 2026

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) details of the Specific Mandate Subscription; (ii) the Whitewash Waiver; (iii) a letter of advice from the Takeovers Code Independent Board Committee and a letter of advice from the Listing Rules Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; and (v) a notice of EGM, to enable you to make an informed decision on whether to vote in favour or against the proposed resolutions at the EGM.

THE SPECIFIC MANDATE SUBSCRIPTION

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.

The principal terms of the Specific Mandate Subscription Agreement are set out below:

The Specific Mandate Subscription Agreement

Date	16 January 2026
Parties	(a) the Company; and (b) Boyuan
Number of Specific Mandate Subscription Shares	299,250,000
Subscription Price per Specific Mandate Subscription Share	HK\$3.92
Aggregate Subscription Price	HK\$1,173,060,000
Aggregate nominal value of Specific Mandate Subscription Shares	US\$2,992.50 (or approximately HK\$23,339.41)

Specific Mandate Subscription Shares

The Specific Mandate Subscription Shares shall be issued and allotted pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

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.

The number of Specific Mandate Subscription Shares, i.e. 299,250,000 Shares, represents: (i) approximately 7.14% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 6.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Specific Mandate Subscription Shares (assuming that, save for the allotment and issue of the Specific Mandate Subscription Shares, there will be no change in the issued share capital of the Company).

The number of Specific Mandate Subscription Shares, i.e. 299,250,000 Shares, have an aggregate nominal value of HK\$23,339.41 and market value of approximately HK\$1,286.78 million based on the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date.

Ranking

The Specific Mandate Subscription Shares, when issued and allotted, shall rank *pari passu* in all respects among themselves and with the Shares in issue (including the rights as to dividends, voting and return of capital). Boyuan, as the holder of the Specific Mandate Subscription Shares, will be entitled to receive all future dividends and distributions which are declared, made or paid with reference to a record date falling on or after the date of issuance and allotment of the Specific Mandate Subscription Shares.

The Specific Mandate Subscription Shares, when fully paid, will rank *pari passu* in all respects with the other Shares in issue or to be allotted and issued by the Company on or prior to the date of completion of the Specific Mandate Subscription including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment of the Specific Mandate Subscription Shares.

Specific Mandate Subscription Price

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 on 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 theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 1.19%, represented by the theoretical diluted price of approximately HK\$4.7134 per Share to the benchmarked price of approximately HK\$4.77 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price on the date of the Announcement of HK\$4.30 per Share and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Announcement of HK\$4.77 per Share), following the completion of the Placing and Top-up Subscription and based on 299,250,000 new Shares to be issued under the Specific Mandate Subscription at HK\$3.92 per Share;

- (g) a premium of approximately 16.21% to the audited consolidated net asset value per Share attributable to the Shareholders as at December 31, 2024 of approximately HK\$3.3732 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB12,159,758,000 as at 31 December 2024 as extracted from the annual report of the Company for the year ended 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
- (h) a premium of approximately 16.59% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at June 30, 2025 of approximately HK\$3.3623 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB11,936,059,000 as at June 30, 2025 as extracted from the interim report of the Company for the six months ended June 30, 2025 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.91195 as at June 30, 2025 published by the State Administration of Foreign Exchange for illustration purposes).

The net Specific Mandate Subscription Price (after deduction of all professional fees and related expenses), is estimated to be approximately HK\$3.92 per Specific Mandate Subscription Share.

The Specific Mandate Subscription Price was arrived at after arm's length negotiations between the Company and Boyuan with reference to, among other things, (i) the prevailing market price of the Shares across short and medium term periods, that the Subscription Price represents a discount of approximately 8.84% to the closing price of HK\$4.30 per Share on the Last Trading Date, a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share for the five consecutive trading days prior to the date of the Announcement and a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share for the last sixty consecutive trading days prior to the date of the Announcement; (ii) the market conditions before the date of the Specific Mandate Subscription Agreement, including the market volatility and investors' overall trading sentiment towards the Hong Kong stock market; and (iii) the funding needs and financial position of the Group, given that the Placing and Top-up Subscription and the Specific Mandate Subscription is expected to generate an aggregate of net proceeds of approximately HK\$2,330.18 million for the Company to advance technology enablement and digital transformation, repay interest-bearing debt and optimize capital structure, and replenish working capital.

