

# THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in China Shengmu Organic Milk Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

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

This Composite Document and the accompanying Form of Acceptance are not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.



**MODERN FARMING**  
**现代牧业**

**China Modern Dairy Holdings Ltd.**  
**中國現代牧業控股有限公司**

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

**(Stock Code: 1117)**



**China Shengmu Organic Milk Limited**  
**中國聖牧有機奶業有限公司**

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

**(Stock Code: 1432)**

**COMPOSITE DOCUMENT RELATING TO  
MANDATORY CONDITIONAL CASH OFFER  
BY CLSA LIMITED  
FOR AND ON BEHALF OF CHINA MODERN DAIRY HOLDINGS LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA SHENGMU ORGANIC MILK LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY CHINA MODERN DAIRY HOLDINGS LTD. AND START GREAT)**

**Exclusive Financial Adviser to CMD**



**CSM Independent Financial Adviser to the CSM Independent Board Committee**



Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from CLSA Limited containing, among other things, details of the terms of the Offer is set out on pages 8 to 22 of this Composite Document.

A letter from the CSM Board is set out on pages 23 to 29 of this Composite Document. A letter from the CSM Independent Board Committee to the Offer Shareholders containing its recommendation in respect of the Offer is set out on pages IBC-1 to IBC-3 of this Composite Document. A letter from the CSM Independent Financial Adviser, containing its advice to the CSM Independent Board Committee, is set out on pages IFA-1 to IFA-21 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance should be received by the Receiving Agent at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on Tuesday, 21 July 2026 or such later time and/or the date as CMD may determine and announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the sections headed "CSM Overseas Shareholders" in the "Letter from CLSA Limited" as set out on pages 8 to 22 of, and Appendix I to, this Composite Document before taking any action. It is the responsibility of the CSM Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due from such CSM Shareholders in respect of such jurisdictions. CSM Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document is jointly issued by CMD and CSM. In case of any inconsistency, the English language texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

30 June 2026

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# CONTENTS

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	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	ii
<b>IMPORTANT NOTICE</b> .....	v
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM CLSA LIMITED</b> .....	8
<b>LETTER FROM THE CSM BOARD</b> .....	23
<b>LETTER FROM THE CSM INDEPENDENT BOARD COMMITTEE</b> .....	IBC-1
<b>LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER</b> .....	IFA-1
<b>APPENDIX I – FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER</b> .....	I-1
<b>APPENDIX II – FINANCIAL INFORMATION OF THE CSM GROUP</b> .....	II-1
<b>APPENDIX III – GENERAL INFORMATION OF THE CSM GROUP</b> .....	III-1
<b>APPENDIX IV – GENERAL INFORMATION OF CMD</b> .....	IV-1
<b>APPENDIX V – REPORT FROM THE CSM INDEPENDENT FINANCIAL ADVISER ON THE PROFIT FORECAST</b> .....	V-1
<b>APPENDIX VI – LETTER FROM ERNST &amp; YOUNG ON THE PROFIT FORECAST</b> .....	VI-1
<b>APPENDIX VII – VALUATION REPORT</b> .....	VII-1
<b>APPENDIX VIII – REPORT FROM CITICS HK IN RELATION TO THE VALUATION AND THE QUALIFICATION OF THE VALUER</b> .....	VIII-1
<b>APPENDIX IX – REPORT FROM CITICS HK ON THE RELEVANT FORECASTS</b> .....	IX-1
<b>APPENDIX X – REPORT FROM KPMG ON THE RELEVANT FORECASTS</b> .....	X-1
<b>ACCOMPANYING DOCUMENT – FORM OF ACCEPTANCE</b>	

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all references to time and date contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong time and dates.*

<b>Event</b>	<b>Time and Date</b>
Despatch date of this Composite Document and the Form of Acceptance ( <i>Note 1</i> ) . . . . .	Tuesday, 30 June 2026
Offer opens for acceptance ( <i>Note 1</i> ). . . . .	Tuesday, 30 June 2026
Latest time and date for acceptance of the Offer on the First Closing Date ( <i>Notes 2, 3 and 6</i> ) . . . . .	by 4:00 p.m. on Tuesday, 21 July 2026
First Closing Date ( <i>Note 2</i> ) . . . . .	Tuesday, 21 July 2026
Announcement of the results of the Offer as at the First Closing Date to be posted on the websites of the Stock Exchange and CSM ( <i>Note 2</i> ) . . . . .	by 7:00 p.m. on Tuesday, 21 July 2026
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer at or before 4:00 p.m. on the First Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) ( <i>Notes 4 and 6</i> ) . . . . .	Thursday, 30 July 2026
Latest time and date for acceptance of the Offer (assuming the Offer becomes or is declared unconditional on the First Closing Date) ( <i>Notes 3, 5 and 6</i> ) . . . . .	by 4:00 p.m. on Tuesday, 4 August 2026
Final Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) ( <i>Note 2</i> ) . . . . .	Tuesday, 4 August 2026
Announcement of the results of the Offer as at the final Closing Date to be posted on the websites of the Stock Exchange and CSM (assuming the Offer becomes or is declared unconditional on the First Closing Date) ( <i>Note 5</i> ) . . . . .	by 7:00 p.m. on Tuesday, 4 August 2026
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer at or before 4:00 p.m. on the final Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) ( <i>Notes 4 and 6</i> ) . . . . .	Thursday, 13 August 2026
Latest time and date by which the Offer can become or be declared unconditional as to acceptances ( <i>Note 7</i> ). . . . .	by 7:00 p.m. on Monday, 31 August 2026

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## EXPECTED TIMETABLE

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*Notes:*

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the First Closing Date, unless CMD revises or extends the Offer in accordance with the Takeovers Code.
2. Pursuant to Rule 15.1 of the Takeovers Code, the Offer must initially be opened for acceptance for at least twenty-one (21) days after the date of this Composite Document. The latest time and date for acceptance of the Offer will be 4:00 p.m. on Tuesday, 21 July 2026 unless CMD extends the Offer in accordance with the Takeovers Code. CMD has the right (but not an obligation) under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code. In the event that CMD decides to extend the Offer, in accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on Tuesday, 21 July 2026 stating either the next Closing Date or, if the Offer has then become unconditional in all respects, that the Offer will remain open until further notice, as applicable in accordance with the Takeovers Code. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offer is closed to Offer Shareholders who have not accepted the Offer.

For the avoidance of doubt, if the Offer becomes or is declared unconditional prior to the First Closing Date, CMD shall extend the Offer for at least 14 days from the date on which the Offer becomes or is declared unconditional (provided that, in such circumstances, the Offer will continue to remain open for acceptance for at least twenty-one (21) days after the date of this Composite Document). Accordingly, depending on the date on which the Offer becomes unconditional, the final Closing Date may be earlier than Tuesday, 4 August 2026 (e.g. if the Offer becomes unconditional prior to the First Closing Date). The above date of the final Closing Date is therefore included for illustrative purposes only and is subject to further changes.

3. Beneficial owners of CSM Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in the paragraph headed "1. General procedures for acceptance of the Offer" in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed "5. Right of withdrawal" in Appendix I to this Composite Document.

4. Subject to the Offer becoming unconditional or being declared unconditional in all respects, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of the Offer Shares for which the Offer is accepted) payable for the CSM Shares tendered under the Offer will be posted to the accepting CSM Shareholders by ordinary post at his/her/its own risk. Payment will be made as soon as possible, but in any event no later than seven (7) Business Days after the later of (i) the date on which the Offer becomes or is declared unconditional in all respects and (ii) the date of receipt by the Receiving Agent of the duly completed Form of Acceptance together with all relevant documents required to render such acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
5. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional (whether as to acceptances or in all respects), the Offer should remain open for acceptance for not less than fourteen (14) days thereafter. Where the Offer becomes or is declared unconditional in all respects, at least fourteen (14) days' notice in writing must be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer. CMD has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive. CMD and CSM will jointly issue an announcement in relation to any extension of the Offer, which will state the next Closing Date or, if the Offer has become or is at that time unconditional, that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice will be given before the Offer is closed, to those Offer Shareholders who have not accepted the Offer and an announcement will be published.
6. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, or "extreme conditions" as announced by the Government of Hong Kong (collectively, "**severe weather condition(s)**") on any of the following deadlines ("**Key Deadlines**"):
  - (a) the Closing Date and the latest time for acceptance of the Offer and the submission and publication deadline for a closing announcement;
  - (b) the latest date on which the Offer can become or be declared unconditional as to acceptances;

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## EXPECTED TIMETABLE

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- (c) the latest date on which the withdrawal rights under Rule 17 of the Takeovers Code can be exercised;
  - (d) the latest date for CMD to despatch or post relevant share certificates or make the share certificates available for collection; and
  - (e) the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances,
    - (i) in case any severe weather condition is in force in Hong Kong at any local time before 12:00 noon but no longer in force at 12:00 noon and/or thereafter on any Key Deadline, such Key Deadline will remain on the same Business Day; or
    - (ii) in case any severe weather condition is in force in Hong Kong at any local time at 12:00 noon and/or thereafter on any Key Deadline, such Key Deadline will be rescheduled to the following Business Day which does not have any of those warnings or conditions in force in Hong Kong at any time at 12:00 noon and/or thereafter or such other day as the Executive may approve in accordance with the Takeovers Code.
7. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the sixtieth (60th) day after the date of this Composite Document, i.e. Saturday, 29 August 2026, which is not a Business Day and therefore extended to the next Business Day, being Monday, 31 August 2026 (or such later date to which the Executive may consent). Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse at 7:00 p.m. on Monday, 31 August 2026 unless extended with the consent of the Executive and in accordance with the Takeovers Code.

In addition to the above, if the latest time for acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. CMD and CSM will notify the Offer Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## **IMPORTANT NOTICE**

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### **NOTICE TO THE CSM OVERSEAS SHAREHOLDERS**

The making of the Offer to Offer Shareholders who are not resident in Hong Kong or otherwise have a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws and regulations of the relevant jurisdiction in which they reside. Offer Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek their own legal advice. It is the sole responsibility of the CSM Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting CSM Overseas Shareholders in respect of such jurisdictions).

Any acceptance of the Offer by any CSM Overseas Shareholder will be deemed to constitute a representation and warranty from such CSM Overseas Shareholder to CMD that the local laws and requirements of the jurisdiction in which the CSM Overseas Shareholder is located have been complied with and that the Offer can be accepted by such CSM Shareholder lawfully under the laws of the relevant jurisdiction. CSM Shareholders should consult their professional advisers if in doubt.

CMD, CSM, CITICS HK, CLSA Limited, the Registrar, the Receiving Agent or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the CSM Overseas Shareholders for any taxes as such persons may be required to pay.

For further discussion, please refer to the sections headed “CSM Overseas Shareholders” in the “Letter from CLSA Limited” as set out on pages 8 to 22 of and Appendix I to this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. CMD and CSM assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations, including the Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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### DEFINITIONS

*In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings:*

“Acquisition”	the purchase of the Sale Shares by CMD from the Selling Shareholders in accordance with the terms and conditions of the Share Purchase Agreements
“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “concert parties” shall be construed accordingly. For completeness, the concert parties of CMD include but are not limited to Start Great as set out in the section headed “Shareholding Structure of CSM” in the “Letter from the CSM Board” in this Composite Document
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CITICS Group”	CITICS HK, CLSA Limited and persons controlling, controlled by or under the same control (with the meanings ascribed to such terms in the Takeovers Code) as either CITICS HK or CLSA Limited. Please refer to the website of the SFC for the lists of exempt principal traders and exempt fund managers in the CITICS Group
“CITICS HK”	CITIC Securities (Hong Kong) Limited, the exclusive financial adviser to CMD in respect of the Acquisition and the Offer and a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the issued shares of which are listed on the Stock Exchange (Stock Code: 6030)
“Closing Date”	includes the First Closing Date, or if the Offer is extended, any subsequent closing date of the Offer as may be announced by CMD in accordance with the requirements under the Takeovers Code

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## DEFINITIONS

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“CLSA Limited”	CLSA Limited, the agent making the Offer for and on behalf of CMD and a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the issued shares of which are listed on the Stock Exchange (Stock Code: 6030)
“CMD”	China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 1117), being the offeror of the Offer
“CMD Circular”	the circular issued by CMD dated 24 December 2025 in respect of the Acquisition and the Offer
“CMD Director(s)”	director(s) of CMD
“CMD EGM”	the extraordinary general meeting of CMD held on 16 January 2026
“CMD Group”	CMD and its subsidiaries
“CMD Independent Shareholder(s)”	CMD Shareholders who were not required to abstain from voting at the extraordinary general meeting of CMD in relation to the resolutions for approving the Acquisition, the Offer and the transactions contemplated thereunder
“Composite Document”	this composite offer document and response document jointly issued by CMD and CSM to all the Offer Shareholders in accordance with the Takeovers Code, setting out, among others, details of the Offer
“Consideration”	the consideration paid by CMD to each Selling Shareholder for the Acquisition
“CSM”	China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 1432)
“CSM Board”	the board of directors of CSM
“CSM Director(s)”	the director(s) of CSM from time to time

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## DEFINITIONS

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“CSM Group”	CSM and its subsidiaries
“CSM Independent Board Committee”	an independent board committee of the CSM Board comprising Mr. Sun Qian, Ms. Shao Lijun, Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng established for the purposes of making recommendations to the CSM Independent Shareholders in relation to the Offer
“CSM Independent Financial Adviser”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the CSM Independent Board Committee in relation to the Offer
“CSM Independent Shareholders”	CSM Shareholders other than CMD and its concert parties
“CSM Overseas Shareholders”	Offer Shareholder(s) whose address(es), as shown on the register of members of CSM, is/are outside Hong Kong
“CSM Share(s)”	ordinary share(s) of par value HK\$0.00001 each in the share capital of CSM
“CSM Share Award(s)”	awards granted under the CSM Share Award Scheme
“CSM Share Award Scheme”	the share award scheme of CSM adopted on 19 April 2022, the principal terms of which were set out in the announcement of CSM dated 19 April 2022
“CSM Share Option Scheme”	the share option scheme of CSM adopted on 18 June 2014, the principal terms of which were set out in the prospectus of CSM dated 30 June 2014
“CSM Shareholder(s)”	the registered holder(s) of CSM Share(s)
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Closing Date”	21 July 2026, being the first Closing Date of the Offer as stated in this Composite Document

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## DEFINITIONS

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“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Voting Proxy”	the irrevocable grant of proxy to exercise voting rights in respect of the Proxy Shares by Start Great in favour of CMD pursuant to the terms and conditions of the Voting Rights Agreement
“Last Trading Day”	30 October 2025, being the last trading day of the CSM Shares immediately preceding the date of the Rule 3.5 Announcement
“Latest Practicable Date”	26 June 2026, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as revised, supplemented or otherwise modified from time to time)
“Long Stop Date”	30 October 2026 (being the date falling on the expiry of 12 months after the signing of each Share Purchase Agreement), or such later date as the Selling Shareholders and CMD may agree in writing
“Mengniu”	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 2319)
“Mengniu Group”	Mengniu and its subsidiaries
“Offer”	the mandatory conditional cash offer made by CLSA Limited for and on behalf of CMD in accordance with the Takeovers Code to acquire all the Offer Shares on the terms set out in this Composite Document and the Form of Acceptance
“Offer Period”	the period commencing on 30 October 2025, being the date of the Rule 3.5 Announcement, and ending on the Closing Date
“Offer Price”	HK\$0.35 per Offer Share

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## DEFINITIONS

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“Offer Share(s)”	all the issued CSM Shares other than those already owned or agreed to be acquired by CMD and Start Great
“Offer Shareholder(s)”	registered holder(s) of Offer Share(s)
“PRC”	the People’s Republic of China
“Profit Forecast”	the statement relating to the CSM Group’s loss for the three months ended 31 March 2026 as disclosed in the section headed “4. Material Change” in Appendix II to this Composite Document
“Proxy Shares”	2,086,942,512 CSM Shares held by Start Great (representing approximately 24.90% of the total issued share capital of CSM as at the Latest Practicable Date), being the subject of the Irrevocable Voting Proxy
“Receiving Agent”	Computershare Hong Kong Investor Services Limited, being the receiving agent for receiving and processing the acceptance of the Offer, located at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of CSM, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Determination”	the determination by CMD as to whether it is able to consolidate CSM as its subsidiary following the closing of the Offer in accordance with the terms and conditions of the Voting Rights Agreement
“Relevant Period”	the period commencing on 30 April 2025, being the date falling six months prior to the commencement of the Offer Period, and ending on and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.5 Announcement”	the announcement issued by CMD on 30 October 2025 regarding, among others, the Offer
“Sale Shares”	the CSM Shares agreed to be acquired by CMD from each Selling Shareholder pursuant to the terms and conditions of the relevant Share Purchase Agreement

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## DEFINITIONS

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“SAMR”	State Administration for Market Regulation of the PRC or its local authorities (as applicable)
“Selling Shareholders”	SMbeidou, SMhateng and SMwuxing, and “Selling Shareholder” means any of them
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Purchase Agreement”	the respective conditional sale and purchase agreement dated 30 October 2025, entered into between CMD and each Selling Shareholder in relation to the sale and purchase of the Sale Shares held by such Selling Shareholder, and collectively the “Share Purchase Agreements”
“SMbeidou”	SMbeidou Ltd, a company incorporated in the British Virgin Islands with limited liability
“SMhateng”	SMhateng Ltd, a company incorporated in the British Virgin Islands with limited liability
“SMwuxing”	SMwuxing Ltd, a company incorporated in the British Virgin Islands with limited liability
“SPA Completion”	completion of the Acquisition in accordance with the terms and conditions of a Share Purchase Agreement
“SPA Completion Date”	the date on which SPA Completion takes place
“Start Great”	Start Great Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Mengniu as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers published by the SFC (as revised, supplemented or otherwise modified from time to time)

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## DEFINITIONS

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“Valuation Report”	the valuation report dated 30 June 2026 in respect of the identifiable tangible and intangible assets and liabilities belonging to CSM issued by the Valuer for the sole purpose of purchase price allocation of the Acquisition and the Offer by CMD, the full text of which is set out in Appendix VII to this Composite Document
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“Voting Rights Agreement”	the voting rights agreement dated 30 October 2025 entered into among CMD, Start Great and Mengniu in relation to the Irrevocable Voting Proxy
“%”	per cent

\* *For identification purpose only*

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# LETTER FROM CLSA LIMITED

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18/F, One Pacific Place  
88 Queensway  
Hong Kong

30 June 2026

*To the Offer Shareholders,*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY  
CLSA LIMITED FOR AND ON BEHALF OF  
CHINA MODERN DAIRY HOLDINGS LTD. TO ACQUIRE  
ALL THE ISSUED SHARES OF CHINA SHENGMU ORGANIC MILK  
LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY CHINA MODERN DAIRY HOLDINGS LTD. AND  
START GREAT)**

## **INTRODUCTION**

Reference is made to the Rule 3.5 Announcement<sup>1</sup>.

### **The Share Purchase Agreements**

On 30 October 2025 (after trading hours), each Selling Shareholder and CMD entered into a Share Purchase Agreement, pursuant to which the relevant Selling Shareholder conditionally agreed to sell, and CMD conditionally agreed to purchase, the respective Sale Shares held by such Selling Shareholder. The aggregate number of Sale Shares is 107,200,000 CSM Shares (representing approximately 1.28% of the total issued share capital of CSM as at the Latest Practicable Date), and the total Consideration amounted to HK\$37,520,000 in cash.

The SPA Completion under each Share Purchase Agreement was subject to and conditional upon the following conditions being satisfied or (if capable of being waived) waived on or prior to the Long Stop Date:

- (a) the (i) obtaining of the antitrust clearance from the SAMR or (ii) expiry of any statutory waiting period in accordance with the anti-monopoly laws and regulations in the PRC with no objection having been raised by the SAMR, each in respect of the transactions contemplated under the Share Purchase Agreements and the Offer;
- (b) each of the representations and warranties provided by the Selling Shareholders under the Share Purchase Agreements remaining true and accurate in all respects;

<sup>1</sup> Accessible via: <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/1030/2025103002415.pdf>

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## LETTER FROM CLSA LIMITED

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- (c) each of the representations and warranties provided by CMD under the Share Purchase Agreements remaining true and accurate in all respects;
- (d) the SFC (and if applicable, the Stock Exchange) having no further comment on the Rule 3.5 Announcement to be released in connection with the transactions contemplated under the Share Purchase Agreements and the Offer; and
- (e) compliance by CMD with all the applicable requirements to the transactions contemplated under the Share Purchase Agreements and the Offer as a major transaction and connected transaction in accordance with the Listing Rules, including but not limited to the obtaining of the requisite approvals by the CMD Independent Shareholders.