The Directors noted that the short-term Share price exhibited greater fluctuations compared to its medium-term trading ranges, indicating heightened short-term volatility. To determine the Specific Mandate Subscription Price, the Directors thoroughly evaluated the closing prices of the Shares traded on the Stock Exchange over the last sixty consecutive trading days leading up to the date of the Specific Mandate Subscription Agreement (the "**Reference Period**"). This timeframe was chosen as a benchmark to effectively capture the prevailing market price of the Shares and the market conditions (including market volatility and recent investors' trading sentiment). During the Reference Period, the Shares were traded on the Stock Exchange with closing prices ranging from HK\$2.96 to HK\$5.16. The average closing price observed during the Reference Period was approximately HK\$4.06. Consequently, the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share reflects (i) a discount of approximately 24.0% in comparison to the highest closing price of HK\$5.16; (ii) a premium of approximately 32.4% over the lowest closing price of HK\$2.96; and (iii) a discount of approximately 3.4% relative to the average closing price of approximately HK\$4.06 noted during the Reference Period. In addition, since the Group generated a loss of RMB247 million for the six months ended June 30, 2025, the Directors considered that offering a moderate discount is commercially reasonable and prudent strategy to attract and secure subscription.

The Specific Mandate Subscription is not conditional on the Placing and Top-up Subscription. Nevertheless, the two transactions were 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 each transaction is conducted on its own terms and conditions, the aggregate net proceeds from both transactions (approximately HK\$2,330.18 million) form part of the Company's overall funding plan in meeting its financing requirements and strategic initiatives. In order to implement the Company's technology enablement and digital transformation initiatives effectively (including but not limited to investments in automation, intelligent and electronic equipment, operating platform and intelligent management system), timely and committed funding are required.

Considering the above factors, the Directors (including the non-executive Director not having interest in the Specific Mandate Subscription and independent non-executive Directors whose opinion is contained in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee) consider that the terms of the Specific Mandate Subscription Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Specific Mandate Subscription is conditional upon:

- (i) the Shareholders having approved at the EGM of (i) the Specific Mandate Subscription Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules and the Takeovers Code; and (ii) the Whitewash Waiver;
- (ii) the granting of the Whitewash Waiver by the Executive and such waiver not having been subsequently revoked or withdrawn;
- (iii) the Listing Committee having granted the listing of and the permission to deal in the Specific Mandate Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked;
- (iv) the warranties given by the Company under the Specific Mandate Subscription Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Specific Mandate Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);

- (v) the warranties given by Boyuan under the Specific Mandate Subscription Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Specific Mandate Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);
- (vi) Boyuan and Yili having obtained all necessary internal approvals in relation to the Specific Mandate Subscription Agreement and the transactions contemplated thereunder, including but not limited to the approval of their respective of board of directors; and
- (vii) if the amount to be used by Boyuan for the Specific Mandate Subscription will be sourced or guaranteed by any fund from the PRC, Boyuan and Yili having obtained or completed all necessary approvals and filings with applicable governmental authorities in the PRC in relation to the Specific Mandate Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date and based on information available to the Company, other than those specifically set out in conditions (i), (ii), (iii) and (vii) above, the Company is not aware of any other approvals, authorisations, consents, filings and reports which are required as set out in the conditions above.

None of the conditions of the Specific Mandate Subscription can be waived by the parties to the Specific Mandate Subscription Agreement.

Completion of the Specific Mandate Subscription

Completion of the Specific Mandate Subscription shall take place on the day of the satisfaction of all the conditions, or such other date as Boyuan and the Company may agree in writing.

Termination of the Specific Mandate Subscription Agreement

If any of the conditions in the paragraph headed “Conditions Precedent” above has not been satisfied before June 30, 2026, or such date as Boyuan and the Company may agree in writing, the Specific Mandate Subscription Agreement shall terminate with immediate effect.

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.

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. Hohhot Investment Co., Ltd. (呼和浩特投資有限責任公司), the largest shareholder of Yili, holds 538,535,826 A shares of Yili (representing approximately 8.51% of Yili's A shares), and is principally engaged in property leasing, asset operation, investment income management and the entrusted management of state-owned assets.

REASONS FOR AND BENEFITS OF THE SPECIFIC MANDATE SUBSCRIPTION AND USE OF PROCEEDS

The Specific Mandate Subscription demonstrates the confidence of Yili and Boyuan 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. The Directors (including the members of the Independent Board Committees whose views are stated in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee in respect of the Specific Mandate Subscription and the Whitewash Waiver, after considering the advice of the Independent Financial Adviser) also consider the terms of the Specific Mandate Subscription Agreement to be fair and reasonable, in the interests of the Company and the Shareholders as a whole and that the Specific Mandate Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and Boyuan.

While the Company has completed the Placing and Top-up Subscription in January 2026 which generated net proceeds of approximately HK\$1,158.59 million, the Company would still need to raise additional funding by way of Specific Mandate Subscription to support its development (including advancing technology enablement and digital transformation, repaying interest-bearing debt and optimizing capital structure, and replenishing working capital). Considering the recent prevailing market conditions and market price of the Shares and the factors as set out above, the Directors (including the members of the Independent Board Committees whose views are stated in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee in respect of the Specific Mandate Subscription and the Whitewash Waiver, after considering the advice of the Independent Financial Adviser) consider that the Specific Mandate Subscription represents an opportunity to raise additional funding for business operation of the Group. The Company has considered other alternative fundraising methods, such as debt financing. However, debt financing will have a negative impact on the gearing ratio of the Company and incur additional financing costs. On the other hand, the Specific Mandate Subscription will help the Company to repay certain debts and reduce its overall financing costs.

The Specific Mandate Subscription will not result in a change of control of the Company. Boyuan and parties acting in concert with it have also confirmed to the Company that they do not intend to introduce major changes to the Group's existing business and/or operations, the composition of the Board, fixed asset deployment and employment of the current employees. Boyuan has no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) on (i) injection of any other new business to the Group; (ii) any disposal, termination or scaling down of the existing businesses of the Group; or (iii) any change in the shareholding structure of the Company (save for the Specific Mandate Subscription). It is also the intention of Boyuan to maintain the Company's listing status on the Stock Exchange.

The Company intends to apply the net proceeds from the Specific Mandate Subscription as follows:

- (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency. In particular, 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. The Company also plans to invest in, among others, the development of precision dairy cow feeding project and digital-intelligence large-model system for precision nutrition, the establishment of big data analysis and decision-making platform, and the development of an intelligent management system of forage cultivation. Collectively, these technological and digital initiatives are expected to enhance the Company's operations across the entire industry value chain. These initiatives are also expected to effectively improve the operational efficiency of the Company's principal business while strengthening its core competitiveness;
- (ii) approximately 55% for repaying interest-bearing debt (none of which will be loans from Shareholders) and optimizing capital structure to provide flexibility for potential acquisitions of or investment opportunities. The Company intends to prioritise the settlement of borrowings due within one year, which typically involve relatively higher comprehensive costs. After considering factors such as interest rates of outstanding loans, as well as any applicable break costs or prepayment fees associated with early settlement, such an approach is expected to reduce the Company's financing risk and save interest expenses. It is expected that such repayment of interest-bearing debt will be completed within one year and in any event before December 31, 2026. The repayment of interest-bearing loans would lower the Company's gearing ratio, thereby optimizing the Company's overall capital structure. Furthermore, 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 has not identified any target for potential acquisitions or investment opportunities.

Further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate; and

- (iii) approximately 10% for replenishing working capital and for general corporate purpose.