On 22 May 2026, all conditions under the Share Purchase Agreements were satisfied. As announced in the announcement of CMD dated 22 May 2026<sup>2</sup>, the SPA Completion under each of the Share Purchase Agreements took place on 22 May 2026.

### **Grant of Irrevocable Voting Proxy by Start Great in favour of CMD**

On 30 October 2025 (after trading hours), CMD, Start Great and Mengniu further entered into the Voting Rights Agreement, pursuant to which Start Great has irrevocably granted a proxy in favour of CMD to exercise the voting rights over 2,086,942,512 CSM Shares held by it (representing approximately 24.90% of the total issued share capital of CSM as at the Latest Practicable Date). As at the Latest Practicable Date, Start Great holds approximately 29.99% of the total issued share capital of CSM and the number of CSM Shares forming the subject of the Voting Rights Agreement has been determined following arm's length negotiations between the parties.

In addition, Start Great has irrevocably waived and committed not to exercise the voting rights with regards to all the remaining CSM Shares held by it (i.e. other than the Proxy Shares), save for matters, decisions or actions that would or would likely result in the winding up, liquidation, amalgamation, merger of CSM, the change of principal business of CSM, the repurchase or cancellation of any CSM Shares held by Start Great, or any matters that relate to or may affect the economic rights attached to any CSM Shares held by Start Great.

The Voting Rights Agreement has taken effect upon signing. However, pursuant to the terms of the Voting Rights Agreement, CMD agreed not to exercise the voting rights attached to the Proxy Shares without the prior written consent of Mengniu during the period between the date of the Voting Rights Agreement and the date of the Relevant Determination (or the date of termination of the Voting Rights Agreement in accordance with paragraphs (a) to (c) below).

The Voting Rights Agreement shall terminate upon the occurrence of any of the following events:

- (a) upon the termination or expiry of all Share Purchase Agreements by reason of the SPA Completion failing to take place on the SPA Completion Date;

<sup>2</sup> Accessible via: <https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0522/2026052200341.pdf>

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## LETTER FROM CLSA LIMITED

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- (b) if CMD determines that insufficient CSM Shares are held by CMD to enable CMD to consolidate CSM as its subsidiary, in which case the Voting Rights Agreement shall be terminated immediately on the business day following such date CMD determines it is unable to consolidate CSM as its subsidiary. Such Relevant Determination may be made on the Closing Date and shall in any event be made within 3 months after the Closing Date, failing which paragraph (c) below shall apply; or
- (c) if the Relevant Determination is not made within 3 months after the Closing Date, the date falling 3 months after the Closing Date,

and in each case, the Irrevocable Voting Proxy under the Voting Rights Agreement shall lapse accordingly.

The Relevant Determination shall be made in accordance with the prevailing applicable accounting standards and is expected to be made by CMD no later than 3 months after the Closing Date.

Based on information currently available to CMD as at the Latest Practicable Date, and subject to the prevailing accounting standards as at the Closing Date, taking into account the Proxy Shares under the Voting Rights Agreement, the CMD Directors, having discussed with the auditor of CMD, are of the view that CMD will be able to consolidate CSM as its subsidiary if the condition of the Offer is satisfied by the Closing Date.

In addition, upon (i) the expiry of ten (10) years from the date of the Voting Rights Agreement or (ii) Mengniu ceasing to be the single largest CMD Shareholder, CMD shall have the right (but not the obligation) to acquire the Proxy Shares from Start Great on such terms and conditions as may be further agreed among CMD, Start Great and Mengniu. If CMD, Start Great and Mengniu fail to agree on such terms within ninety (90) days of the occurrence of (i) or (ii), or if the said acquisition does not complete within the period prescribed in the relevant transaction documents to be entered into in connection with the acquisition of the Proxy Shares, Start Great or Mengniu (as the case may be) may terminate the Voting Rights Agreement by written notice to CMD.

Further, upon closing of the Offer, if CMD determines that more voting rights in respect of the Proxy Shares have been proxied by Start Great in favour of CMD than is necessary to enable CMD to consolidate CSM as a subsidiary, the Irrevocable Voting Proxy in respect of such excess voting rights shall lapse accordingly. In addition, CMD has irrevocably undertaken to take such action to nominate at least one director designated by Mengniu to, and ensure at least one director designated by Mengniu to remain on, the board of directors of CSM at all times until the termination of the Voting Rights Agreement.

Further announcement(s) will be made in the event of termination or lapse of the Irrevocable Voting Proxy if and when appropriate in accordance with the requirements of the Takeovers Code and the Listing Rules.

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## LETTER FROM CLSA LIMITED

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Pursuant to the terms of the Voting Rights Agreement, Start Great has undertaken not to, and Mengniu has agreed to procure Start Great not to, sell, transfer, pledge, assign or otherwise dispose of any of the Proxy Shares held by Start Great without the prior written consent of CMD, except: (i) for tendering acceptance in a general offer or scheme of arrangement by any party in respect of the Proxy Shares; (ii) in the event that CMD proposes to dispose of any CSM Shares such that CMD will hold less than 15% in the total issued share capital of CSM after such disposal; and (iii) in the event that Start Great or Mengniu (as the case may be) receives an offer from any prospective purchaser(s) to acquire all or part of the Proxy Shares, CMD does not exercise its right of first refusal within 90 days after receipt of the notice from Start Great or Mengniu; and in each case, the Irrevocable Voting Proxy granted to CMD and attached to the Proxy Shares to be sold, transferred or disposed of shall terminate and cease to be valid.

### The Offer

Reference is also made to the CMD Circular<sup>3</sup> in respect of the Acquisition and the Offer setting out, amongst others, certain financial information of CMD and CSM and the CMD Group as enlarged by the CSM Group in accordance with the Listing Rules.

As at the date of the Rule 3.5 Announcement, CMD and parties acting in concert with it owned 2,513,178,555 CSM Shares, representing approximately 29.99% of the total issued share capital of CSM. Immediately following the SPA Completion under the Share Purchase Agreements, CMD and parties acting in concert with it held in aggregate approximately 31.26% (i.e., 30% or more) of the total issued share capital of CSM. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, CMD is required to make a mandatory conditional cash offer for all the issued CSM Shares (other than those already owned and/or agreed to be acquired by CMD and Start Great).

This letter forms part of this Composite Document and sets out, among other things, principal terms of the Offer, together with certain information on CMD and CMD's intention on the CSM Group. Further details on the terms and procedures for acceptances of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Offer Shareholders are strongly advised to carefully consider the information contained in the appendices as contained in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

### MANDATORY CONDITIONAL CASH OFFER

#### The Offer

CLSA Limited, for and on behalf of CMD and in compliance with the Takeovers Code, is making a mandatory conditional cash offer to acquire all the Offer Shares on the following terms:

**For each Offer Share . . . . . HK\$0.35 in cash**

<sup>3</sup> Accessible via: <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/1224/2025122400315.pdf>

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## LETTER FROM CLSA LIMITED

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The Offer is made to the Offer Shareholders. As CMD and Start Great hold in aggregate 2,620,378,555 CSM Shares immediately after the SPA Completion under all the Share Purchase Agreements, assuming there are no further changes in the issued share capital of CSM from the Latest Practicable Date up to and including the close of the Offer, 5,760,916,674 CSM Shares are subject to the Offer. Based on such number of Offer Shares and the Offer Price of HK\$0.35 per Offer Share, the maximum consideration payable by CMD under the Offer would be HK\$2,016,320,835.9.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attached thereto, including but not limited to the right to receive in full all dividends, distributions and any return of capital, if any, which may be made or declared or agreed to be made or declared, and the record date of which falls on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

If, after the date of the Rule 3.5 Announcement, any dividend, distribution and/or return of capital is made or paid in respect of the Offer Shares, CMD reserves the right to reduce the Offer Price by an amount equal to the gross amount of such dividend or other distribution, in which case any references in the Rule 3.5 Announcement, the CMD Circular, this Composite Document and/or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. Any such reduction will only apply to those Offer Shares in respect of which CMD will not be entitled to the relevant dividend, distribution and/or return of capital. As set out in the "Letter from the CSM Board", as at the Latest Practicable Date, CSM does not have any dividend or distribution recommended, declared or made but unpaid and CSM does not intend to declare any dividend or make other distributions during the Offer Period. The Offer is subject to the satisfaction of the condition as set out in the section headed "Condition of the Offer" of this Composite Document.

### **Comparison of value**

The Offer Price of HK\$0.35 per Offer Share represents:

- (i) a premium of approximately 14.75% over the closing price of HK\$0.305 per CSM Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 11.11% over the average closing price of HK\$0.315 per CSM Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 8.19% over the average closing price of approximately HK\$0.324 per CSM Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 7.75% over the average closing price of approximately HK\$0.325 per CSM Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM CLSA LIMITED

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- (v) a discount of approximately 26.22% to the audited consolidated net asset value attributable to the owners of CSM per CSM Share of approximately HK\$0.47 as at 31 December 2025, calculated based on (i) the audited consolidated net assets attributable to the owners of CSM of approximately RMB3,591.08 million as at 31 December 2025; (ii) 8,381,295,229 CSM Shares in issue as at 31 December 2025; and (iii) the exchange rate of HK\$1.0: RMB0.90322, being the central parity rate as quoted by the People's Bank of China on 31 December 2025 for illustrative purposes only;
- (vi) a discount of approximately 31.68% to the unaudited consolidated net asset value attributable to the owners of CSM per CSM Share of approximately HK\$0.51 as at 30 June 2025, calculated based on (i) the unaudited consolidated net assets attributable to the owners of CSM of approximately RMB3,915.35 million as at 30 June 2025; (ii) 8,381,295,229 CSM Shares in issue as at 30 June 2025; and (iii) the exchange rate of HK\$1.0: RMB0.91195, being the central parity rate as quoted by the People's Bank of China on 30 June 2025 for illustrative purposes only;
- (vii) a discount of approximately 29.33% to the adjusted net asset value attributable to the owners of CSM per CSM Share of approximately HK\$0.50 as at 31 March 2026, calculated based on (i) the fair value of the identifiable tangible and intangible assets and liabilities belonging to CSM of approximately RMB3,665.07 million as at 31 March 2026 as set out in the Valuation Report; (ii) 8,381,295,229 CSM Shares in issue as at 31 March 2026; and (iii) the exchange rate of HK\$1.0: RMB0.88295, being the central parity rate as quoted by the People's Bank of China on 31 March 2026 for illustrative purposes only;
- (viii) a premium of approximately 6.06% over the closing price of HK\$0.330 per CSM Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Offer Price of HK\$0.35 per Offer Share was determined with reference to (i) the highest price per Sale Share paid by CMD under the Share Purchase Agreements which was arrived at after arm's length negotiations between CMD and each Selling Shareholder; (ii) the prospects of CSM; (iii) the trading liquidity and the historic closing prices of the CSM Shares on the Stock Exchange; and (iv) other similar transactions in Hong Kong in recent years.

### **The CSM Share Award Scheme and CSM Share Option Scheme**

As at the Latest Practicable Date, there are certain CSM Share Awards awarded to the grantees under the CSM Share Award Scheme that remain unvested and which may be vested into existing CSM Shares or cash only, and the existing CSM Shares underlying such CSM Share Awards have already been issued and are currently held by the trustee of the CSM Share Award Scheme. Accordingly, no comparable offer will be made to the relevant grantees in respect of the CSM Share Awards granted under the CSM Share Award Scheme. For the avoidance of doubt, any CSM Shares held by the trustee of the CSM Share Award Scheme for the purposes of the CSM Share Award Scheme will form part of the Offer Shares.

In addition, no grants have been made under the CSM Share Option Scheme as at the Latest Practicable Date.

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# LETTER FROM CLSA LIMITED

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## **Condition of the Offer**

The Offer is conditional only upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as CMD may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with the CSM Shares already acquired or held by CMD and the parties acting in concert with it, would result in CMD and the parties acting in concert with it holding more than 50% of the voting rights of CSM as at the Closing Date. This condition cannot be waived.

If the condition cannot be satisfied by the Closing Date, the Offer will lapse. Further announcement(s) will be made as and when appropriate in relation to the revision, extension or lapse of the Offer, or the satisfaction of the condition to the Offer, in accordance with the requirements of the Takeovers Code and the Listing Rules.

**Shareholders and potential investors of CMD and CSM should note that the Offer may or may not become or be declared unconditional. Shareholders and potential investors of CMD and CSM are reminded to exercise caution when dealing in the respective shares of CMD and CSM. Those who are in doubt as to the action should consult a licensed securities dealer or registered institutions in securities, bank manager, solicitor, professional accountant or other professional advisers.**

## **Highest and lowest closing prices of the CSM Shares**

During the Relevant Period, the highest closing price of the CSM Shares as quoted on the Stock Exchange was HK\$0.475 per CSM Share on 13 August 2025 and the lowest closing price of the CSM Shares as quoted on the Stock Exchange was HK\$0.175 per CSM Share on 30 April 2025.

## **Value of the Offer**

As at the Latest Practicable Date, CSM had 8,381,295,229 CSM Shares in issue. On the basis of such number of CSM Shares in issue and the Offer Price of HK\$0.35 per Offer Share, the entire issued share capital of CSM would be valued at approximately HK\$2,933,453,330.2.

## **Confirmation of financial resources**

The maximum amount of cash payable by CMD in respect of the consideration payable upon full acceptance of the Offer is approximately HK\$2,016,320,835.9, assuming there is no change in the issued share capital of CSM from the Latest Practicable Date up to and including the close of the Offer. CMD intends to finance the consideration payable under the Offer through internal resources of the CMD Group.

CITICS HK, as the exclusive financial adviser to CMD in respect of the Acquisition and the Offer, is satisfied that sufficient financial resources are available to CMD to satisfy the maximum consideration payable upon full acceptance of the Offer.

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# LETTER FROM CLSA LIMITED

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## **Effects of accepting the Offer**

By accepting the Offer, the Offer Shareholders will be deemed to warrant that all Offer Shares to be sold by such person under the Offer are fully paid and free from all Encumbrances and together with all rights and benefits attaching thereto as at the date of the Composite Document or subsequently becoming attached to them, including but not limited to the right to receive in full all dividends, distributions and any return of capital, if any, which may be made or declared or agreed to be made or declared, and the record date of which falls on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed “5. Right of withdrawal” in Appendix I to this Composite Document.

## **Hong Kong stamp duty**

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by the relevant Offer Shareholders who accept the Offer at a rate of 0.10% of (i) the consideration payable by CMD in respect of the relevant acceptance of the Offer; or (ii) the market value of the Offer Shares, whichever is higher (rounded up to the nearest HK\$1.00), and such stamp duty will be deducted from the cash amount payable by CMD to such Offer Shareholders on acceptance of the Offer.

CMD will arrange for payment of the seller’s Hong Kong ad valorem stamp duty on behalf of the relevant Offer Shareholders that accept the Offer and will pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **Settlement of consideration**

Subject to the Offer having become, or having been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event no later than seven (7) Business Days after the later of: (i) the date on which the Offer becomes, or is declared unconditional; and (ii) the date of receipt of a duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance to render such acceptance of the Offer complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

Relevant documents evidencing title must be received by the Receiving Agent to render such acceptance of the Offer complete and valid. The latest time by which CMD can declare the Offer unconditional as to acceptances is 7:00 p.m. on the sixtieth (60th) day after the date of the Composite Document, i.e. Saturday, 29 August 2026, which is not a Business Day and therefore extended to the next Business Day, being Monday, 31 August 2026 (or such later date to which the Executive may consent). If the Offer is withdrawn or lapses, pursuant to Rule 20.2 of the Takeovers Code, CMD is required to, as soon as possible but in any event no later than seven (7) Business Days after the Offer is withdrawn or lapses, post the share certificates of CSM Shares lodged with the Form of Acceptance to those Offer Shareholders who have accepted the Offer by ordinary post at his/her/its own risk.

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## LETTER FROM CLSA LIMITED

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No fractions of a Hong Kong cent will be payable and the amount of the consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest Hong Kong cent.

### **Taxation advice**

The Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of CMD, CLSA Limited, CITICS HK, Somerley Capital Limited and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **CSM Overseas Shareholders**

The making of the Offer to Offer Shareholders who are not resident in Hong Kong may be affected by the applicable laws and regulations of the relevant jurisdiction in which they reside. Offer Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek their own legal advice. It is the sole responsibility of the CSM Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting CSM Overseas Shareholders in respect of such jurisdictions).

Acceptance of the Offer by any CSM Shareholder will be deemed to constitute a representation and warranty from such CSM Shareholder to CMD that the local laws and requirements have been complied with and that the Offer can be accepted by such CSM Shareholder lawfully under the laws of the relevant jurisdiction. CSM Shareholders should consult their professional advisers if in doubt.

### **INFORMATION ON THE CSM GROUP**

CSM is an exempted company incorporated in the Cayman Islands with limited liability and the CSM Shares are listed on the Stock Exchange (Stock Code: 1432). As at the Latest Practicable Date, the CSM Group is principally engaged in dairy cow farming, focusing on the production and sale of desert-based organic milk, other functional raw milk and high-quality raw milk.

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## LETTER FROM CLSA LIMITED

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The audited consolidated financial information of the CSM Group for each of the three years ended 31 December 2025, 31 December 2024 and 31 December 2023, as extracted from the annual report of CSM for the financial year ended 31 December 2025 and the annual report of CSM for the financial year ended 31 December 2024 are as follows:

	For the year ended 31 December		
	2025	2024	2023
	(RMB'000)	(RMB'000)	(RMB'000)
	(audited)	(audited)	(audited)
Revenue	3,012,260	3,126,184	3,383,629
Profit/(loss) before tax	(371,056)	(63,284)	97,686
Profit/(loss) for the year	(373,026)	(64,515)	94,612

The audited consolidated net asset value of the CSM Group as at 31 December 2024, as extracted from the annual report of CSM for the financial year ended 31 December 2024, was approximately RMB4,175,792,000. The audited consolidated net asset value of the CSM Group as at 31 December 2025, as extracted from the annual report of CSM for the financial year ended 31 December 2025, was approximately RMB3,805,101,000.

### VALUATION REPORT AND REPORTS IN ACCORDANCE WITH THE TAKEOVERS CODE

The Valuer (being Jones Lang LaSalle Corporate Appraisal and Advisory Limited) has been appointed as the independent valuer to assess the fair value of the identifiable tangible and intangible assets and liabilities belonging to CSM for the sole purpose of purchase price allocation of the Acquisition and the Offer by CMD, which was referred to in the pro forma financial information of the enlarged CMD Group prepared for the information of the shareholders or potential investors of CMD in the CMD Circular only for the sole purpose of their voting decision at the CMD EGM. The full text of the Valuation Report prepared by the Valuer and the report issued by CITICS HK in connection with the qualification of the Valuer in accordance with Rule 11.1 of the Takeovers Code are set out in Appendices VII and VIII to this Composite Document respectively. The Valuation Report and such report in connection with the qualification of the Valuer, which would otherwise have been included in the CMD Circular, are included in this Composite Document to comply with the requirements under Rule 11.1 of the Takeovers Code. There is no material difference in the fair value of the identifiable tangible and intangible assets and liabilities assessed in the valuation report prepared with a reference date of 30 June 2025 used for the purpose of purchase price allocation of the Acquisition and the Offer in the CMD Circular and the Valuation Report prepared with a reference date of 31 March 2026 in compliance with Rule 11.4 of the Takeovers Code.

In addition, as the valuation of the milkable cows and right-of-use assets in relation to a grassland with an area of 122,000 mu in the Valuation Report (the “**Relevant Forecasts**”) was prepared using the income approach and based on discounted future cash flows, the Relevant Forecasts are regarded as a profit forecast under Rule 10 by virtue of Rule 11.1(a) of the Takeovers Code. Such discounted future cash flows have been reported on in accordance with the Takeovers Code and the full text of the requisite reports from CITICS HK and KPMG, the exclusive financial adviser to and the reporting accountants of CMD, has been set out in Appendices IX and X to this Composite Document. The reports from CITICS HK and KPMG have been lodged with the Executive.

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# LETTER FROM CLSA LIMITED

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## INFORMATION ON THE CMD GROUP

CMD is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange (Stock Code: 1117). The CMD Group is a leading operator in dairy cow farming and raw milk production in the PRC. Its two major business segments are the raw milk business and the integrated dairy farming solutions business, with a focus on supplying high-quality raw milk to dairy product manufacturers in the PRC.

## REASONS FOR AND BENEFITS OF THE OFFER

Set out below are the reasons for and benefits of the Offer, assuming the Offer becomes unconditional:

### For the CMD Group

***Leveraging Economies of Scale to Reduce Procurement Costs:*** The combined herd size of the CMD Group and the CSM Group will exceed 600,000 heads as at 31 December 2025. This expanded scale will enable the CMD Group to leverage volume for better pricing in the procurement of bulk materials like feed, thereby achieving further economies of scale and reducing unit costs. The Acquisition and the Offer (assuming it becomes unconditional) will allow expansion of the CMD Group's business scale and asset base, further solidifying its leading position in the raw milk supply market and enhancing its overall risk resilience and market competitiveness.

***Optimised Production Mix for Enhanced Competitiveness:*** The combined proportion of specialty milk (including organic) in total production by CMD Group and the CSM Group is expected to increase from the current 8% (for the CMD Group on a standalone basis) to over 20% on a combined basis. Integrating CSM Group's leading organic milk business will diversify and strengthen the CMD Group's raw milk supply base, increasing the proportion of its specialty milk. As organic milk commands a higher average selling price (ASP) than premium milk, this integration is expected to improve the overall quality and value of the CMD Group's assets, and in turn increase CMD Group's position in high-value raw milk segments.

***Integrating a Sustainable Model for a Differentiated Advantage:*** The CSM Group, based in the Ulan Buh Desert, combines desert reclamation with organic dairy farming. Its sustainable ecological model – featuring “organic grass-based carbon sequestration, a zero-deforestation supply chain, smart water conservation, and restoration of degraded soil” – will provide the CMD Group with a proven model for green development and establish a unique, differentiated competitive advantage. The integration of the CSM Group's sustainable development practices, particularly its pioneering work in combining ecological governance with the organic industry, will strengthen the CMD Group's ESG profile, helping to attract a broader range of long-term investors.

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## LETTER FROM CLSA LIMITED

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### For the Offer Shareholders

***An attractive opportunity for the Offer Shareholders to realise their investment in the CSM Shares which have low liquidity:*** The average daily trading volumes of the CSM Shares for the 1-month period, 3-month period and 6-month period up to and including the Last Trading Day were approximately 8,586,579, 18,511,606, and 13,268,601 CSM Shares daily, representing only approximately 0.10%, 0.22% and 0.16% of the total number of the CSM Shares as at the Latest Practicable Date, respectively. The low trading liquidity of the CSM Shares may create difficulties for the Offer Shareholders to execute substantial on-market disposals without adversely affecting the price of the CSM Shares. As such, the Offer presents an immediate opportunity for Offer Shareholders to realise their investments for cash and redeploy the Offer Price into other investment opportunities.

***The Offer Price represents a premium over the current market price:*** The Offer Price allows an exit for the Offer Shareholders at a premium to the current market price. The Offer Price represents a premium of approximately 14.75% over the closing price of the CSM Shares on the Last Trading Day of HK\$0.305 and approximately 8.19% and 7.75% over the average closing price of approximately HK\$0.324 and HK\$0.325 per Share for the 10 and 30 trading days up to and including the Last Trading Day, respectively.

### For the CSM Group

***Access to Advanced Operational Experience to Boost Production Efficiency:*** The CMD Group is an industry leader in key operational metrics, such as yield per milkable cow and feed cost control per kilogram of milk. While the CSM Group is a leader in domestic organic raw milk, there is potential to improve its current yield levels. Combined with the CMD Group's operational management expertise, it will help the CSM Group to enhance its farm management capabilities and production efficiency.

***Shared Resource System for Cost Reduction and Efficiency Gains:*** By joining the CMD Group's system, the CSM Group will benefit from the CMD Group's large-scale procurement platform and sophisticated cost management system, which would in turn contribute to improvements in feed costs and other operating expenses. Synergies in technology, digital and intelligent management, breeding, and specialized feed formulation will jointly drive cost reduction and efficiency improvements, allowing both parties to consolidate and expand their advantages.

***Complementary Strengths for Enhanced Growth Momentum:*** This integration is a strategic move built on complementary strengths. The combination of the CSM Group's organic credentials and ecological value with the CMD Group's scale and operational efficiency will enable both groups to maintain a strong competitive edge in both the premium and organic market segments, laying a solid foundation for both groups to jointly lead the industry's development.

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# LETTER FROM CLSA LIMITED

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## **INTENTION OF CMD REGARDING THE CSM GROUP**

As at the Latest Practicable Date, CMD intends to continue with the CSM Group's existing businesses and does not intend to make any major changes to the business of CSM or to introduce any major changes in the continued employment of the employees of the CSM Group as a result of the Offer. However, in connection with the Acquisition and the Offer and subject to the Offer becoming unconditional, CMD expects to review the CSM Group and its assets, corporate structure, capitalisation, policies, management and personnel to consider and determine what changes, if any, would be appropriate or desirable following the Acquisition and the Offer in order to best organise and optimise the activities of the CSM Group, and may make any changes as it deems necessary or appropriate in light of its review of the CSM Group, including but not limited to any redeployment of fixed assets of the CSM Group or operations, corporate structure, capitalisation, management or employment arrangements.

As at the Latest Practicable Date, subject to the Offer becoming unconditional, CMD intends to nominate at least three new directors to the CSM Board, and additionally, to ensure that one director designated by Mengniu remains on the CSM Board at all times until the termination of the Voting Rights Agreement as set out in the sub-paragraph headed "INTRODUCTION – Grant of Irrevocable Voting Proxy by Start Great in favour of CMD" above, and may effect other changes to the existing composition of the CSM Board, in each case subject to the requirements of the Takeovers Code, the Listing Rules, the articles of association of CSM and the other applicable laws. As at the Latest Practicable Date, CMD has yet to determine the list of proposed nominees to the CSM Board. Further announcement(s) will be made in this connection as and when appropriate in accordance with the requirements under the applicable laws and regulations, including on the details of the proposed nominees of CMD.

## **PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF CSM**

CMD intends to maintain the listing of the CSM Shares on the Stock Exchange after the closing of the Offer, and does not intend to avail itself of any powers of compulsory acquisition of any CSM Shares outstanding after the close of the Offer.

The Stock Exchange has stated that:

- (a) if, at the close of the Offer, the Stock Exchange believes that:
  - (i) a false market exists or may exist in the trading of the CSM Shares; or
  - (ii) an orderly market does not exist or may not exist,

it will consider exercising its discretion to suspend dealings in the CSM Shares; and

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## LETTER FROM CLSA LIMITED

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- (b) if, at the close of the Offer, CSM has a Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules), then:
- (i) the Stock Exchange will add a designated marker to the stock name of the listed shares; and
  - (ii) the Stock Exchange will cancel the listing of CSM Shares if CSM fails to re-comply with Rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules).

CMD intends for CSM to remain listed on the Stock Exchange. The CMD Directors and any new directors to be appointed to the CSM Board will jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, CSM fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the issuer's compliance with Rule 13.32B of the Listing Rules at the earliest possible moment.

### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offer, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as what would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold CSM Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the CSM Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All communications, notices, Form of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of CMD, CLSA Limited, CITICS HK, CSM, CSM Independent Financial Adviser and any of their respective directors nor the Receiving Agent or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage, delay in transmission or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

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## LETTER FROM CLSA LIMITED

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the CSM Board”, the “Letter from the CSM Independent Board Committee” and the “Letter from the CSM Independent Financial Adviser” and other information about the CSM Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,  
For and on behalf of  
**CLSA Limited**  
**Edmund Chan**  
*Managing Director, Head of M&A*

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LETTER FROM THE CSM BOARD

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**CHINA SHENGMU ORGANIC MILK LIMITED**

**中國聖牧有機奶業有限公司**

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

**(Stock Code: 1432)**

***Executive Directors:***

Mr. Zhang Jiawang

***Non-executive Directors:***

Mr. Chen Yiyi

Mr. Zhang Ping

Mr. Bai Fengming

Mr. Sun Qian

Ms. Shao Lijun

***Independent non-executive Directors:***

Mr. Wang Liyan

Mr. Wu Liang

Mr. Sun Yansheng

***Registered Office:***

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

***Headquarters and principal place of business in the PRC:***

Food Industry Park

Deng Kou County

Bayannur City

Inner Mongolia Autonomous Region

PRC

***Principal place of business in Hong Kong:***

Room A, 32nd Floor

COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

30 June 2026

*To the Offer Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF CHINA MODERN DAIRY HOLDINGS LTD.**

**TO ACQUIRE ALL THE ISSUED SHARES OF CHINA SHENGMU ORGANIC MILK LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY CHINA MODERN DAIRY HOLDINGS LTD. AND START GREAT)**

**INTRODUCTION**

Reference is made to (i) the Rule 3.5 Announcement; and (ii) the announcement issued by CSM on 10 November 2025 regarding the establishment of the CSM Independent Board Committee and the appointment of the CSM Independent Financial Adviser.

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## LETTER FROM THE CSM BOARD

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As disclosed in the Rule 3.5 Announcement, on 30 October 2025 (after trading hours), each Selling Shareholder and CMD entered into a Share Purchase Agreement, pursuant to which the relevant Selling Shareholder conditionally agreed to sell, and CMD conditionally agreed to purchase, the respective Sale Shares held by such Selling Shareholder. The aggregate number of Sale Shares is 107,200,000 CSM Shares (representing approximately 1.28% of the total issued share capital of CSM as at the Latest Practicable Date), for a total Consideration of HK\$37,520,000.

CMD, Start Great and Mengniu further entered into the Voting Rights Agreement on 30 October 2025, pursuant to which Start Great irrevocably granted a proxy in favour of CMD to exercise the voting rights over 2,086,942,512 CSM Shares held by it (representing approximately 24.90% of the total issued share capital of CSM as at the Latest Practicable Date). In addition, Start Great irrevocably waived and committed not to exercise the voting rights with regards to all remaining CSM Shares held by it, save for matters, decisions or actions that would or would likely result in the winding up, liquidation, amalgamation, merger of CSM, the change of principal business of CSM, the repurchase or cancellation of any CSM Shares held by Start Great, or any matters that relate to or may affect the economic rights attached to any CSM Shares held by Start Great.

As disclosed in the joint announcement of CMD and CSM dated 22 May 2026, the SPA Completion under each of the Share Purchase Agreements took place on 22 May 2026.

Immediately prior to SPA Completion, CMD and parties acting in concert with it owned 2,513,178,555 CSM Shares, representing approximately 29.99% of the total issued share capital of CSM.

Immediately after SPA Completion and as at the Latest Practicable Date, CMD and parties acting in concert with it are interested in 2,620,378,555 CSM Shares, representing approximately 31.26% of the total issued share capital of CSM.

Pursuant to Rule 26.1 of the Takeovers Code, immediately following SPA Completion, CMD is required to make a mandatory conditional cash offer for all the issued CSM Shares (other than those already owned and/or agreed to be acquired by CMD and Start Great).

### THE OFFER

As disclosed in the “Letter from CLSA Limited” in the Composite Document, CLSA Limited, for and on behalf of CMD and in compliance with the Takeovers Code, is making a mandatory conditional cash offer to acquire all the Offer Shares on the following terms:

**Offer Price for each Offer Share . . . . . HK\$0.35 in cash**

The Offer is conditional only upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as CMD may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with the CSM Shares already acquired or held by CMD and the parties acting in concert with it, would result in CMD and the parties acting in concert with it holding more than 50% of the voting rights of CSM as at the Closing Date.

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## LETTER FROM THE CSM BOARD

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CMD intends to finance the consideration payable under the Offer through internal resources of the CMD Group.

CSM confirms that as at the Latest Practicable Date, CSM does not have any dividend or distribution recommended, declared or made but unpaid and CSM does not intend to declare any dividend or make other distributions during the Offer Period.

Further details of the terms of the Offer and the procedures for acceptance and settlement are set out in the “Letter from CLSA Limited” in the Composite Document, Appendix I “Further Terms and Procedures for Acceptance of the Offer” to the Composite Document and the accompanying Form of Acceptance.

Offer Shareholders are reminded to read the recommendations of the CSM Independent Board Committee and the advice of the CSM Independent Financial Adviser in respect of the Offer which are included in the “Letter from the CSM Independent Board Committee” and the “Letter from the CSM Independent Financial Adviser” as contained in the Composite Document.

### INFORMATION ON THE CSM GROUP

CSM is an investment holding company. The CSM Group is principally engaged in the dairy farming business. CSM Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1432).

Set out below is a summary of certain consolidated financial information of CSM for the three financial years ended 31 December 2025 as extracted from the relevant annual reports of CSM for the years ended 31 December 2025 and 31 December 2024:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	3,383,629	3,126,184	3,012,260
(Loss)/profit before tax	97,686	(63,284)	(371,056)
(Loss)/profit after tax	94,612	(64,515)	(373,026)
Total comprehensive (loss)/income for the year	98,612	(69,515)	(375,026)
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)
Total assets	8,516,911	8,464,252	7,972,869
Total liabilities	4,280,656	4,288,460	4,167,768
Net assets	4,236,255	4,175,792	3,805,101

Further details of the CSM Group are set out in Appendix II “Financial Information of the CSM Group” and Appendix III “General Information of the CSM Group” to the Composite Document.

# LETTER FROM THE CSM BOARD

## SHAREHOLDING STRUCTURE OF CSM

The table below sets out the shareholding structure of CSM immediately after SPA Completion and as at the Latest Practicable Date:

CSM Shareholders	<b>Immediately after the SPA Completion and as at the Latest Practicable Date</b>	
	<i>Number of CSM Shares</i>	<i>Approximate % of the issued CSM Shares<sup>(Note 1)</sup></i>
CMD <sup>(Note 5)</sup>	107,200,000	1.28
Start Great <sup>(Note 2)</sup>	2,513,178,555	29.99
Subtotal of CMD and parties acting in concert with it	2,620,378,555	31.26
Zhang Jiawang <sup>(Notes 3, 4 and 6)</sup>	171,427,580	2.05
Other Offer Shareholders <sup>(Notes 4 and 6)</sup>	5,589,489,094	66.69
<b>Total</b>	<b>8,381,295,229</b>	<b>100.00</b>

*Notes:*

- Certain percentage figures in the above table are subject to rounding adjustments.
- As at the Latest Practicable Date, Start Great is a wholly-owned subsidiary of Mengniu. CMD is an associate of Mengniu under the applicable accounting standards and Start Great is an associated company (within the meaning of the Takeovers Code) of CMD and is presumed to be acting in concert with CMD pursuant to Class (1) of the definition of “acting in concert” under the Takeovers Code.
- As at the Latest Practicable Date, Mr. Zhang Jiawang is a CSM Director. The 171,427,580 CSM Shares held by Mr. Zhang Jiawang as set out above include the 3,495,000 award shares vested in Mr. Zhang Jiawang under the CSM Share Award Scheme on 20 April 2026 but do not include 1,901,000 award shares which have been granted, but not yet vested, to Mr. Zhang Jiawang under the CSM Share Award Scheme. The unvested award shares have been excluded as Mr. Zhang Jiawang is not entitled to exercise any rights of a shareholder until the CSM Shares have been transferred to him.
- For completeness, Mr. Zhang Jiawang is also an Offer Shareholder.
- Upon the SPA Completion, the CSM Shares amounting to 1.28% of the total issued CSM Shares originally held by the Selling Shareholders were transferred to CMD and CMD directly owns approximately 1.28% of the total issued CSM Shares immediately after SPA Completion and as at the Latest Practicable Date.
- For completeness, the number of CSM Shares held by the other Offer Shareholders (being Offer Shareholders other than Mr. Zhang Jiawang) includes 1,901,000 award shares which have been granted, but not yet vested, to Mr. Zhang Jiawang under the CSM Share Award Scheme, even though Mr. Zhang Jiawang is deemed to be interested in such unvested award shares under Part XV of the SFO.

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## **LETTER FROM THE CSM BOARD**

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As at the Latest Practicable Date, CSM has 8,381,295,229 CSM Shares in issue. CSM does not have any other outstanding Shares, warrants, options, derivatives or other securities which are convertible into Shares or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

### **PROFIT FORECAST**

The statement relating to the CSM Group's loss for the three months ended 31 March 2026 as set out in the section headed "4. Material Change" in Appendix II to this Composite Document constitutes a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the financial adviser and auditors of CSM in accordance with Rule 10 of the Takeovers Code.

The Profit Forecast has been reported on by Gram Capital Limited as the CSM Independent Financial Adviser and by Ernst & Young as the auditors of CSM. Please refer to Appendix V headed "Report from the CSM Independent Financial Adviser on the Profit Forecast" and Appendix VI headed "Letter from Ernst & Young on the Profit Forecast" to this Composite Document for the relevant reports.

### **REASONS FOR AND BENEFITS OF THE OFFER**

Your attention is drawn to the section headed "REASONS FOR AND BENEFITS OF THE OFFER" of the "Letter from CLSA Limited" in the Composite Document.

### **INFORMATION ON CMD**

Your attention is drawn to the "Letter from CLSA Limited" in the Composite Document for the information on CMD.

### **INTENTION OF CMD REGARDING THE CSM GROUP AND ON CHANGE OF BOARD COMPOSITION**

Your attention is drawn to the section headed "INTENTION OF CMD REGARDING THE CSM GROUP" in the "Letter from CLSA Limited" in the Composite Document.

The CSM Board notes the intention of CMD for the CSM Group to continue to carry on its existing business and CMD does not intend to make any major changes to the business of CSM. CSM is open to working with CMD in reviewing the structure, operation and business of the CSM Group to enhance and strengthen its business. The CSM Board also notes that CMD intends to nominate at least three new directors to the CSM Board, and additionally, to ensure one director designated by Mengniu remains on the CSM Board at all times until the termination of the Voting Rights Agreement. Further announcement(s) will be made by CSM in compliance with the requirements of the Listing Rules as and when there are changes in the composition of the CSM Board.

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## LETTER FROM THE CSM BOARD

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### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF CSM**

As set out in the section headed “PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF CSM” in “Letter from CLSA Limited” in the Composite Document, CMD intends CSM to maintain the listing of the CSM Shares on the Stock Exchange after the closing of the Offer, and does not intend to avail itself of any powers of compulsory acquisition of any CSM Shares outstanding after the close of the Offer. Pursuant to the Listing Rules, if, at the closing of the Offer, the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the CSM Shares; or (ii) an orderly market does not exist or may not exist, then it will consider exercising its discretion to suspend dealings in the CSM Shares. The Stock Exchange has also stated that, if at the closing of the Offer, CSM has a Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules), then the Stock Exchange will add a designated marker to the stock name of the listed shares and cancel the listing of CSM Shares if CSM fails to re-comply with Rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules).

CMD intends for CSM to remain listed on the Stock Exchange. The CMD Directors and any new directors to be appointed by CMD to the CSM Board will jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, CSM fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the issuer’s compliance with Rule 13.32B of the Listing Rules at the earliest possible moment.

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

Pursuant to Rule 2.8 of the Takeovers Code, the CSM Independent Board Committee, which comprises all the non-executive CSM Directors who have no direct or indirect interest in the Offer, namely Mr. Sun Qian, Ms. Shao Lijun, Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng, has been established by CSM to make a recommendation to the CSM Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

As (i) Mr. Chen Yiyi is also a director of CMD; (ii) Mr. Zhang Ping is a former director of CMD (who resigned with effect from 25 March 2026); and (iii) Mr. Bai Fengming is also an employee of the Mengniu Group, the controlling shareholder of CMD, they are not considered as independent for the purposes of the Takeovers Code and do not form part of the CSM Independent Board Committee.

Gram Capital Limited has been appointed as the CSM Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the CSM Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The appointment of the CSM Independent Financial Adviser has been approved by the CSM Independent Board Committee.

For the opinions and advice of the CSM Independent Financial Adviser, please refer to the “Letter from the CSM Independent Financial Adviser” as contained in the Composite Document.

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## LETTER FROM THE CSM BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the CSM Independent Board Committee” as set out on pages IBC-1 to IBC-3 of the Composite Document which contains the recommendation of the CSM Independent Board Committee to the Offer Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer; and (ii) the “Letter from the CSM Independent Financial Adviser” as set out on pages IFA-1 to IFA-21 of the Composite Document which contains the advice of the CSM Independent Financial Adviser to the CSM Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice. The Offer Shareholders are encouraged to read these letters carefully before taking any action in respect of the Offer.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to the Composite Document. Further details on the terms and the procedures for acceptance and settlement of the Offer are set out in Appendix I “Further Terms and Procedures for Acceptance of the Offer” to the Composite Document and the accompanying Form of Acceptance. You are also recommended to read carefully the Form of Acceptance for further details in respect of the procedures for acceptance and settlement of the Offer.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of the CSM Board  
**China Shengmu Organic Milk Limited**  
**Chen Yiyi**  
*Chairman*



**CHINA SHENGMU ORGANIC MILK LIMITED**

**中國聖牧有機奶業有限公司**

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

**(Stock Code: 1432)**

30 June 2026

*To the CSM Independent Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY CLSA LIMITED  
FOR AND ON BEHALF OF CHINA MODERN DAIRY HOLDINGS LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA SHENGMU ORGANIC MILK LIMITED (OTHER THAN THOSE  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY CHINA MODERN  
DAIRY HOLDINGS LTD. AND START GREAT)**

**INTRODUCTION**

We refer to the Composite Document dated 30 June 2026 jointly issued by CMD and CSM, which this letter forms part of. Save as otherwise defined herein, terms used in this letter shall have the same meanings as given to them in the Composite Document.