The following table sets out the expected timeline for the utilization of net proceeds from the Specific Mandate Subscription:

Use of proceeds	Intended use of the net proceeds <i>(Approx. HK\$ million)</i>	Timeline for the utilization of the net proceeds
Advancing technology enablement and digital transformation in enhancing operational efficiency	410.0	Expected to be fully utilized by December 31, 2028 <i>(Note 1)</i>
Repaying interest-bearing debt and optimizing capital structure to provide flexibility for potential acquisitions or investment opportunities	644.4	Expected to be fully utilized by December 31, 2026
Replenishing working capital and for general corporate purpose	117.2	Expected to be fully utilized by December 31, 2026

Note 1: The expected timeline for the utilization of the net proceeds for advancing technology enablement and digital transformation in enhancing operational efficiency is based on the Group's best estimation and is subject to change.

FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has recently completed the Placing and Top-up Subscription on January 26, 2026 and the relevant information is as follows:

Date of announcement	Details of equity fund raising activity	Net proceeds	Intended use of proceeds
January 16, 2026	Allotment and issuance of 299,250,000 new Shares under the General Mandate	Approximately HK\$1,158.59 million	(i) Approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency; (ii) approximately 55% for repaying interest-bearing debt and optimizing capital structure to provide flexibility for potential acquisitions or investment opportunities; and (iii) approximately 10% for replenishing working capital and for general corporate purpose.

As at the Latest Practicable Date, the Company has utilized approximately 55% of the net proceeds from the Placing and Top-up Subscription (approximately HK\$637.2 million) for repaying interest-bearing debt. Based on the Group's best estimation, it is expected that the remaining net proceeds from the Placing and Top-up Subscription would be utilized (i) for advancing technology enablement and digital transformation in enhancing operational efficiency by December 31, 2028, and (ii) for replenishing working capital and for general corporate purpose by December 31, 2026, respectively.

Save as disclosed above, the Company has not conducted any fund-raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, the Company does not have any convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the date of the Latest Practicable Date; and (b) immediately after completion of the Specific Mandate Subscription, assuming there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the completion, are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Specific Mandate Subscription	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Yili and its parties acting in concert (Note 1)				
Boyuan (Note 1)	800,000,000	19.08%	1,099,250,000	24.48%
Jingang (Note 1)	520,800,000	12.42%	520,800,000	11.60%
Subtotal	1,320,800,000	31.51%	1,620,050,000	36.07%
The Placees	299,250,000	7.41%	299,250,000	6.66%
Other Public Shareholders	<u>2,571,927,833</u>	<u>61.35%</u>	<u>2,571,927,833</u>	<u>57.27%</u>
Total	<u>4,191,977,833</u>	<u>100%</u>	<u>4,491,227,833</u>	<u>100%</u>

Notes:

- As at the Latest Practicable Date, Yili is indirectly interested in 1,320,800,000 Shares through its wholly-owned subsidiaries, Boyuan and Jingang.
- Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Specific Mandate Subscription Shares.

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date,

- (a) Boyuan (a wholly-owned subsidiary of Yili) holds 800,000,000 Shares, representing approximately 19.08% of the issued share capital of the Company; and
- (b) Jingang (a wholly-owned subsidiary of Yili), a party acting in concert with Boyuan, holds 520,800,000 Shares, representing approximately 12.42% of the issued share capital of the Company.

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, (i) the shareholding of Boyuan in the Company will increase from approximately 19.08% to approximately 24.48% of the issued share capital of the Company and (ii) 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, in each case 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.

The Executive may or may not grant the Whitewash Waiver. The Specific Mandate Subscription will not proceed if the Whitewash Waiver is not granted or approved or is invalidated.

As at the Latest Practicable Date, the Company does not believe that the Specific Mandate Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should any concern arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Specific Mandate Subscription does not comply with other applicable rules and regulations.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Save for the Placing and Top-up Subscription pursuant to which Boyuan sold 299,250,000 Shares and subscribed for 299,250,000 Shares, neither Boyuan nor any of the parties acting in concert with it has any dealings in the Shares in the 6 months prior to the date of the Announcement and up to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

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.