We have been appointed to form the CSM Independent Board Committee to consider the terms of the Offer and to advise you (i.e., the CSM Independent Shareholders) as to, in our opinion, whether or not the terms of the Offer are fair and reasonable and to make a recommendation in respect of acceptance of the Offer.

Gram Capital Limited has been appointed as the CSM Independent Financial Adviser with our approval to make a recommendation to us in respect of the terms of the Offer and, in particular, whether the terms of the Offer are fair and reasonable and to make a recommendation in respect of the acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the CSM Independent Financial Adviser” on pages IFA-1 to IFA-21 of the Composite Document.

We also wish to draw your attention to the “Letter from the CSM Board” and the additional information set out in the appendices to the Composite Document.

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# LETTER FROM THE CSM INDEPENDENT BOARD COMMITTEE

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## RECOMMENDATION

Having taken into account the Offer and the independent advice from the CSM Independent Financial Adviser, as well as the principal factors and reasons considered in arriving at its recommendation, we (other than Mr. Wang Liyan (“**Mr. Wang**”) whose views are set out below) concur with the view of the CSM Independent Financial Adviser and consider that the Offer is fair and reasonable so far as the CSM Independent Shareholders are concerned and is in the interests of the CSM Independent Shareholders as a whole. As such, we (other than Mr. Wang) recommend the CSM Independent Shareholders to accept the Offer.

Mr. Wang does not fully concur with the view expressed in the letter from the CSM Independent Financial Adviser to the CSM Independent Board Committee that the Offer Price is fair and reasonable so far as the CSM Independent Shareholders are concerned. Having considered CMD’s basis for determining the Consideration (which is equal to the Offer Price on a per CSM Share basis) as set out in the circular of CMD dated 24 December 2025 (the “**CMD Circular**”), Mr. Wang is of the view that the Offer Price does not fully reflect (i) the quality of the assets of the CSM Group; (ii) the normal course of business and improvement in operations of the CSM Group, including, among other things, the CSM Group’s operating performance in 2025 was better than the initial budget and the production cost per kilogram of milk has been declining year after year; (iii) the reputation and goodwill of the production chain and ESG efforts of the CSM Group have been widely recognised, as evidenced by matters including but not limited to awards won by the CSM Group such as “Outstanding Award for Climate Disclosure Contribution” and “Outstanding Award for Climate Disclosure Enhancement Contribution” given by Hong Kong Quality Assurance Agency, as well as the “Hong Kong Dollar Green Loan Certificate” issued by Hong Kong Quality Assurance Agency, each of which is perceived by Mr. Wang to contribute positively to the value of the CSM Shares.

In addition, Mr. Wang notes that the CMD Circular dated 24 December 2025 contains information from a preliminary valuation report in respect of the assets of the CSM Group, which was based on data from the Valuer’s preliminary valuation report dated 16 December 2025, and includes an impairment of approximately RMB339 million in respect of the land use rights of the grassland held by the CSM Group without full details of the preliminary valuation report.

In light of the above, Mr. Wang is of the view that CMD’s basis for determining the Consideration (which is equal to the Offer Price on a per CSM Share basis) does not reflect all relevant factors. Therefore, he does not agree with the view that “the Offer (including the Offer Price) is fair and reasonable so far as the CSM Independent Shareholders are concerned” and does not recommend the CSM Independent Shareholders to accept the Offer. However, Mr. Wang reminds the CSM Independent Shareholders that the decision to accept the Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

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## LETTER FROM THE CSM INDEPENDENT BOARD COMMITTEE

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Notwithstanding the recommendation and the views above, the CSM Independent Shareholders are strongly advised that the decision to accept the Offer or to hold your investment in the Shares is subject to individual circumstances and investment objectives. If in doubt, the CSM Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the CSM Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,

For and on behalf of the

Independent Board Committee of China Shengmu Organic Milk Limited

**Mr. Sun Qian**

*Non-executive Director*

**Ms. Shao Lijun**

*Non-executive Director*

**Mr. Wang Liyan**

*Independent Non-executive  
Director*

**Mr. Wu Liang**

*Independent Non-executive  
Director*

**Mr. Sun Yansheng**

*Independent Non-executive  
Director*

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Gram Capital, the CSM Independent Financial Adviser to the CSM Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

30 June 2026

*To: The independent board committee of China Shengmu Organic Milk Limited*

Dear Sir / Madam,

**MANDATORY CONDITIONAL CASH OFFER  
BY CLSA LIMITED  
FOR AND ON BEHALF OF CHINA MODERN DAIRY HOLDINGS LTD.  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA SHENGMU ORGANIC MILK LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY CHINA MODERN DAIRY HOLDINGS LTD. AND START GREAT)**

### INTRODUCTION

We refer to our appointment as the CSM Independent Financial Adviser to advise the CSM Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 30 June 2026 jointly issued by CMD and CSM to the Offer Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 30 October 2025 (after trading hours), each Selling Shareholder and CMD entered into a Share Purchase Agreement, pursuant to which the relevant Selling Shareholder conditionally agreed to sell, and CMD conditionally agreed to purchase, the respective Sale Shares held by such Selling Shareholder. The aggregate number of Sale Shares is 107,200,000 CSM Shares, representing approximately 1.28% of the total share capital of CSM as at the date of the Share Purchase Agreements, and the total Consideration amounted to HK\$37,520,000 in cash (i.e. HK\$0.35 per Sale Share).

Prior to the SPA Completion, CMD and parties acting in concert with it own 2,513,178,555 CSM Shares, representing approximately 29.99% of the total issued share capital of CSM. Immediately following the SPA Completion under any of the Share Purchase Agreements (which took place on 22 May 2026), CMD and parties acting in concert with it held in aggregate 30% or more of the total issued share capital of CSM. CMD is required under Rule 26.1 of the Takeovers Code to make an Offer for all the Offer Shares, being all the issued CSM Shares not already owned or agreed to be acquired by CMD and Start Great. CLSA Limited is making the Offer on behalf of CMD and in compliance with the Takeovers Code.

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## **LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER**

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The CSM Independent Board Committee comprising all the non-executive directors of CSM who have no direct or indirect interest in the Offer, namely Mr. Sun Qian, Ms. Shao Lijun, Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng (Mr. Chen Yiyi is a director of CMD, Mr. Zhang Ping is a former director of CMD and Mr. Bai Fengming is also an employee of the Mengniu Group (the controlling shareholder of CMD) and they are not considered as independent for the purpose of the Takeovers Code and do not form part of the CSM Independent Board Committee), has been established by the CSM Board to make a recommendation to the Offer Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the CSM Independent Financial Adviser to advise the CSM Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the CSM Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital Limited as the CSM Independent Financial Adviser has been approved by the CSM Independent Board Committee.

### **INDEPENDENCE**

There was no relationship or interests between Gram Capital and CSM, CMD, and their respective controlling shareholders; and Gram Capital was not in the same group as the financial or other professional advisers (including a stockbroker) to CSM or CMD, during the past two years immediately preceding 30 October 2025 up to and including the Latest Practicable Date, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of Gram Capital's advice and to act as the CSM Independent Financial Adviser to the CSM Independent Board Committee.

### **BASIS OF OUR OPINION**

In formulating our opinion to the CSM Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the CSM Directors. We have assumed that all information and representations that have been provided by the CSM Directors and CMD (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any changes to the information and representation provided by the CSM Director and/or CMD resulting in any material changes to our opinion after the Latest Practicable Date, the Offer Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the CSM Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by CSM, its advisers, the CSM Directors, which have been provided to us. Our opinion is based on the CSM Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 2 of the Takeovers Code.

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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Your attention is drawn to the responsibility statements as set out in the sections headed “1. Responsibility Statement” of Appendix IV to the Composite Document. We, as the CSM Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of CSM, CMD or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the CSM Group or the Offer Shareholders as a result of the Offer. CSM has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date, Offer Shareholders will be notified of any material changes to these information resulting in any material changes to our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

#### 1. Background and terms of the Offer

According to the Composite Document, CLSA Limited, for and on behalf of CMD and in compliance with the Takeovers Code, is making the Offer on the following basis:

**For each Offer Share . . . . . HK\$0.35 in cash**

The Offer Price of HK\$0.35 per Offer Share under the Offer equals to the price per Sale Share paid by CMD for the Sale Shares under each of the Sale and Purchase Agreements.

# LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

With reference to the letter from CSM Board (the “**CSM Board Letter**”), as at the Latest Practicable Date, there were 8,381,295,229 CSM Shares in issue.

Further details of the Offer are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance.

## 2. Information on the CSM Group

With reference to the CSM Board Letter, CSM is an investment holding company. The CSM Group is principally engaged in dairy farming business.

As noted from CSM’s annual report for the year ended 31 December 2025 (the “**2025 Annual Report**”), the CSM Group is China’s first raw milk supplier certified by both domestic and EU organic standards, it has firmly pursued a high-quality development path guided by ecological priority and green sustainability, with Ulan Buh Desert as its core base. CSM had transformed 350,000 mu of desert into high-quality pasture, planted over 98 million sand-fixing trees, and built a robust sand barrier, turning 220 square kilometres of desert into an oasis. CSM had significantly increased its investment in ecological construction, solidifying the industrial environmental foundation, constructing 193.3 kilometers of roads, 277.9 kilometres of power lines, 11 reservoirs, 9 organic manure fermentation plants and 1 bio-organic fertilizer processing plant in the desert.

As at 31 December 2025, CSM Group owned 34 farms, including organic milk farms, DHA milk farms, organic A2 milk farms, and standard high-quality raw milk farms, with a total of 147,036 dairy cows.

### *Financial performance*

Set out below is a summary of the CSM Group’s consolidated financial performance for each of the three years ended 31 December 2025, as extracted from CSM’s annual report for the year ended 31 December 2024 (the “**2024 Annual Report**”) and the 2025 Annual Report:

	For the year ended 31 December 2025 (“FY2025”) <i>RMB’000</i> <i>(audited)</i>	For the year ended 31 December 2024 (“FY2024”) <i>RMB’000</i> <i>(audited)</i>	For the year ended 31 December 2023 (“FY2023”) <i>RMB’000</i> <i>(audited)</i>	Change from FY2024 to FY2025 %	Change from FY2023 to FY2024 %
Revenue	3,012,260	3,126,184	3,383,629	(3.64)	(7.61)
Gross profit	756,083	925,890	1,025,020	(18.34)	(9.67)
Profit/(loss) for the year	(373,026)	(64,515)	94,612	478.20	N/A

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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As noted from the 2024 Annual Report and the 2025 Annual Report, all of the CSM Group's revenue for FY2023, FY2024 and FY2025 were derived from sales of raw milk in the PRC.

As depicted from the above table, the CSM Group's revenue decreased by approximately 7.61% from approximately RMB3,384 million for FY2023 to approximately RMB3,126 million for FY2024. With reference to the 2024 Annual Report, such decrease was due to the slight decrease in the CSM Group's sales volume of raw milk (from 711,465 tonnes for FY2023 to 699,803 tonnes for FY2024) and the decrease in average selling price of raw milk (from RMB4,756 per tonne for FY2023 to RMB4,467 per tonne for FY2024) as the situation of supply exceeding demand in the dairy market failed to improve effectively in 2024 and the selling price of raw milk continued to be low. Along with the aforesaid decrease in revenue and the slight decrease in the CSM Group's gross profit margin (from approximately 30.29% for FY2023 to approximately 29.62% for FY2024), the CSM Group's gross profit decreased by approximately 9.67% from approximately RMB1,025 million for FY2023 to approximately RMB926 million for FY2024.

As a result of the aforesaid decrease in gross profit and the increase in loss arising from changes in fair value less costs to sell of biological assets, mainly due to (i) the CSM Group's acceleration in the retiring process of inefficient cows to mitigate the impact of the imbalance between supply and demand of raw milk and improve the quality of the dairy herd, coupled with the low market price of culled cows during FY2024 as compared to that for FY2023 as a result of the increase in number of culled cows in the market; and (ii) the lower-than-expected demand in the beef cow market and a significant drop in selling prices as the downstream demand (such as the catering industry) for livestock weaken, the CSM Group turnaround from profit-making for FY2023 to loss-making for FY2024.

The CSM Group's revenue further decreased by approximately 3.64% from approximately RMB3,126 million for FY2024 to approximately RMB3,012 million for FY2025, mainly due to the further decrease in average selling price of raw milk (from RMB4,467 per tonne for FY2024 to RMB3,875 per tonne for FY2025), as partially offset by the increase in sales volume of raw milk (from 699,803 tonnes for FY2024 to 777,282 tonnes for FY2025) as the CSM Group's raw milk production increases. As advised by the CSM Directors, although the overall demand for raw milk decreases in recent years, as the CSM Group is one of the leading market players, and the raw milk the CSM Group produces primarily consist of organic raw milk, the CSM Group's downstream customers would shift their procurement towards higher-end brands and higher quality raw milk in light of a decrease in the overall raw milk price.

As noted from the 2025 Annual Report, primarily benefitted from the effects of the decline in prices of bulk feed products, the CSM Group's cost of sales per kilogram of milk declined to RMB2.90 per kilogram for FY2025 as compared to RMB3.14 per kilogram for FY2024. Nevertheless, the decrease in cost of sales was not sufficient to fully offset the decline in milk prices. As a result, the CSM Group's gross profit for FY2025 decreased by approximately 18.34% as compared to that for FY2024, and the CSM Group's gross profit margin for FY2025 decreased to approximately 25.10%, representing a decrease of approximately 4.52 percentage points as compared to that for FY2024.

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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Along with the aforesaid decrease in gross profit and the significant increase in other expenses from approximately RMB5.8 million for FY2024 to RMB320 million for FY2025 due to the recognition of the impairment provision of approximately RMB317 million in respect of the land use rights of the long-term undeveloped grassland held by the CSM Group (the “**Subject Land**”) (the “**Land Impairment**”), CSM Group’s loss for FY2025 increased significantly by approximately 478.20% as compared to that for FY2024.

We understood from the CSM Directors that the Subject Land is a parcel of land located at the Ulan Buh emergency flood diversion zone in Inner Mongolia Autonomous Region of the PRC which appeared desertified and remained undeveloped as at 31 December 2025. In August 2025, the Agriculture and Animal Husbandry Bureau of Dengkou County published the Dengkou County 2025 Autonomous Region-level Corn Green High-Yield and High-Efficiency Creation Action Plan\* (《磴口縣2025年自治區級玉米綠色高產高效創建行動實施方案》) (the “**Action Plan**”), which requires the continued implementation of the national green high-yield and high-efficiency action projects, in order to promote the deeper integration of high-quality farmland and seeds, advanced machinery and optimised methods on a wider scale, driving large-scale yield increases of important agricultural products. The Subject Land is subject to the requirement of the Action Plan.

In light of the latest requirements under the Action Plan, the Group revisited the capital expenditure and budget for the future development of the Subject Land, and having taken into account the market value of the Subject Land as at 31 December 2025 as appraised based on market price of comparable lands, the Group recognised the impairment provision of approximately RMB317 million in respect of the Subject Land for FY2025.

As noted from CSM’s interim report for the six months ended 30 June 2025 and CSM’s announcement dated 1 August 2025, a civil judgement was issued by the Intermedial People’s Court of Huhhot on 16 August 2021 in relation to a claim made against Inner Mongolia Shengmu High-tech Farming Co., Ltd. (“**Shengmu High-tech**”), an indirect wholly-owned subsidiary of CSM, and two former directors of CSM by a plaintiff. Shengmu High-tech had lodged an appeal against the first-instance judgement with the High People’s Court of Inner Mongolia Autonomous Region (the “**Appeal Court**”) and on 28 July 2025, the CSM Board received a copy of the final judgement issued by the Appeal Court dated 23 July 2025 (the “**Final Judgement**”). In the Final Judgement, the Appeal Court significantly reduced the sum awarded to the plaintiff and decided against other claims made by the plaintiff. Pursuant to the outcome of the Final Judgement, the CSM Directors expected that the CSM Group’s maximum indemnity amount shall be approximately RMB39.4 million, resulting in a reversal of the provision of approximately RMB45.8 million made during FY2025 as compared to the original accumulated provision of RMB85.0 million for the probable losses which was reflected in CSM’s annual report for 2021 and 2022.

## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

### *Financial position*

Set out below is a summary of the CSM Group's consolidated financial position as at 31 December 2023, 2024 and 2025, as extracted from the 2024 Annual Report and the 2025 Annual Report:

	<b>As at</b> <b>31 December</b> <b>2025</b> <i>RMB'000</i> <i>(audited)</i>	<b>As at</b> <b>31 December</b> <b>2024</b> <i>RMB'000</i> <i>(audited)</i>	<b>As at</b> <b>31 December</b> <b>2023</b> <i>RMB'000</i> <i>(audited)</i>
<b>Total assets</b>	7,972,869	8,464,252	8,516,911
– <i>Property, plant and equipment</i>	1,803,428	1,885,925	1,945,138
– <i>Biological assets</i>	3,354,046	3,466,521	3,214,229
– <i>Inventories</i>	913,099	856,609	1,006,841
– <i>Trade receivables</i>	278,680	287,701	303,329
– <i>Restricted bank deposits</i>	695	128,988	148,783
– <i>Cash and bank balances</i>	1,169,756	1,065,283	947,886
– <i>Other assets</i>	453,165	773,225	950,705
<b>Total liabilities</b>	4,167,768	4,288,460	4,280,656
– <i>Trade and bills payables</i>	1,700,839	1,649,760	1,706,705
– <i>Interest-bearing bank borrowings</i>	2,211,192	2,274,285	2,131,239
– <i>Other liabilities</i>	255,737	364,415	442,712
<b>Net assets</b>	3,805,101	4,175,792	4,236,255
<b>Net assets attributable to the owners of CSM</b>	3,591,077	3,963,007	4,023,068

The CSM Group's total assets decreased from approximately RMB8,517 million as at 31 December 2023 to approximately RMB8,464 million as at 31 December 2024, and further decreased to approximately RMB7,973 million as at 31 December 2025. The CSM Group's assets primarily consisted of property, plant and equipment, biological assets (representing the CSM Group's milkable cows, heifers, calves and beef cattle) and cash and bank balances.

The CSM Group's total liabilities increased from approximately RMB4,281 million as at 31 December 2023 to approximately RMB4,288 million as at 31 December 2024, and decreased to approximately RMB4,168 million as at 31 December 2025. The CSM Group's liabilities primarily consisted of trade and bills payables and interest-bearing bank borrowings.

As at 31 December 2025, the CSM Group's net assets and net asset attributable to the owners of CSM ("NAV") were approximately RMB3,805 million and RMB3,591 million respectively, representing NAV of RMB0.43 per CSM Share (equivalent to approximately HK\$0.47 per CSM Share based on the exchange rate of HK\$1.0:RMB0.90322 as quoted by the People's Bank of China on 31 December 2025).

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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With reference to the Valuation Report prepared by the Valuer, the fair value of the net identifiable tangible and intangible assets and liabilities belonging to CSM was approximately RMB3,665 million as at 31 March 2026 (the “**Adjusted NAV**”), representing the Adjusted NAV of RMB0.44 per CSM Share (equivalent to approximately HK\$0.50 per CSM Share based on the exchange rate of HK\$1.0: RMB0.88295 as quoted by the People’s Bank of China on 31 March 2026).

### *Dividend*

We noted from the 2024 Annual Report that CSM adopted a dividend policy on 28 March 2023 (the “**Dividend Policy**”). Pursuant to the Dividend Policy, the declaration and payment of dividends shall be determined at the sole discretion of the CSM Board. CSM’s ability to distribute dividend will depend on, among others, CSM’s profits, operating results, cash flows, financial condition and capital requirements, contractual restrictions which CSM is subject to, other factors of CSM which the CSM Directors consider relevant, and the interests of the CSM Shareholders. We also noted from CSM’s past annual reports that, following the adoption of the Dividend Policy, CSM declared and paid final dividends of HK1.13 cents per CSM Share and HK0.23 cents per CSM Share in respect of CSM’s financial year ended 31 December 2022 and 2023 respectively, representing the dividend payout ratio of approximately 22.65% and 22.12%. As the CSM Group was loss-making for each of the six months ended 30 June 2024 and 2025; and for each of FY2024 and FY2025, no interim or final dividends were declared by the CSM Board in respect of the corresponding period. With reference to the 2025 Annual Report, as at 31 December 2025, CSM’s distributable reserve amounted to approximately RMB3,391 million.

Save for the abovementioned dividend distributions for 2022 and 2023, CSM had not distributed any dividend since its listing on the Stock Exchange in July 2014.

Despite that CSM had distributable reserve for the distribution of dividends, as the declaration of dividends are determined at the sole discretion of the CSM Board, it is uncertain whether CSM will declare and make any payment of interim or final dividends even if the CSM Group turnaround from loss-making to profit-making.

### *Outlook of the dairy industry*

CSM Group is principally engaged in production and distribution of raw milk in the PRC through its operation of dairy farms, the raw milk CSM Group produces primarily consist of organic raw milk. Raw milk refers to milk that has not undergone pasteurisation process and they are distributed to downstream manufacturers to be processed into (i) fluid milk (i.e. drinkable milk, including white milk, flavoured milk drinks and yogurt); and (ii) dried dairy products. To assess the outlook of the CSM Group’s business, we searched for and analysed certain statistics and relevant policies around the PRC dairy industry.

## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

Set out below are the price of raw milk in the PRC as at the last week of each of the five years ended 31 December 2025, as published by the Ministry of Agriculture and Rural Affairs of the PRC, together with the CSM Group's average selling price of raw milk for the five years ended 31 December 2025, as extracted from CSM's past annual reports:

	2021	2022	2023	2024	2025
<b>Raw milk price in the PRC</b>					
<i>(RMB per tonne)</i>	4,280	4,120	3,660	3,110	3,030
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>year ended</b>	<b>year ended</b>	<b>year ended</b>	<b>year ended</b>	<b>year ended</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>CSM Groups' average selling price of raw milk</b>					
<i>(RMB per tonne)</i>	5,104	4,998	4,756	4,467	3,875

The price of raw milk in the PRC has shown decreasing trend over the past five years, decreased from RMB4,280 per tonne as at the last week of 2021 to RMB3,030 per tonne as at the last week of 2025, representing a compound annual growth rate (CAGR) of negative 8.27%. As advised by the CSM Directors, as raw milk price peaked in the second quarter of 2021, at the material time, market participants (including the CSM Group) had increased their investments in female new born calves (which typically become milkable cows in around two years) with the view of increasing their raw milk production and capture the opportunities arising from the increasing trend of raw milk price. However, the Chinese economy was impacted by the prolonged pandemic and the emergence of the Chinese property crisis in 2021 and the spending habits of end-customers had shifted, affecting the demand for raw milk. The continuous decrease in raw milk price in the PRC was a response taken by market participants in light of the imbalance between supply and demand of raw milk in the PRC since the third quarter of 2021. Nevertheless, the decreasing rate of raw milk price in the PRC had decelerated by the end of 2025.

We noted that the CSM Group's average selling price of raw milk was higher than the price of raw milk in the PRC as listed above. As advised by the CSM Directors, this was mainly due to the fact that majority of raw milk sold by the CSM Group was organic raw milk, which accounted for approximately 78% of the CSM Group's raw milk for FY2025 in terms of sales volume and with a higher price as compared to regular raw milk price. The industry places paramount importance on and sets stringent standards for the production process of organic raw milk, covering conditions of dairy farms, feed growing and raw milk production. The continuous decrease in raw milk price in the PRC over the past five years resulted from the imbalance between supply and demand of raw milk had, to a large extent, caused the corresponding decrease in the CSM Group's average selling price of raw milk. The decrease in average selling price of raw milk of the CSM Group outpaced that of the PRC's dairy industry for FY2025.

## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

Set out below are the annual production of raw milk in the PRC and the domestic consumption of fluid milk in the PRC for the five years ended 31 December 2025 as extracted from Wind Financial Terminal (according to the website of Wind Information Co., Ltd. (the provider of Wind Financial Terminal) (“Wind”), Wind was founded in 1998 and is a leading provider of financial information services in the PRC and the financial information provided by Wind are widely used by securities companies, fund management corporations, insurance companies, banks, investment firms and media. Other than its domestic presence in the PRC, Wind has established offices in oversea regions such as New York, San Francisco, London, Luxembourg, Singapore and Tokyo. Media and data published by Wind is frequently cited by authoritative Chinese and English media (such as Xinhua News Agency (the official state news agency of the PRC), Shanghai Securities News (a national securities newspaper in the PRC), Bloomberg, Reuters and Financial Times), research reports and academic papers):

	2021	2022	2023	2024	2025
<b>Annual production of raw milk in the PRC (million tonnes)</b>	36.83	39.32	41.97	40.79	40.91
<i>Year-on-year growth</i>		6.76%	6.74%	(2.81)%	0.28%
<i>Compound annual growth rate</i>					2.66%
<b>Domestic consumption of fluid milk in the PRC (million tonnes)</b>	39.20	41.30	43.69	42.31	42.15
<i>Year-on-year growth</i>		5.36%	5.79%	(3.16)%	(0.38)%
<i>Compound annual growth rate</i>					1.83%

*Note:* Raw milk refers to milk that has not undergone pasteurisation process; and fluid milk refers to drinkable milk, including white milk, flavoured milk drinks and yogurt.

On the supply side, the annual production of raw milk in the PRC recorded year-on-year increase for each of 2021, 2022 and 2023. The annual production of raw milk in the PRC for 2024 decreased by approximately 2.81% as compared to that for 2023, being the first decline in production of raw milk since 2018, and remained at similar level for 2025. In terms of imports, as import of raw milk is not practicable given its short shelf life, import of dairy products are typically in the form of dried dairy products and packaged fluid milk which have longer shelf lives. We noted from the statistics published by the General Administration of Customs of the PRC that China imported a total of 2.66 million tonnes of various dairy products in 2025 (including dried dairy products and fluid milk), being at similar level as that for 2024 and marking an end to the consecutive three years of decline in imported dairy products.

We understood from the CSM Directors that the year-on-year decrease in production of raw milk in 2024 was a response to the oversupply of raw milk taken by market participants in the PRC by optimising their herd structure through eliminating low-yielding dairy cows. Despite the oversupply of raw milk in the PRC, as demand for imported dried dairy products continues to exist (being a major type of dairy product China imports which used to have price advantage over domestically-produced dried dairy products), China has been importing dairy products abroad. Given the downward trend in domestic raw milk prices resulted from the imbalance of supply and demand in the PRC, the price advantage of imported dried dairy products gradually reduced and the volume of dairy products imported by the PRC had declined continuously for three consecutive years from 2022 to 2024.

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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Along with the decrease in both the annual production of raw milk in the PRC and the PRC's import of dairy products for 2024, the domestic consumption of fluid milk in the PRC also recorded year-on-year decrease for 2024. The domestic consumption of fluid milk in the PRC for 2025 also remained at similar level as that for 2024.

To cope with the oversupply pressures and price competition faced by the dairy industry, government authority and certain industry associations had issued certain notice and development plans to provide development direction to the industry players.

In January 2025, the Ministry of Agriculture and Rural Affairs of the PRC issued the Opinion on Implementing Grain-Saving Actions in Animal Husbandry\* (《關於實施養殖業節糧行動的意見》), which outlined the comprehensive national strategy to reduce grain consumption in the animal husbandry industry. Recognising that feed grain accounted for a significant portion of China's total grain use and approximately 70% of breeding costs, the guiding opinion aims to significantly improve production efficiency by 2030. Key measurable target is to reduce the average feed consumption per unit of animal product in standardised, large-scale farming by more than 7% compared to the level for 2023, while increasing the utilisation of non-grain feed resources. The guiding opinion presents a systematic plan to facilitate the transition of the PRC's animal husbandry industry towards greater efficiency, resource diversity and sustainability, by integrating technological upgrades, resource expansion and structural optimisation, it seeks to build a resilient production system for the animal husbandry industry.

In July 2025, the Ministry of Agriculture and Rural Affairs of the PRC issued the Notice on Accelerating the Relief of Difficulties in the Dairy Industry and Enhancing High Quality Development of the Dairy Industry\* (《加快奶業紓困提升奶業高質量發展水平的通知》), which outlined the measures to help the dairy industry to overcome challenges and achieve sustainable growth, with the aims to (1) stabilise dairy farms facing financial difficulties by providing financial aids and enhancing financial services available to cow farms; (2) improve the overall quality, efficiency and competitiveness of the entire industry chain by optimising herd structure by culling low-yield cows; and (3) boost domestic consumption of milk products by promoting the development of "plain-packaged" milk and "low-price" milk to fulfil local consumption requirement and extending the implementation scope of "school milk programs" to regions with suitable conditions. The notice represents a comprehensive reform plan for the dairy industry with an objective to build a more resilient, efficient, and high-value domestic dairy industry that is less vulnerable to market fluctuation.

In July 2025, the Dairy Association of China published the document titled China's Dairy Industry Forges Ahead 2030\* (《中國奶業奮進2030》), which outlined the comprehensive strategic blueprint for the development of the dairy industry to the year 2030, with the aim to achieve high-quality development, enhance comprehensive competitiveness and ensuring national good security. The document sets out the quantitative and qualitative targets to be achieved by 2030, including that milk production to reach around 45 million tonnes, with a domestic milk source self-sufficiency rate to maintain above 70%, the proportion of farming scale above 100 heads to reach about 85%, with average annual milk yield per cow exceeding 10 tonnes, product quality inspection pass rate to maintain above 99%, and dairy consumption per capita to reach over 47kg.

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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PRC's dairy industry was pressured by oversupply and price competition in raw milk, and the market participants (including CSM Group) are facing longer return period for their investments in female new born calves (which typically become milkable cows in around two years) made in 2021 when raw milk price peaked. Although the aforesaid guiding opinion, notice and document provided development plans for the dairy industry; and the decreasing rate of raw milk price in the PRC had decelerated in 2025, as CSM Group operates organic raw milk farms, a niche sector with product differentiation and higher feed costs and pricing that was profoundly affected by the decrease in raw milk price industry-wide, resulting in greater decrease in CSM Group's average selling price of raw milk to maintain its competitiveness in terms of pricing with standard raw milk farms. As such, we are of the view that the timing of CSM Group's recovery from the industry cyclical adjustment is uncertain.

### **3. Information on CMD**

With reference to letter from CLSA Limited, CMD (being the Offeror) is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange (stock code: 1117). The CMD Group is a leading operator in dairy cow farming and raw milk production in the PRC. Its two major business segments are the raw milk business and the integrated dairy farming solutions business, with a focus on supplying high-quality raw milk to dairy product manufacturers in the PRC.

### **4. Intentions of CMD regarding the CSM Group**

With reference to letter from CLSA Limited, as at the Latest Practicable Date, CMD intends to continue with the CSM Group's existing businesses and does not intend to make any major changes to the business of CSM or to introduce any major changes in the continued employment of the employees of the CSM Group as a result of the Offer. However, in connection with the Acquisition and the Offer and subject to the Offer becoming unconditional, CMD expects to review the CSM Group and its assets, corporate structure, capitalisation, policies, management and personnel to consider and determine what changes, if any, would be appropriate or desirable following the Acquisition and the Offer in order to best organise and optimise the activities of the CSM Group, and may make any changes as it deems necessary or appropriate in light of its review of the CSM Group, including but not limited to any redeployment of fixed assets of the CSM Group or operations, corporate structure, capitalisation, management or employment arrangements.

As at the Latest Practicable Date, subject to the Offer becoming unconditional, CMD intends to nominate at least three new directors to the CSM Board, and additionally, to ensure that one director designated by Mengniu remains on the CSM Board at all times until the termination of the Voting Rights Agreement, and may effect other changes to the existing composition of the CSM Board, in each case subject to the requirements of the Takeovers Code, the Listing Rules, the articles of association of CSM and the other applicable laws.

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# LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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## 5. Offer Price

### 5.1 Offer Price comparison

The Offer Price of HK\$0.35 for each Offer Share represents:

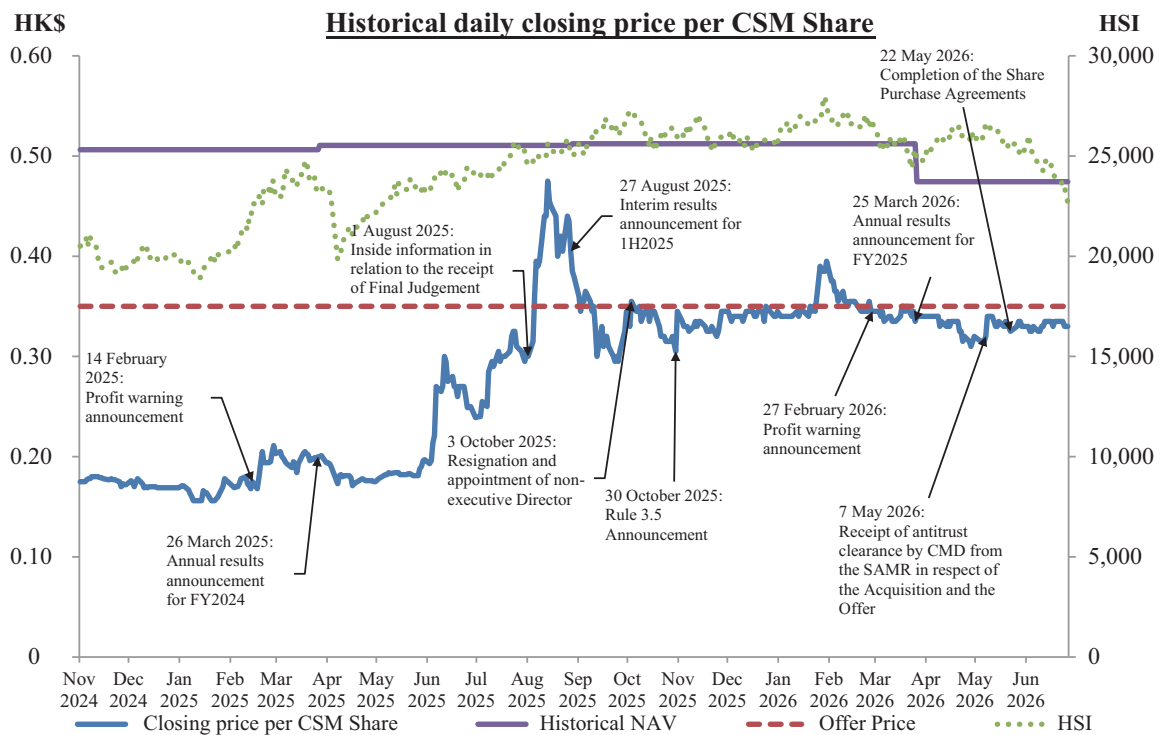
- (i) a premium of approximately 6.06% over the closing price of HK\$0.330 per CSM Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 5.42% over the average closing price of HK\$0.332 per CSM Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Latest Practicable Date;
- (iii) a premium of approximately 5.11% over the average closing price of approximately HK\$0.333 per CSM Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Latest Practicable Date;
- (iv) a premium of approximately 5.79% over the average closing price of approximately HK\$0.331 per CSM Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Latest Practicable Date;
- (v) a premium of approximately 14.75% over the closing price of HK\$0.305 per CSM Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a premium of approximately 11.11% over the average closing price of HK\$0.315 per CSM Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 8.19% over the average closing price of approximately HK\$0.324 per CSM Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 7.75% over the average closing price of approximately HK\$0.325 per CSM Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (ix) a discount of approximately 26.22% to the audited consolidated NAV of approximately HK\$0.47 per CSM Share as at 31 December 2025 (the “NAV Discount”), calculated based on (a) the audited consolidated net assets attributable to the owners of CSM of approximately RMB3,591 million as at 31 December 2025; (b) 8,381,295,229 CSM Shares in issue as at 31 December 2025; and (c) the exchange rate of HK\$1.0: RMB0.90322, being the central parity rate as quoted by the People’s Bank of China on 31 December 2025; and

# LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

- (x) a discount of approximately 29.33% to the Adjusted NAV of approximately HK\$0.50 per CSM Share as at 31 March 2026 (the “**Adjusted NAV Discount**”), calculated based on (a) the fair value of the net identifiable tangible and intangible assets and liabilities belonging to CSM of approximately RMB3,665 million as at 31 March 2026 as set out in the Valuation Report; (b) 8,381,295,229 CSM Shares in issue as at 31 March 2026; and (c) the exchange rate of HK\$1.0: RMB0.88295, being the central parity rate as quoted by the People’s Bank of China on 31 March 2026.

## 5.2 Historical price performance of the CSM Shares

Set out below is a chart showing the movement of the closing prices of the CSM Shares, together with (i) the movement of Hang Seng Index; and (ii) the consolidated NAV per CSM Share during the period from 1 November 2024 (being approximately one year prior to Last Trading Day) up to the Latest Practicable Date (the “**Review Period**”), being an adequate and representative review period and the duration of such period is sufficient for us to perform a thorough analysis on the general trend and level of movement of the closing prices of the CSM Shares. CSM reported its consolidated NAV by way of interim and annual results announcement twice a year.



Source: the Stock Exchange’s website and the past annual/interim reports of CSM

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the highest and lowest closing prices of the CSM Shares as quoted on the Stock Exchange were HK\$0.475 recorded on 13 August 2025 and HK\$0.156 recorded on 9 January 2025, 10 January 2025, 13 January 2025, 14 January 2025, 20 January 2025, 21 January 2025 and 22 January 2025. The Offer Price of HK\$0.35 per Offer Share falls within the closing price range of the CSM Shares as quoted on the Stock Exchange during the Review Period and is higher than the closing prices of CSM Shares for 353 out of the total of 404 trading days during the Review Period. Furthermore, the closing price of CSM Shares were below the consolidated NAV per CSM Share during the entire Review Period.

From the beginning of the Review Period up to May 2025, the closing price of the CSM Shares fluctuated between HK\$0.156 per CSM Share to HK\$0.211 per CSM Share. From the start of June 2025, the closing price of CSM Shares surged and reached the short-term highest of HK\$0.300 per CSM Share on 11 June 2025, which outperformed the increase in Hang Seng Index. Following the publication of the announcement in relation to the receipt of the Final Judgement on 1 August 2025, the closing price of CSM Shares surged again and reached the highest of HK\$0.475 per CSM Share during the Review Period. Thereafter, the closing price of CSM Shares formed a decreasing trend and reached HK\$0.305 per CSM Share on the Last Trading Day.

Following the publication of the Rule 3.5 Announcement up to the Latest Practicable Date (“**Post-Rule 3.5 Announcement Period**”), the closing price of CSM Shares fluctuated between HK\$0.310 and HK\$0.395 per CSM Share and the Offer Price is higher than the closing prices of CSM Shares for 135 trading days out of the total of 158 trading days during the Post-Rule 3.5 Announcement Period. We noted that, along with the significant increase in trading volume of the CSM Shares on 26 January 2026, the closing price of the CSM Shares surged on even date to HK\$0.390 per CSM Share and reached the highest closing price of HK\$0.395 per CSM Share (recorded on 30 January 2026) during the Post-Rule 3.5 Announcement Period. However, such surge in closing price of CSM Shares again did not sustain and the closing price of CSM Shares had gradually decreased and reached HK\$0.330 per CSM Share as at the Latest Practicable Date.

Save as and except for the publication of the announcement in relation to the receipt of the Final Judgement and the Rule 3.5 Announcement, we did not identify any specific reasons which caused the aforesaid fluctuation in the closing price of the CSM Shares.

## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

### 5.3 Historical trading liquidity of the CSM Shares

We performed a trading liquidity analysis on the CSM Shares for the Review Period. The number of trading days, the average daily number of the CSM Shares traded per month, and the respective percentages of the CSM Shares' average daily trading volume as compared to (i) the total number of CSM Shares held by the Offer Shareholders as at the Latest Practicable Date; and (ii) the total number of CSM Shares in issue as at the Latest Practicable Date, during the Review Period are tabulated as below:

Month	No. of trading days	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of CSM Shares held by the Offer Shareholders based on the number of CSM Shares as at the end of each month/period <i>%</i>	% of the Average Volume to total number of CSM Shares as at the end of the month/period <i>%</i>
<b>2024</b>				
November	21	325,038	0.0056	0.0039
December	20	1,298,850	0.0225	0.0155
<b>2025</b>				
January	19	541,421	0.0094	0.0065
February	20	3,054,750	0.0530	0.0364
March	21	2,751,286	0.0478	0.0328
April	19	1,467,684	0.0255	0.0175
May	20	1,118,700	0.0194	0.0133
June	21	9,612,905	0.1669	0.1147
July	22	12,825,818	0.2226	0.1530
August	21	30,424,619	0.5281	0.3630
September	22	15,913,644	0.2762	0.1899
October	20	10,819,900	0.1878	0.1291
November	20	9,886,908	0.1716	0.1180
December	21	10,110,050	0.1755	0.1206
<b>2026</b>				
January	21	18,387,085	0.3192	0.2194
February	17	12,802,765	0.2222	0.1528
March	22	8,835,318	0.1534	0.1054
April	19	7,989,005	0.1387	0.0953
May	19	16,002,340	0.2778	0.1909
June (up to and including the Latest Practicable Date)	19	7,087,009	0.1230	0.0846

Source: the Stock Exchange's website

## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

During the Review Period, the Average Volume was below 0.5% of (i) the total number of CSM Shares held by the Offer Shareholders (except for August 2025); and (ii) the total number of CSM Shares as at the end of each month/period. The Average Volume was exceptionally thin during the Review Period. Offer Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the CSM Shares at a price close to the Offer Price, particularly those who are going to dispose of their holdings as the disposal of large number of CSM Shares in the open market may have adverse impact on the price of CSM Shares.

### 5.4 Trading multiples analysis

To further assess the fairness and reasonableness of the Offer Price, we performed the trading multiple analysis by searching for Hong Kong listed companies which are principally engaged in the production and sales of raw milk in the PRC and derived more than 50% of their revenue from such business for their latest financial year. We found four companies listed below which met the aforesaid criteria and they are exhaustive (the “Comparable Companies”).

We noted that price-to-earnings ratio, price-to-book ratio (“PBR”) and price-to-sales ratio (“PSR”) are the commonly adopted multiples for the purpose of trading multiple analysis. However, as the CSM Group was loss-making for FY2025, we consider price-to-earnings ratio was not applicable for the purpose of our analysis and thus we adopted PBR and PSR for analysis purpose.

Set out below are the PBR and PSR of the Comparable Companies based on their closing prices and their latest published financial information as at the Latest Practicable Date:

Company name (stock code)	Principal business	Market capitalisation (HK\$ million)	PBR (Note 1)	PSR (Note 2)
CMD (1117)	Production and sales of milk, trading, production and sales of feeds	7,915.7	0.86	0.57
YuanShengTai Dairy Farm Limited (1431)	Production and sale of raw milk	1,017.8	0.16	0.34
AustAsia Group Ltd. (2425)	Production and sales of raw milk, beef cattle and feed products, and the distribution and sale of milk products	1,657.3	0.45	0.43
China Youran Dairy Group Limited (9858)	Production and sale of raw milk, and the trading, production and sale of feeds, ruminant farming products and breeding products	12,072.9	0.99	0.53
	<b>Maximum:</b>		0.99	0.57
	<b>Minimum:</b>		0.16	0.34
	<b>Average:</b>		0.62	0.47
	<b>Median:</b>		0.66	0.48
CSM (1432)		2,765.8	0.74	0.88

Source: the Stock Exchange's website

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# LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The PBR of the Comparable Companies were calculated based on their respective then latest published net asset value attributable to the shareholders, their respective closing prices as quoted on the Stock Exchange and the total issued shares as at the Latest Practicable Date.
2. The PSR of the Comparable Companies were calculated based on their respective then latest published revenue for the latest full financial year, their respective closing prices as quoted on the Stock Exchange and the total issued shares as at the Latest Practicable Date.
3. We adopted the mean and standard deviation outlier detection method to identify outliers in the sampled data and no outlier was identified as none of the sampled data was more than two standard deviations away from the mean.
4. The implied PBR of CSM was calculated based on the Offer Price, the number of CSM Shares in issue as at the Latest Practicable Date and the audited consolidated NAV as at 31 December 2025.
5. The implied PSR of CSM was calculated based on the Offer Price, the number of CSM Shares in issue as at the Latest Practicable Date and the CSM Group's revenue for FY2025.

As depicted in the above table, (i) the PBR of the Comparable Companies ranged from approximately 0.16 times to approximately 0.99 times, with an average of approximately 0.62 times and a median of approximately 0.66 times; and (ii) the PSR of the Comparable Companies ranged from approximately 0.34 times to approximately 0.57 times, with an average of approximately 0.47 times and a median of approximately 0.48 times.

The implied PBR of CSM is within the PBR range of the Comparable Companies and is higher than the average and the median PBR of the Comparable Companies; while the implied PSR of CSM is above the PSR range of the Comparable Companies.

Furthermore, based on the Adjusted NAV of approximately HK\$0.50 per CSM Share as at 31 March 2026, the implied PBR of CSM would have been approximately 0.71 times, which is also within the PBR range of the Comparable Companies and is higher than the average and the median PBR of the Comparable Companies.

## **5.5 Conclusion on the Offer Price**

Despite the NAV Discount of approximately 26.22% and the Adjusted NAV Discount of approximately 29.33% as represented by the Offer Price, given that:

- (i) the Offer Price of HK\$0.35 per Offer Share falls within the closing price range of the CSM Shares as quoted on the Stock Exchange during the Review Period and is higher than the closing price of the CSM Shares for 353 out of the total of 404 trading days during the Review Period;
- (ii) the Offer Price was above or equal to the closing price of the CSM Share for most of the trading days during the Post-Rule 3.5 Announcement Period;
- (iii) the Offer Price represented premium over the then recent closing prices of the CSM Shares up to the Latest Practicable Date;
- (iv) the short-term spikes in the closing prices of CSM Shares occurred during August 2025 and late-January 2026 were occasional and did not sustain;

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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- (v) the closing price of the CSM Shares had been traded below the consolidated NAV per CSM Share during the entire Review Period;
- (vi) the liquidity of the CSM Shares was low during the Review Period and the disposal of substantial volume of CSM Shares in the open market may have adverse impact on the price of the CSM Shares; and
- (vii) the implied PBR of CSM is within the PBR range of the Comparable Companies and is higher than the average and the median PBR of the Comparable Companies; while the implied PSR of CSM is above the PSR range of the Comparable Companies,

we consider the Offer provide the Offer Shareholders an opportunity to realise part or all of their investment in the CSM Shares at moderate premium over the closing prices of CSM Shares for majority of the trading days during the Review Period, and thus it is fair and reasonable.

### RECOMMENDATION

We noted that the decreasing rate of raw milk price in the PRC had decelerated in 2025. However, from CSM Group's financial and operational perspective, CSM Group operates organic raw milk farms, being a niche sector with product differentiation and higher feed costs and pricing, it was profoundly affected by the decrease in raw milk price industry-wide and had yet to recover from such cyclical adjustment. The decrease in average selling price of raw milk of CSM Group outpaced that of the PRC's dairy industry for FY2025. CSM Group's financial performance had continued to worsen in 2025 and the timing of CSM Group's recovery from the industry cyclical adjustment is yet to be certain. We also noted that CSM had adopted the Dividend Policy on 28 March 2023 and had only made payments of final dividends in respect of CSM's financial year ended 31 December 2022 and 2023, representing dividend payout ratio of 22.65% and 22.12% respectively. However, pursuant to the Dividend Policy, the declaration and payment of dividends shall be determined at the sole discretion of the CSM Board. It is uncertain whether CSM will declare and make any payments of interim or final dividend even if the CSM Group turnaround from loss-making to profit-making.

From price perspective, we noted that:

- (i) the Offer Price of HK\$0.35 per Offer Share falls within the closing price range of the CSM Shares as quoted on the Stock Exchange during the Review Period and is higher than the closing price of the CSM Shares for 353 out of the total of 404 trading days during the Review Period, in particular, the Offer Price was above or equal to the closing price of the CSM Share for most of the trading days during the Post-Rule 3.5 Announcement Period;
- (ii) the short-term spike in the closing price of CSM Shares in August 2025 was occasional and did not sustain. From mid-September 2025 (following the fall in closing price of CSM Shares by early-September 2025) up to the date of the Rule 3.5 Announcement, the closing price of CSM Shares fluctuated between HK\$0.295 to HK\$0.355 per CSM Share; and

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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- (iii) the Offer Price represented (a) the price for the Sale Share paid by CMD under the Acquisition and was arrived at after arm's length negotiation between CMD and each Selling Shareholder (each being independent to CMD); and (b) moderate premium over the then recent closing price of CSM Shares prior to the date of the Rule 3.5 Announcement and the Latest Practicable Date.

In view of the above, we consider the Offer provided the Offer Shareholders an opportunity to realise part or all of their investment in the CSM Shares at moderate premium over the closing prices of CSM Shares for a majority of the trading days during the Review Period.

In view of the aforesaid and that:

- (i) the Offer Price of HK\$0.35 per Offer Share falls within the closing price range of the CSM Shares as quoted on the Stock Exchange during the Review Period and is only lower than the closing price of the CSM Shares for 41 out of the total of 404 trading days during the Review Period, majority of which were during the August 2025 to early-September 2025 period where the closing price of CSM Shares experienced a short-term spike that did not sustain;
- (ii) the Offer Price was above or equal to the closing price of the CSM Share during almost all of trading days during the Post-Rule 3.5 Announcement Period, reflecting the market views on the value of the CSM Shares;
- (iii) the trading liquidity of the CSM Shares was low during the Review Period and the disposal of substantial volume of CSM Shares in the open market may have adverse impact on the price of the CSM Shares. The Offer provided the Offer Shareholders an opportunity to realise part or all of their investment in the CSM Shares at moderate premium over the closing prices of CSM Shares for a majority of the time during the Review Period;
- (iv) although the Offer Price represented a discount of approximately 26.22% to the NAV per CSM Share as at 31 December 2025 and a discount of approximately 29.33% to the Adjusted NAV per CSM Share as at 31 March 2026, (a) the closing prices of CSM Shares had been traded below the consolidated NAV per CSM Share during the entire Review Period; and (b) the implied PBR of CSM is within the PBR range of the Comparable Companies and is higher than the average and the median PBR of the Comparable Companies; and
- (v) the implied PSR of CSM is above the PSR range of the Comparable Companies,

we are of the view that the Offer (including the Offer Price) is fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the CSM Independent Board Committee to advise the Offer Shareholders to accept the Offer.

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## LETTER FROM THE CSM INDEPENDENT FINANCIAL ADVISER

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In light of that the closing price of CSM Shares ranged between HK\$0.310 per CSM Share and HK\$0.395 per CSM Share during the Post-Rule 3.5 Announcement Period, Offer Shareholders who wish to realise their investment in the CSM are reminded that they should carefully and closely monitor the market price of the CSM Shares during the Offer Period and consider selling their CSM Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such CSM Shares in the open market would exceed the net amount receivable under the Offer.

As different Offer Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Offer Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

\* *for identification purpose only*

*To accept the Offer, you should complete and sign the relevant accompanying Form of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which forms part of the terms of the Offer.*

**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER**

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Offer. A Form of Acceptance will be rejected as invalid if the procedures and/or instructions contained in this Composite Document and in the Form of Acceptance are not complied with;
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares is/are in your name, and you wish to accept the Offer in respect of your CSM Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of CSM Shares in respect of which you intend to accept the Offer, by post or by hand, to the Receiving Agent, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong marked “**China Shengmu Organic Milk Limited – Offer**” on the envelope as soon as possible and in any event by no later than 4:00 p.m. on the Closing Date or such later time and/or date as CMD may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your CSM Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares to the Receiving Agent; or
  - (ii) arrange for the CSM Shares to be registered in your name by CSM through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares to the Receiving Agent; or

- (iii) if your CSM Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your CSM Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System (as defined in the General Rules of HKSCC) or CCASS Internet System (as defined in the General Rules of HKSCC) on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your CSM Shares, the Form of Acceptance should nevertheless be completed and delivered to the Receiving Agent together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares or that it is/they are not readily available. You will also be informed of the required documents in such cases. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares should be forwarded to the Receiving Agent as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar.
- (e) If you have lodged transfer(s) of any of your CSM Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your CSM Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Receiving Agent together with the transfer receipt(s) duly signed by yourself and other document(s) of title (as the case may be). Such action will constitute an irrevocable authority to CMD, CLSA Limited, the Receiving Agent and/or their respective agent(s) to collect from CSM or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Receiving Agent on your behalf and to authorise and instruct the Receiving Agent to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Receiving Agent with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Receiving Agent by not later than 4:00 p.m. on the Closing Date (or such later time and/or date as CMD may determine and announce in accordance with the Takeovers Code) and the Receiving Agent has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of your CSM Shares for which you intend to accept the Offer and, if that/those share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant CSM Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant CSM Shares; or
  - (ii) from a registered Offer Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the CSM Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Offer Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of power of attorney) to the satisfaction of the Receiving Agent must be produced.
- (h) Seller's ad valorem stamp duty (rounded up to the nearest HK\$1) payable by the Offer Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by CMD in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable by CMD to the relevant Offer Shareholders on the acceptance of the Offer. CMD will arrange for payment of the seller's ad valorem stamp duty on behalf of the Offer Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the CSM Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CSM Shares tendered for acceptance will be given.

- (j) If the Offer is withdrawn or lapses in accordance with the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Receiving Agent, lodged with the Form of Acceptance will be returned to the relevant Offer Shareholders who have accepted the Offer by ordinary post as soon as possible but in any event no later than seven (7) Business Days after the Offer has lapsed.

## **2. SETTLEMENT OF THE OFFER**

- (a) Pursuant to Rule 20.1 of the Takeovers Code, provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant CSM Shares are complete and in good order in all respects and have been received by the Receiving Agent before the close of the Offer, a cheque for the amount (rounded up to the nearest cent) due to each of the Offer Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the CSM Shares tendered by him/her/it under the Offer will be despatched to such Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days after the later of (i) the date of receipt by the Receiving Agent of the duly completed acceptances of the Offer and all relevant document(s) of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional.
- (b) Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which CMD may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.
- (c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact CMD for payment.

## **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) The Offer is conditional only upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as CMD may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with the CSM Shares already acquired or held by CMD and the parties acting in concert with it, would result in CMD and the parties acting in concert with it holding more than 50% of the voting rights of CSM as at the Closing Date. This condition cannot be waived. Unless the Offer has previously been extended or revised with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Receiving Agent in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date (being 21 July 2026, or if the Offer is extended, any subsequent closing date of the Offer as may be announced by CMD in accordance with the requirements under the Takeovers Code).

- (b) Where the Offer becomes or is declared unconditional, it should remain open for acceptance for not less than fourteen (14) days thereafter. In such case, at least fourteen (14) days' notice in writing must be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer and an announcement will be published.
- (c) If the Offer is extended, CMD and CSM will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or, a statement that the Offer will remain open until further notice, as applicable in accordance with the Takeovers Code. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offer is closed to those Offer Shareholders who have not accepted the relevant Offer.
- (d) CMD reserves the right, subject to any applicable law or regulatory requirements (including the Takeovers Code), to revise any terms of the Offer, in which case all Offer Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. In the event of such amendment, a supplemental document and new Form of Acceptance ("**Revised Form of Acceptance**") will be despatched to the Offer Shareholders. The revised Offer must be kept open for at least fourteen (14) days after the date on which the revised Composite Document(s) are posted. Offer Shareholders, whether or not they have submitted the Form of Acceptance to the Receiving Agent and whether or not they have accepted the Offer, may submit the Revised Form of Acceptance. If an Offer Shareholder chooses to submit the Revised Form of Acceptance, the acceptance and number of Shares specified for acceptance as stated in the Revised Form of Acceptance completed and lodged in accordance with the instructions set out therein shall prevail, otherwise, the execution of the original Form of Acceptance by or on behalf of any Offer Shareholder who has accepted the Offer shall be deemed to constitute valid acceptance of the revised Offer (whether such completed original Form of Acceptance was lodged prior to or after the despatch of the relevant supplemental document and the Revised Form of Acceptance) unless such Offer Shareholder becomes entitled to withdraw his or her acceptance and has duly done so in accordance with the terms of the Offer as set out in this Composite Document and/or the relevant supplemental document. Accordingly, Offer Shareholders who have accepted the Offer and lodged the completed Form of Acceptance in accordance with the instructions set out therein prior to the despatch of the relevant supplemental document need not complete and submit the Revised Form of Acceptance.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

**4. ANNOUNCEMENT**

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), CMD must inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Offer. CMD must publish an announcement in accordance with the requirements of the Takeovers Code and the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, has expired or has become or been declared unconditional.

Such announcement must state the following:

- (i) the total number of CSM Shares for which acceptances of the Offer have been received;
- (ii) the total number of CSM Shares held, controlled or directed by CMD and/or parties acting in concert with it before the Offer Period;
- (iii) the total number of CSM Shares acquired or agreed to be acquired during the Offer Period by CMD and/or parties acting in concert with it; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in CSM in which CMD or any parties acting in concert with it have borrowed or lent, save for any borrowed CSM Shares which have been either on-lent or sold.

The announcement will specify the percentages of the issued share capital of CSM and the percentages of voting rights of CSM represented by the number of securities as referred to in (i) to (iv) above.

- (b) In computing the total number of CSM Shares for which acceptances of the Offer have been received, only valid acceptances that are complete and in good order which have been received by the Receiving Agent no later than 4:00 p.m. on the Closing Date, and/or date as CMD may determine and announce in accordance with the Takeovers Code, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

**5. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) to (c) below.

- (b) If CMD is unable to comply with the requirements set out in the paragraph (a) of the section headed “4. Announcement” in this appendix above, the Executive may, pursuant to Rule 19.2 of the Takeovers Code, require that acceptors of the Offer who have tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) In compliance with Rule 17 of the Takeovers Code, an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance of the Offer after twenty-one (21) days from the First Closing Date if the Offer has not by then become unconditional as to acceptance.

In such case, when the Offer Shareholders withdraw their acceptance(s), CMD shall, as soon as possible but in any event no later than seven (7) Business Days thereafter, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Offer Shareholders at his/her/its own risk.

## **6. CSM OVERSEAS SHAREHOLDERS**

The Offer is made available to all the Offer Shareholders, including the CSM Overseas Shareholders. The availability of the Offer to any CSM Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. CSM Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibility of the CSM Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filings which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such CSM Overseas Shareholders in respect of the acceptance of the Offer in such jurisdictions).

Any acceptance by any CSM Overseas Shareholders will be deemed to constitute a representation and warranty from such CSM Overseas Shareholders to CMD that such CSM Overseas Shareholders have observed and are permitted under all applicable laws and regulations to receive and accept the Offer and that such CSM Overseas Shareholders have obtained all requisite governmental, exchange control or other consents and have made all requisite filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payments due from such CSM Overseas Shareholders in connection with such acceptance in such jurisdiction, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The CSM Overseas Shareholders should consult their professional advisers if in doubt.

## **7. NOMINEE REGISTRATION**

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold CSM Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the CSM Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regard to the Offer.

**8. TAX IMPLICATIONS**

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance or rejection of the Offer that may be applicable in relevant jurisdictions. It is emphasized that none of CMD, CLSA Limited, CITICS HK, Somerley Capital Limited, CSM, CSM Independent Financial Adviser, the Receiving Agent or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Offer Shareholders or their designated agents will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of CMD, CLSA Limited, CITICS HK, CSM, CSM Independent Financial Adviser and any of their respective directors nor the Receiving Agent or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage, delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to CMD, CLSA Limited, the Receiving Agent or such person or persons as any of them may direct, to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in CMD or such person or persons as it may direct the CSM Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Due execution of the Form of Acceptance will constitute the appointment of CMD and/or CLSA Limited as the attorney of the person or persons accepting the Offer in respect of all the CSM Share(s) to which the Form of Acceptance relates.
- (g) Due execution of the Form of Acceptance will constitute an agreement of the Offer Shareholders to ratify each and every act or thing which may be done or effected by CMD, CLSA Limited, the Receiving Agent and/or CSM or their respective agent(s) or such person or persons as any of them may direct on the exercise of any of the rights contained therein.

- (h) Acceptance of the Offer by any Offer Shareholders will be deemed to constitute a warranty by such person or persons to CMD, CLSA Limited and CSM that their CSM Shares under the Offer are sold to CMD free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (i) If, after the date of the Rule 3.5 Announcement, any dividend, distribution and/or return of capital is made or paid in respect of the Offer Shares, CMD reserves the right to reduce the Offer Price by an amount equal to the gross amount of such dividend or other distribution, in which case any references in the Rule 3.5 Announcement, the CMD Circular, this Composite Document and/or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. Any such reduction will only apply to those Offer Shares in respect of which CMD will not be entitled to the relevant dividend, distribution and/or return of capital. As set out in the “Letter from the CSM Board”, as at the Latest Practicable Date, CSM does not have any dividend or distribution recommended, declared or made but unpaid and CSM does not intend to declare any dividend or make other distributions during the Offer Period.
- (j) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to CMD that the number of CSM Shares indicated in the Form of Acceptance is the aggregate number of CSM Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (k) The right of acceptance of the Offer is personal to the Offer Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Offer Shareholders.
- (l) All questions as to the terms of the Offer, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by CMD in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable laws and regulations or by the Executive). CMD reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment for which may, in the opinion of CMD, be unlawful.
- (m) None of CMD, CLSA Limited, CITICS HK, CSM, CSM Independent Financial Adviser and any of their respective directors nor the Receiving Agent or other parties involved in the Offer or any of their respective agents is or will be obliged to give notice of any defects or irregularities in acceptances and none of them will incur any liability for failure to give any such notice.