Both Mr. Bai Wenzhong (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Specific Mandate Subscription Agreement. Therefore, Mr. Bai Wenzhong and Ms. Li Lin have abstained from voting on the Board resolutions in relation to the Specific Mandate Subscription Agreement. Save as disclosed above, none of the Directors had a material interest in the matters contemplated therein nor was any of them required to abstain from voting on the relevant Board resolutions approving the Specific Mandate Subscription Agreement and the respective transactions contemplated thereunder.

ESTABLISHMENT OF THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE LISTING RULES INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising the non-executive Director 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 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. Both Mr. Bai Wenzhong (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Specific Mandate Subscription and the Whitewash Waiver. Therefore, Mr. Bai Wenzhong and Ms. Li Lin have not been included in the Takeovers Code Independent Board Committee.

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.

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation on voting.

GENERAL

The Specific Mandate Subscription and the Whitewash Waiver are subject to Independent Shareholders' approval. The Specific Mandate Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the EGM.

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, pass the requisite resolutions to approve, among other things: (i) the Specific Mandate Subscription; and (ii) the Whitewash Waiver. The Specific Mandate Subscription and the Whitewash Waiver are subject to the approval by more than 50% and at least 75% of the votes cast by the Independent Shareholders either in person or by proxy, respectively, at the EGM. The voting at the EGM will be conducted by way of poll.

As at the Latest Practicable Date, the aggregate interest in the Company held by Boyuan, its associates and any parties acting in concert with Boyuan amounted to 1,320,800,000 Shares, representing approximately 31.51% of the issued share capital of the Company. Boyuan, its associates, any parties acting in concert with Boyuan, and any other party who is interested in or involved in the Specific Mandate Subscription and/or the Whitewash Waiver, will abstain from voting in respect of the resolution(s) to approve the Specific Mandate Subscription and the Whitewash Waiver at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder had any material interest in the Specific Mandate Subscription and the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Specific Mandate Subscription and the Whitewash Waiver.

As disclosed in the Takeovers Bulletin Issue No. 60 March 2022, the Executive expects all meetings with Codes-related resolutions requiring approval of disinterested or independent shareholders to be chaired by a person who is disinterested and independent (as defined under the relevant provisions of the Codes on Takeovers and Mergers and Share Buy-backs). Mr. Hao Haijun, an executive Director and chairman of the Board, who is a disinterested Director, will act as the chairman of the EGM.

A notice convening the EGM to be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China on Friday, May 22, 2026 at 11:00 a.m. (or immediately after the AGM, whichever is later) is set out on pages 103 to 105 of this circular.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, May 19, 2026 to Friday, May 22, 2026, both days inclusive, during which period no transfer of shares will be registered. The record date for ascertaining Shareholders' eligibility to attend and vote at the EGM will be Friday, May 22, 2026. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, May 18, 2026.

RECOMMENDATION

Your attention is drawn to: (i) the letter from the Takeovers Code Independent Board Committee set out on pages 25 to 26 of this circular and the letter from the Listing Rules Independent Board Committee set out on pages 27 to 28 of this circular containing their recommendations to the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver and (ii) the letter from the Independent Financial Adviser set out on pages 29 to 50 of this circular, containing its advice to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver.

The Directors (including the members of the Takeovers Code Independent Board Committee and Listing Rules Independent Board Committee, whose views are set out in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee respectively) consider that the terms and conditions of the Specific Mandate Subscription Agreement (including the Specific Mandate Subscription Price) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

FURTHER INFORMATION


Your attention is drawn to the additional information set out in Appendix I, Appendix II and Appendix III to this circular.

Since completion of the Specific Mandate Subscription is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Specific Mandate Subscription Agreement, the Specific Mandate Subscription may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among other things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the Specific Mandate Subscription, respectively, at the EGM. Completion of the Specific Mandate Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders and the Whitewash Waiver not being invalidated.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Yours Faithfully,
For and on behalf of the Board of
China Youran Dairy Group Limited

A handwritten signature in black ink, appearing to be the name 'Hao Haijun' in a stylized cursive script.

Hao Haijun
Chairman and Executive Director