- (n) Any Offer Shareholder accepting the Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such person.
- (o) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (p) All instructions, authorities and undertakings given by the Offer Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (q) In making their decision, the Offer Shareholders must rely on their own examination of CMD, the CSM Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance or any other announcements or documents issued by CMD in respect of the Acquisition and/or the Offer (including but not limited to the CMD Circular), shall not be construed as any legal or business advice on the part of CSM, CMD and parties acting in concert with each of them, CLSA Limited, CITICS HK, CSM Independent Financial Adviser, the Receiving Agent or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Offer. The Offer Shareholders should consult their own professional advisers for professional advice.
- (r) Unless otherwise expressly stated in this Composite Document and the accompanying Form of Acceptance, none of the terms of the Offer or any terms contained in this Composite Document will be enforceable, under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong), by any person other than CMD and any Offer Shareholders accepting the Offer.
- (s) A reference in this Composite Document to an Offer Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance. In the case of joint holders of an Offer Share, all joint holders must sign the Form of Acceptance with respect to the relevant Offer Share and the provisions of this Composite Document apply to them jointly and severally.
- (t) The English text of this Composite Document and the Form of Acceptance shall prevail over the respective Chinese text for the purpose of interpretation.

## APPENDIX II FINANCIAL INFORMATION OF THE CSM GROUP

### 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE CSM GROUP

Set out below is a summary of the audited financial information of the CSM Group for the three financial years ended 31 December 2025 as extracted from the relevant annual reports of CSM:

	<b>For the year ended 31st December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Total revenue</b>	3,383,629	3,126,184	3,012,260
Cost of sales	<u>(2,358,609)</u>	<u>(2,200,294)</u>	<u>(2,256,177)</u>
<b>Gross profit</b>	<b>1,025,020</b>	<b>925,890</b>	<b>756,083</b>
Loss arising from changes in fair value			
less costs to sell of biological assets	(706,302)	(807,302)	(775,669)
Fair value changes of financial			
guarantee contracts	(124)	(81)	(108)
Other income and gains	72,319	70,960	207,136
Selling and distribution expenses	(62,746)	(49,062)	(58,698)
Administrative expenses	(166,309)	(152,565)	(139,982)
Provision/(reversal) of impairment			
losses on financial assets, net	1,651	(149)	504
Other expenses	(2,545)	(5,836)	(319,988)
Finance costs	(53,104)	(47,456)	(36,860)
Share of profits and losses of associates	<u>(10,174)</u>	<u>2,317</u>	<u>(3,474)</u>
<b>Profit/(loss) before tax</b>	<b>97,686</b>	<b>(63,284)</b>	<b>(371,056)</b>
Income tax expense	<u>(3,074)</u>	<u>(1,231)</u>	<u>(1,970)</u>
<b>Profit/(loss) for the year</b>	<b><u>94,612</u></b>	<b><u>(64,515)</u></b>	<b><u>(373,026)</u></b>

## APPENDIX II FINANCIAL INFORMATION OF THE CSM GROUP

	<b>For the year ended 31st December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Attributable to:</b>			
Owners of the parent	86,076	(65,495)	(373,396)
Non-controlling interests	<u>8,536</u>	<u>980</u>	<u>370</u>
<b>Profit/(loss) per Share</b>			
Basic ( <i>RMB</i> )	0.0104	(0.0080)	(0.0450)
Diluted ( <i>RMB</i> )	<u>0.0103</u>	<u>(0.0080)</u>	<u>(0.0450)</u>
<b>Total comprehensive income for the year</b>			
	<b>98,612</b>	<b>(69,515)</b>	<b>(375,026)</b>
<b>Attributable to:</b>			
Owners of the parent	90,076	(70,495)	(375,396)
Non-controlling interests	<u>8,536</u>	<u>980</u>	<u>370</u>
<b>Dividend per Share (<i>HK\$</i>)</b>			
	<u><b>0.0023</b></u>	<u>–</u>	<u>–</u>
Amount of dividend distributed to owners of the parent	<u><u>17,588</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Save as disclosed above, there are no other items of income or expense which are material to the CSM Group for the three financial years ended 31 December 2025.

There has been no change in the CSM Group's accounting policies which would result in the figures in its consolidated financial statements for the three financial years ended 31 December 2025, being not comparable to a material extent.

The consolidated financial statements of the CSM Group for the three financial years ended 31 December 2025 were audited by Ernst & Young. The consolidated financial statements of the CSM Group for the three financial years ended 31 December 2025 did not contain any qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern.

## APPENDIX II FINANCIAL INFORMATION OF THE CSM GROUP

### 2. CONSOLIDATED FINANCIAL STATEMENTS OF THE CSM GROUP

The audited consolidated financial statements of the CSM Group for the years ended 31 December 2023 (the “**2023 Financial Statements**”), 31 December 2024 (the “**2024 Financial Statements**”) and 31 December 2025 (the “**2025 Financial Statements**”) are incorporated by reference and form part of the Composite Document.

The 2023 Financial Statements, 2024 Financial Statements and 2025 Financial Statements are available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and CSM (<http://www.shengmuorganicmilk.com>), and also accessible at the links below:

<b>2023 Financial Statements:</b>	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0422/2024042200549.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0422/2024042200549.pdf</a> (at pages 102 to 231)
<b>2024 Financial Statements:</b>	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042301022.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042301022.pdf</a> (at pages 108 to 239)
<b>2025 Financial Statements:</b>	<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0428/2026042804005.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0428/2026042804005.pdf</a> (at pages 127 to 257)

### 3. INDEBTEDNESS STATEMENT

As of 31 March 2026, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Composite Document, the CSM Group had the following outstanding indebtedness:

	<b>As of 31 March 2026 (RMB'000)</b>
<b>Current</b>	
Interest-bearing bank and other borrowings (unsecured)	862,661
Lease liabilities	17,518
<b>Non-current</b>	
Interest-bearing bank and other borrowings (unsecured)	1,271,277
Lease liabilities	16,451
<b>Total</b>	<b><u>2,167,906</u></b>

Save as disclosed above, as of 31 March 2026, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Composite Document, CSM did not have any bank overdrafts or loans or other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities.

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## **APPENDIX II FINANCIAL INFORMATION OF THE CSM GROUP**

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### **4. MATERIAL CHANGE**

The CSM Directors confirm that, save as and except for the significant increase in the CSM Group's loss by approximately 24 times from approximately RMB2.9 million for the three months ended 31 March 2025 to approximately RMB71.5 million for the three months ended 31 March 2026 as shown in the unaudited consolidated management accounts of the CSM Group for the three months ended 31 March 2026, mainly due to (i) the increase in loss arising from changes in fair value less costs to sell of biological assets of approximately RMB44.7 million as a result of early retirement of inefficient dairy cows; and (ii) the decrease in other income and gains of approximately RMB42.9 million as a result of the decrease in government subsidies granted to the CSM Group, there was no material change in the financial or trading position or outlook of the CSM Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the CSM Group were made up, up to and including the Latest Practicable Date.

## APPENDIX III GENERAL INFORMATION OF THE CSM GROUP

### 1. RESPONSIBILITY STATEMENT

The CSM Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document in relation to the CSM Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the CMD Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

### 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of CSM was HK\$300,000 divided into 30,000,000,000 CSM Shares. As at the Latest Practicable Date, CSM had 8,381,295,229 CSM Shares in issue. All issued CSM Shares rank *pari passu* in all respects, including in particular as to rights in respect of capital, dividends and voting.

Since 31 December 2025 and up to and including the Latest Practicable Date, CSM did not issue any new CSM Shares.

CSM did not have any outstanding options, warrants or conversion rights affecting the CSM Shares as at the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS

#### (a) CSM Directors and chief executive's interests

As at the Latest Practicable Date, no CSM Directors or the chief executive of CSM had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of CSM or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to CSM and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to CSM and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code, save as disclosed below:

Name	Capacity/ Nature of interest	Number of CSM Shares	Percentage of total issued CSM Shares
Mr. Zhang Jiawang (Notes 1 and 2)	Beneficial owner	173,328,580	2.07%

## APPENDIX III GENERAL INFORMATION OF THE CSM GROUP

*Notes:*

1. Mr. Zhang Jiawang is interested in 171,427,580 CSM Shares, including the 3,495,000 award shares vested in Mr. Zhang Jiawang under the CSM Share Award Scheme on 20 April 2026. For completeness, this includes 1,901,000 unvested award shares which have been granted to Mr. Zhang Jiawang under the CSM Share Award Scheme, which Mr. Zhang Jiawang is deemed to be interested in under Part XV of the SFO.
2. As at the Latest Practicable Date, Mr. Zhang Jiawang intended, in respect of his own beneficial shareholding in CSM, not to accept the Offer in whole or in part.

### (b) Substantial shareholders

As at the Latest Practicable Date, no persons (not being CSM Directors or the chief executive of CSM) had interests or short positions in the CSM Shares and underlying CSM Shares which were (i) notified to CSM and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (ii) required to be entered in the register maintained by CSM pursuant to section 336 of the SFO; or (iii) required to be disclosed under the Takeovers Code, save as disclosed below:

Name of CSM Shareholder	Capacity/ Nature of interest	Number of CSM Shares	Percentage of total issued CSM Shares
Start Great <sup>(Note 2)</sup>	Beneficial owner	2,513,178,555 (L)	29.99%
Mengniu <sup>(Note 2)</sup>	Interest of a controlled corporation	2,513,178,555 (L)	29.99%
CMD <sup>(Notes 2 and 3)</sup>	Beneficial owner	107,200,000 (L)	1.28%
	Interest of a party to an agreement regarding interest in CSM	2,086,942,512 (L)	24.90%
Nong You Co., Ltd.	Beneficial owner	1,301,651,000 (L)	15.53%
Shao Genhuo 邵根夥	Interest of a controlled corporation	1,301,651,000 (L)	15.53%
Beijing Zhi Nong Investment Co., Ltd. 北京智農投資有限責任公司	Interest of a controlled corporation	1,301,651,000 (L)	15.53%
Greenbelt Global Limited <sup>(Note 4)</sup>	Beneficial owner	536,097,305 (L)	6.40%
BPEA Private Equity Fund V, L.P. <sup>(Note 4)</sup>	Interest of a controlled corporation	536,097,305 (L)	6.40%

## APPENDIX III GENERAL INFORMATION OF THE CSM GROUP

Name of CSM Shareholder	Capacity/ Nature of interest	Number of CSM Shares	Percentage of total issued CSM Shares
BPEA Private Equity GP V, L.P. <sup>(Note 4)</sup>	Interest of a controlled corporation	536,097,305 (L)	6.40%
BPEA Private Equity GP V Limited <sup>(Note 4)</sup>	Interest of a controlled corporation	536,097,305 (L)	6.40%
BPEA EQT Holdings AB <sup>(Note 4)</sup>	Interest of a controlled corporation	536,097,305 (L)	6.40%
EQT AB <sup>(Note 4)</sup>	Interest of a controlled corporation	536,097,305 (L)	6.40%

*Notes:*

1. The letter “L” denotes long position in the CSM Shares.
2. As at the Latest Practicable Date, Start Great is a wholly-owned subsidiary of Mengniu.  
  
Pursuant to the Voting Rights Agreement, Start Great irrevocably granted a proxy in favour of CMD to exercise the voting rights over 2,086,942,512 CSM Shares held by it (representing approximately 24.90% of the total issued share capital of CSM as at the Latest Practicable Date).
3. CMD is interested in 107,200,000 CSM Shares acquired under the Acquisition.
4. Greenbelt Global Limited is held as to approximately 99.35% by BPEA Private Equity Fund V, L.P. BPEA Private Equity GP V, L.P. is the general partner of BPEA Private Equity Fund V, L.P. BPEA EQT Holdings AB is the sole shareholder of BPEA Private Equity GP V Limited, which is also the general partner of BPEA Private Equity GP V, L.P. BPEA EQT Holdings AB is wholly owned by EQT AB, which is listed on Nasdaq Stockholm.

**(c) Additional disclosure of interests**

As at the Latest Practicable Date:

- (i) save as disclosed in the section headed “3. Disclosure of Interests” in this Appendix, none of the CSM Directors was interested in the CSM Shares or shares of CMD, or any warrants, options, convertible securities or derivatives in respect of any CSM Shares or shares of CMD and none of the CSM Directors dealt for value in any CSM Shares or shares of CMD, or any warrants, options, convertible securities or derivatives in respect of any CSM Shares or shares of CMD during the Relevant Period;

## **APPENDIX III GENERAL INFORMATION OF THE CSM GROUP**

- (ii) none of the subsidiaries of CSM, pension funds of any member of the CSM Group, or any person who is presumed to be acting in concert with CSM by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of CSM by virtue of class (2) of the definition of associate in the Takeovers Code (excluding any exempt principal trader and exempt fund managers), owned or controlled any CSM Shares or any convertible securities, warrants, options or derivatives in respect of any CSM Shares and none of them had dealt for value in any CSM Shares or any convertible securities, warrants, options or derivatives in respect of any CSM Shares during the Offer Period;
- (iii) save for the Share Purchase Agreements and the Voting Rights Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CSM or any person who is presumed to be acting in concert with CSM by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of CSM by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (iv) no fund manager (other than exempt fund managers) connected with CSM had managed any CSM Shares or any convertible securities, warrants, options or derivatives in respect of any CSM Shares on a discretionary basis, and no such person had dealt for value in any CSM Shares or any securities, convertible securities, warrants, options or derivatives in respect of any CSM Shares during the Offer Period;
- (v) save as disclosed in the section headed “3. Disclosure of Interests” in this Appendix, none of the CSM Directors have any beneficial shareholdings in CSM which would entitle them to accept or reject the Offer;
- (vi) neither CSM nor the CSM Directors have borrowed or lent any CSM Shares or any convertible securities, warrants, options or derivatives in respect of any CSM Shares;
- (vii) no benefit (save for statutory compensation required under applicable laws) would be given to any CSM Director as compensation for loss of office or otherwise in connection with the Offer;
- (viii) there was no agreement or arrangement between any CSM Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (ix) there was no material contract entered into by CMD in which any CSM Director has a material personal interest; and
- (x) there is no understanding, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any CSM Shareholder on one hand; and (ii) CSM, its subsidiaries or associated companies on the other hand.

## APPENDIX III GENERAL INFORMATION OF THE CSM GROUP

### 4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the CSM Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the CSM Group.

### 5. MATERIAL CONTRACTS

The CSM Group had not, within the two years prior to the Offer Period and up to and including the Latest Practicable Date, entered into any material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the CSM Group).

### 6. CSM DIRECTORS' SERVICE AGREEMENTS

Save as disclosed below, as at the Latest Practicable Date, none of the CSM Directors had any service agreements or letters of appointment with CSM or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended during the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period:

<b>CSM Director</b>	<b>Remuneration</b>	<b>Appointment date of the service agreement/letter of appointment</b>	<b>Expiry date of the service agreement/letter of appointment</b>
Mr. Chen Yiyi	N/A <sup>(Note 1)</sup>	28 May 2024	27 May 2027
Mr. Bai Fengming	N/A <sup>(Note 1)</sup>	6 October 2025	5 October 2028

*Notes:*

1. Mr. Chen Yiyi and Mr. Bai Fengming have not and will not receive any fixed or variable remuneration payable under their respective service agreement/letter of appointment

### 7. EXPERTS ENGAGED BY CSM AND CONSENT

The following are the names and qualifications of the experts engaged by CSM who have given their letter/opinion which is contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	certified public accountants

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## **APPENDIX III GENERAL INFORMATION OF THE CSM GROUP**

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Each of Gram Capital Limited and Ernst & Young has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion and/or references to its name in the form and the context in which it appears herein.

### **8. MISCELLANEOUS**

- (a) The company secretary of CSM is Mr. Li Kwok Fat.
- (b) The registered address of CSM is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The principal place of business of CSM in Hong Kong is Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (d) CSM's Hong Kong branch share registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The registered office of the CSM Independent Financial Adviser, Gram Capital Limited is situated at Room 1209, 12/F, Nan Fung Tower, 88 Connaught Road Central/173 Des Voeux Road Central, Central, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of any inconsistency.

### **9. DOCUMENTS ON DISPLAY**

A copy of the following documents will be available for inspection on the websites of the SFC (<http://www.sfc.hk>), CMD (<http://www.moderndairyir.com>) and CSM (<http://www.shengmuorganicmilk.com>) from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

- (a) the amended and restated articles of association of CSM;
- (b) the annual reports of CSM for the financial years ended 31 December 2024 and 2025 respectively;
- (c) the "Letter from the CSM Board", the text of which is set out in this Composite Document;
- (d) the "Letter from the CSM Independent Board Committee", the text of which is set out in this Composite Document;
- (e) the "Letter from the CSM Independent Financial Adviser", the text of which is set out in this Composite Document;
- (f) the "Report from the CSM Independent Financial Adviser on the Profit Forecast", the text of which is set out in Appendix V of this Composite Document;

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## **APPENDIX III    GENERAL INFORMATION OF THE CSM GROUP**

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- (g) the “Letter from Ernst & Young on the Profit Forecast”, the text of which is set out in Appendix VI of this Composite Document;
- (h) the written consents referred to in the paragraph headed “7. EXPERTS ENGAGED BY CSM AND CONSENT” in this Appendix;
- (i) the service agreement referred to in the paragraph headed “6. CSM DIRECTORS’ SERVICE AGREEMENTS” in this Appendix; and
- (j) this Composite Document and the accompanying Form of Acceptance.

## 1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the executive directors of CMD are Mr. Sun Yugang and Mr. Zhu Xiaohui, the non-executive directors of CMD are Mr. Chen Yiyi (Chairman), Mr. Shen Xinwen, Mr. Wen Yongping and Ms. Gan Lu, the independent non-executive directors of CMD are Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang.

The directors of CMD jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the CSM Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the CSM Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any of the statements in this Composite Document misleading.

## 2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF CSM

As at the Latest Practicable Date, details of interests in the CSM Shares, underlying CSM Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of CSM held, controlled or directed by CMD, its directors and the parties acting in concert with CMD were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of CSM Shares held/interested</b> <i>(Note 1)</i>	<b>Approximate percentage of total issued CSM Shares</b> <i>(Note 4)</i>
Mengniu <i>(Note 2)</i>	Interest in a controlled corporation	2,513,178,555 (L)	29.99%
Start Great <i>(Note 2)</i>	Beneficial owner	2,513,178,555 (L)	29.99%
CMD <i>(Note 3)</i>	Beneficial owner	107,200,000 (L)	1.28%
	Interest of a party to an agreement regarding interest in CSM	2,086,942,512 (L)	24.90%

*Notes:*

- (1) The letter “L” denotes long position in the CSM Shares.
- (2) As at the Latest Practicable Date, Start Great holds 2,513,178,555 CSM Shares and is owned as to 100% by Mengniu. By virtue of Part XV of the SFO, Mengniu is deemed to be interested in all the CSM Shares held by Start Great.

- (3) CMD is interested in 107,200,000 CSM Shares acquired under the Acquisition and 2,086,942,512 CSM Shares with respect to which Start Great has irrevocably granted a proxy in favour of CMD to exercise the voting rights under the Voting Rights Agreement.
- (4) Calculated based on the number of issued CSM Shares as at the Latest Practicable Date.

CMD confirmed that as at the Latest Practicable Date:

- (a) except as set out in this section headed “2. Disclosure of Interests and Dealings in Securities of CSM”, none of CMD, any CMD Directors or any party acting in concert with CMD owns, is interested in or has control or direction over any voting rights or rights over the CSM Shares or convertible securities, warrants, options in respect of the CSM Shares;
- (b) other than the Share Purchase Agreements, none of CMD, any CMD Directors or any party acting in concert with CMD has dealt for value in any CSM Shares or any convertible securities, warrants, options or derivatives in respect of any CSM Shares during the Relevant Period;
- (c) save for the Share Purchase Agreements and the Voting Rights Agreement, there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code between CMD or any person acting in concert with it or any associate of CMD and any other person and no persons having an arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code with CMD and any person acting in concert with it have dealt for value in any CSM Shares or any convertible securities, warrants, options or derivatives in respect of any CSM Shares during the Relevant Period;
- (d) save for the Share Purchase Agreements, there is no agreement or arrangement to which CMD or any party acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Acquisition and/or the Offer;
- (e) none of CMD or any party acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in CSM (save for any borrowed CSM Shares which have been either on-lent or sold);
- (f) none of CMD or any party acting in concert with it has received any irrevocable commitment to accept or reject the Offer;
- (g) none of CMD or any party acting in concert with it has entered into any outstanding derivatives in respect of securities of CSM;
- (h) save for the Consideration paid to the Selling Shareholders under the Share Purchase Agreements, there is no other consideration, compensation or benefits in whatever form paid or to be paid by CMD or any party acting in concert with it to the Selling Shareholders or any party acting in concert with them in connection with the Acquisition;

- (i) other than the Share Purchase Agreements, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Selling Shareholders or any party acting in concert with them on one hand, and CMD or any party acting in concert with it on the other hand;
- (j) other than the Share Purchase Agreements and the Voting Rights Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) CMD or any party acting in concert with it and (ii) any CSM Shareholder;
- (k) there was no agreement, arrangement or understanding that the Offer Shares acquired under the Offer will be transferred, charged or pledged by CMD to other persons;
- (l) no benefit (other than any statutory compensation) will be given to any director of CSM as compensation for loss of office or otherwise in connection with the Offer; and
- (m) there was no agreement, arrangement or understanding (including any compensation arrangement) between CMD or any person acting in concert with any of them on one hand and any directors of CSM, recent directors of CSM, CSM Shareholders or recent CSM Shareholders on the other hand, having any connection with or dependence upon the Offer.

### 3. QUALIFICATION AND CONSENT OF EXPERTS ENGAGED BY CMD

The following are the qualifications of the experts engaged by CMD who have given opinions or advice which are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
CITICS HK	a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the exclusive financial adviser to CMD in respect of the Acquisition and the Offer
CLSA Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being the agent making the Offer for and on behalf of CMD
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	qualified valuer
KPMG	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of letter, advice and/or references to its name, in the form and context in which they respectively appear.

#### 4. MARKET PRICES OF CSM SHARES

The table below shows the closing prices of CSM Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per CSM Share <i>HK\$</i>
30 April 2025	0.175
30 May 2025	0.197
30 June 2025	0.239
31 July 2025	0.305
29 August 2025	0.380
30 September 2025	0.345
28 October 2025	0.320
30 October 2025 (i.e. the Last Trading Day)	0.305
31 October 2025	0.345
28 November 2025	0.345
31 December 2025	0.345
30 January 2026	0.395
27 February 2026	0.345
31 March 2026	0.340
30 April 2026	0.320
29 May 2026	0.330
26 June 2026 (i.e. Latest Practicable Date)	0.330

During the Relevant Period, the highest closing price of the CSM Shares as quoted on the Stock Exchange was HK\$0.475 per CSM Share on 13 August 2025 and the lowest closing price of the CSM Shares as quoted on the Stock Exchange was HK\$0.175 per CSM Share on 30 April 2025.

#### 5. MISCELLANEOUS

- (a) CMD is incorporated in the Cayman Islands with limited liability. As at the Latest Practicable Date, (i) the registered office of CMD is situated at Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands; (ii) CMD is directly and indirectly owned as to approximately 49.39% by Mengniu, and CMD is an associate of Mengniu under the applicable accounting standards; (iii) the directors of CMD are Sun Yugang, Zhu Xiaohui, Chen Yiyi, Shen Xinwen, Wen Yongping, Gan Lu, Li Shengli, Lee Kong Wai, Conway and Chow Ming Sang; and (iv) there are no principal members of CMD's concert group.

- (b) Start Great is incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, (i) the registered office of Start Great is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands; (ii) Start Great is a wholly-owned subsidiary of Mengniu; and (iii) the directors of Start Great are Shen Xinwen and Kwok Wai Cheong.
- (c) Mengniu is incorporated in the Cayman Islands with limited liability. As at the Latest Practicable Date, (i) the registered office of Mengniu is situated at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands; and (ii) the directors of Mengniu are Gao Fei, Shen Xinwen, Wang Yan, Qing Lijun, Lillie Li Valeur, Yih Dieter Lai Tak, Li Michael Hankin, Ge Jun and Dang Jian. Based on public information, as at the Latest Practicable Date, Mengniu does not have any controlling shareholder (within the meaning of the Takeovers Code).
- (d) As at the Latest Practicable Date, the registered office of CITICS HK is at 18/F, One Pacific Place, 88 Queensway, Hong Kong.
- (e) As at the Latest Practicable Date, the registered office of CLSA Limited is at 18/F, One Pacific Place, 88 Queensway, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

## **6. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of SFC (<http://www.sfc.hk>), CMD (<http://www.moderndairyir.com>) and CSM (<http://www.shengmuorganicmilk.com>) from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

- (a) the memorandum and articles of association of CMD;
- (b) the annual reports of CMD for the financial years ended 31 December 2024 and 2025 respectively;
- (c) the CMD Circular;
- (d) the “Letter from CLSA Limited”, the text of which is set out on pages 8 to 22 of this Composite Document;
- (e) the Valuation Report, the full text of which is set out in Appendix VII to this Composite Document;
- (f) the report from CITICS HK in relation to the Valuation and the qualification of the Valuer, the text of which is set out in Appendix VIII to this Composite Document;

- (g) the report from CITICS HK on the Relevant Forecasts, the text of which is set out in Appendix IX to this Composite Document;
- (h) the report from KPMG on the Relevant Forecasts, the text of which is set out in Appendix X to this Composite Document; and
- (i) the written consents referred to under the paragraph headed “3. Qualification and Consent of Experts Engaged by CMD” in this appendix.

*The following is the text of the report from Gram Capital, the CSM Independent Financial Adviser, for the purpose of inclusion in this Composite Document.*

30 June 2026

The Board of Directors  
**China Shengmu Organic Milk Limited**  
Room A, 32nd Floor COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

Dear Sir/Madam,

Reference is made to the composite document dated 30 June 2026 (the “**Composite Document**”) jointly issued by the CMD and CSM. Capitalised terms used in this letter shall have the same respective meanings as defined in the Composite Document unless the context otherwise required.

We refer to the Profit Forecast as disclosed in the section headed “4. Material Change” in Appendix II to the Composite Document.

The Profit Forecast constitutes profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

The CSM Board prepared the Profit Forecast based on the unaudited consolidated management accounts of the CSM Group for the three months ended 31 March 2026 (the “**Management Accounts**”). The Management Accounts were prepared on a basis consistent in all material respects with the accounting policies normally adopted by the CSM Group as set out in the annual report of CSM for the year ended 31 December 2025 (the “**Basis**”).

We have reviewed the Profit Forecast, the Management Accounts and the Basis (no assumption was involved in making of the Profit Forecast as it relates to a period already ended) which were provided by you and you as the CSM Directors are solely responsible for. We also discussed the above with you and the senior management of CSM.

In respect of the accounting policies and calculations concerned, upon which the Profit Forecast has been made, we have considered the report as contained in Appendix VI to the Composite Document addressed to the Board from Ernst & Young, being the auditor of CSM (the “**Auditor**”). The Auditor is of the opinion that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the CSM Group as set out in the consolidated financial statements of the CSM Group for the year ended 31 December 2025.

Having considered the above, we are of the opinion that the Profit Forecast has been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Composite Document with the inclusion therein of this report.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*The following is the text of the letter from Ernst & Young, the auditors of CSM, for the purpose of inclusion in this Composite Document.*



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

30 June 2026

The Board of Directors  
**China Shengmu Organic Milk Limited**

Dear Sirs,

**CHINA SHENGMU ORGANIC MILK LIMITED (“THE COMPANY”, “CSM”) AND ITS SUBSIDIARIES (THE “CSM GROUP”)**

**Profit Estimate for the three months ended 31 March 2026**

We refer to the following estimate of the consolidated loss of the CSM Group for the three months ended 31 March 2026 (the “**Profit Estimate**”) disclosed in the section headed “4. Material Change” in Appendix II contained in the Company’s Composite Document dated 30 June 2026.

**Directors’ responsibilities**

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results of the CSM Group as shown in the management accounts of the CSM Group for the three months ended 31 March 2026.

The Company’s directors are solely responsible for the Profit Estimate.

**Our independence and quality management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Auditor's responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information as issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the CSM Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing as issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the CSM Group as set out in the audited consolidated financial statements of the CSM Group for the year ended 31 December 2025.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

*The following is the full text of a valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in connection with its valuation of the identifiable tangible and intangible assets and liabilities belonging to CSM as of 31 March 2026 for the sole purpose of purchase price allocation of the Acquisition and the Offer by CMD.*



## **VALUATION OF THE IDENTIFIABLE TANGIBLE AND INTANGIBLE ASSETS AND LIABILITIES BELONGING TO CHINA SHENGMU ORGANIC MILK LIMITED**

### **Disclaimer**

*In this Report, unless the context otherwise stipulates, certain words may be capitalized to denote they may have a definition or explanation stipulated in the definitions and abbreviations in section 1.1 below or that they refer to a section of the Report. This is with the exception of particular abbreviations and technical terms commonly understood within the context of financial analysis. This Report shall be interpreted with regards to the definitions contained herein.*

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*This Report is subject to the assumptions, explanations, qualifications and disclaimers provided throughout the Report. The Report is also subject to general limiting conditions, a full declaration of which is expressed in section 4.5 below. Users of this Report should take due consideration of the assumptions, explanations, qualifications and disclaimers provided throughout the Report to understand the premises taken by JLL throughout our valuation methodology and calculation. Many of the inputs within this Valuation Assignment are based on information provided by or on behalf of the Client and/or other potential transaction participants as well as third parties. We have relied to a considerable extent upon such information relating to aspects of the Subject including but not limited to its financial features. Additionally, JLL has also made use of public information. We have assumed that the information and data provided by these sources is accurate and truthful, but we make no representation as to the accuracy or completeness of such information. For all information sourced, JLL has not audited, corroborated and is not obliged to conduct due diligence to verify for their accuracy and truthfulness. With respect to estimates and forecasts of future financial performance prepared by or reviewed with the management of the Client and/or other potential transaction participants or obtained from public sources, we have assumed that such estimates and forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of such managements (or, with respect to estimates and forecasts obtained from public sources, represent reasonable estimates).*

*No opinion is intended to be expressed for matters which we deem to cover legal, compliance, tax, accounting or other specialised expertise or knowledge and are beyond what is customarily employed by valuers. Within our Services, we have assumed the Target Company has obtained all requisite legal registration associated with it and is freely transferable in the market without any legal obstacles.*

*Our opinion of value is current only as per the Valuation Date. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date and we assume no obligation to update or otherwise revise these materials for events in the time since then. Assessed values may change significantly and unexpectedly even over short periods. An actual transaction regarding the Subject may be concluded at a higher value or lower value, depending on the circumstances surrounding it, its owner, or the motivations and knowledge, or all, of both the buyers and sellers at that time. JLL makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.*

*We must emphasise that the realisation of the prospective financial information is dependent on the continuing validity of the assumptions on which it is based. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.*

## TABLE OF CONTENTS

<b>1. Introduction</b> . . . . .	VII-4
1.1. Definitions and Abbreviations . . . . .	VII-4
1.2. Executive Summary . . . . .	VII-5
<b>2. Valuation Particulars</b> . . . . .	VII-8
2.1. Valuation Purpose . . . . .	VII-8
2.2. Background of the Subject . . . . .	VII-8
2.3. Independence Declaration . . . . .	VII-8
2.4. Reliance on External Information . . . . .	VII-8
2.5. Standards . . . . .	VII-9
2.6. Identification of Intangible Assets . . . . .	VII-9
2.7. Basis of Value . . . . .	VII-10
2.8. Valuation Date . . . . .	VII-10
2.9. Currency . . . . .	VII-10
<b>3. Valuation Methodology</b> . . . . .	VII-10
3.1. Valuation Approaches . . . . .	VII-10
3.2. Selection of Approach . . . . .	VII-11
<b>4. Valuation Analysis</b> . . . . .	VII-13
4.1. General Assumptions . . . . .	VII-13
4.2. Sources of Information, Key Inputs and Assumptions . . . . .	VII-15
4.3. Opinion of Value . . . . .	VII-22
4.4. Risk Factors . . . . .	VII-23
4.5. General Limiting Conditions . . . . .	VII-25

**1. INTRODUCTION****1.1. Definitions and Abbreviations**

<b>Term / Abbreviation</b>	<b>Definition / Long form</b>
Agreement	Service agreement between JLL and the Client
Client	China Modern Dairy Holdings Ltd.
CNY	Chinese Yuan
Fair Value	Fair Value – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
IAS	International Accounting Standards issued by the International Accounting Standards Board
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board
JLL	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Report	The written account of our methodology, principal assumptions, findings and opinion regarding the value of the Subject
Report Date	The date on which we issue the written account of our methodology, principal assumptions, findings and opinion regarding the value of the Subject
Services	Refers to the services described in the Agreement between JLL and the Client
Subject	The Identifiable Tangible and Intangible Assets and Liabilities belonging to China Shengmu Organic Milk Limited

<b>Term / Abbreviation</b>	<b>Definition / Long form</b>
Target Company, or Shengmu	China Shengmu Organic Milk Limited
Valuation	Means the work products including but not limited to the Report concerning the Services
Valuation Date	31 March 2026, being the date to which the valuation applies

## 1.2. Executive Summary

In accordance with the instructions of the Client, we have undertaken an investigation and analysis to determine an independent opinion of the Fair Value of the Subject as at the Valuation Date. The Report is issued on 30 June 2026 (the “**Report Date**”).

The purpose of this valuation is for accounting reference and is issued to comply with requirements under Rule 11 of the Hong Kong Code on Takeovers and Mergers.

The Target Company, China Shengmu Organic Milk Limited (stock code:1432), is a dairy company primarily engaged in forage cultivation, dairy farming, and raw milk production. According to the Annual Report 2025 of the Target Company and the discussion with the management of the Target Company, by the end of 31 March 2026, Shengmu operated 34 farms, including organic milk farms, DHA milk farms, organic A2 milk farms, and standard high-quality raw milk farms, with a total of 141 thousand cows in stock, among which 138 thousand were dairy cows in stock.

Our valuation was carried out on a Fair Value basis. Fair Value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

We wish to highlight that the opinion of value is subject to numerous assumptions, qualifications and disclaimers which are provided throughout the Report. Our opinion is also heavily reliant on information provided to us, which we are not in the position to verify for accuracy or truthfulness. Finally, we must emphasize that the realization of prospective financial information is highly uncertain and is dependent on the validity of many assumptions which frequently do not occur as expected, causing significant differences in value.

On top of such assumptions, we have also considered various risks and uncertainties that have potential impact on the Subject which are elaborated on in section 4 below. Furthermore, readers should be aware of the ever-present model risk inherent in any financial model which is a simplified version of reality potentially not accounting for or incorrectly accounting for complex issues.

Based on the results of our investigation and analysis outlined in the Report which follows, we are of the opinion that the Fair Value of the Subject as at the Valuation Date is stated as below.

<b>Asset</b>	<b>Fair Value</b> (CNY'000)
<b>Non-current assets</b>	
Property, plant and equipment	1,716,217
Right-of-use assets	228,535
Other intangible assets	21,434
Investments in associates	82,239
Biological assets	3,120,657
Cash and bank balances	60,422
<b>Current assets</b>	
Inventories	734,939
Biological assets	9,348
Trade receivables	253,204
Prepayments, other receivables and other assets	67,077
Other financial assets	190,000
Restricted bank deposits	12,127
Cash and bank balances	792,186
<b>Total Assets</b>	<b><u>7,288,385</u></b>
<b>Liability</b>	
<b>Current liabilities</b>	
Trade and bills payables	1,320,467
Other payables and accruals	122,757
Lease liabilities	17,518
Interest-bearing bank borrowings (current portion)	862,661
Tax payable	69
<b>Non-current liabilities</b>	
Lease liabilities (non-current portion)	16,451
Deferred income	12,116
Interest-bearing bank borrowings (non-current portion)	1,271,277
<b>Total Liabilities</b>	<b><u>3,623,315</u></b>

	<b>Fair Value</b> <i>(CNY'000)</i>
<b>Net Assets</b>	<b><u>3,665,068</u></b>

*Note: Numbers may not add up due to rounding.*

The following pages outline the methodology, factors considered and assumptions employed in formulating our opinions of value.

For and on behalf of  
Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
**Simon M.K. Chan**  
*Executive Director*

## 2. VALUATION PARTICULARS

### 2.1. Valuation Purpose

The purpose of the Valuation is for accounting reference.

In accordance with the instructions of the Client, JLL is engaged to perform a valuation of the Subject in accordance with the IFRS 3.

China Modern Dairy Holdings Ltd. (stock code: 1117), together with its subsidiaries, is a dairy farming operator and raw milk producer in the People's Republic of China.

### 2.2. Background of the Subject

The Subject of this valuation exercise is the Identifiable Tangible and Intangible Assets and Liabilities belonging to the Asset Group of China Shengmu Organic Milk Limited.

The Target Company, China Shengmu Organic Milk Limited (stock code:1432), is a dairy company primarily engaged in forage cultivation, dairy farming, and raw milk production. By the end of 31 March 2026, Shengmu operated 34 farms, including organic milk farms, DHA milk farms, organic A2 milk farms, and standard high-quality raw milk farms, with a total of 141 thousand cows in stock, among which 138 thousand were dairy cows in stock.

### 2.3. Independence Declaration

JLL confirms that to the best of our knowledge and belief, we are independent of the Client and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

### 2.4. Reliance on External Information

Many of the inputs within the Valuation make use of external information obtained from the Client and / or the Target Company and other public sources. We have relied to a considerable extent upon such information relating to aspects of the Subject including but not limited to its financial features. We have assumed that the information and data provided by these sources is accurate and truthful, but we make no representation as to the accuracy or completeness of such information. For all information sourced, JLL has not audited, corroborated and is not obliged to conduct due diligence to verify for their accuracy and truthfulness. A commonly referenced, though not exhaustive, list of such information includes Client historical and prospective financial information, representations made by the Client and / or their professional advisors, financial/ economic databases and technical papers from the professional services / academic sectors.

## 2.5. Standards

For this Valuation we have been guided by the following standards according to the different elements involved in our scope of work.

- Regarding financial reporting, International Financial Reporting Standards and International Accounting Standards issued by the International Accounting Standards Board
  - International Financial Reporting Standard 3 – Business Combinations
  - International Accounting Standard 38 – Intangible Assets
  - International Accounting Standard 41 – Agriculture
- Regarding valuation, International Valuation Standards issued by the International Valuation Standards Council

## 2.6. Identification of Intangible Assets

As part of our valuation process, we have attempted to identify intangible assets as at the Valuation Date and estimate the fair value of these assets in accordance with IAS 38.

IAS 38 requires the recognition of an intangible asset as an asset separately from goodwill if it is separable or arises from contractual or other legal rights and states that the intangible asset should be recognized if, and only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

The Target Company produces raw milk through the raising of dairy cattle (a biological asset) and derives its primary revenue from this activity. The Target Company's operations are highly dependent on biological assets and related supporting property, plant and equipment (e.g., barns, milking equipment). The Target Company's trademarks and customer relationships are not separable from its related-party arrangements, particularly with its major shareholders; and therefore do not meet the identifiability criterion under IAS 38 and are included in goodwill.

Based on interviews and discussions with the Target Company, as of the Valuation Date, there is no indication that any other identifiable intangible asset, such as patented technology, favorable contracts, non-compete agreements and similar items, exists or meets the recognition criteria in IAS 38.

### 2.7. Basis of Value

Our Valuation was carried out on a Fair Value basis.

Fair Value is defined as “Fair Value – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

### 2.8. Valuation Date

The Valuation Date is set to be 31 March 2026.

### 2.9. Currency

Our opinion of value is presented in CNY unless otherwise stated.

## 3. VALUATION METHODOLOGY

### 3.1. Valuation Approaches

There are three generally accepted valuation approaches, namely the market, cost and income approaches.

#### *Market Approach*

A market approach determination of value is achieved by comparing the Subject with similar assets or liabilities for which prices are available. Often adjustments are made to reflect the date of the transaction, condition and utility of the comparable relative to the Subject. Subjects for which there is an established, liquid, secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few inputs and assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in the inputs as there are inherent assumptions on the value of those comparable subjects. Market approaches also suffer in that it can be hard to find transactions for comparables that are justifiably comparable.

#### *Cost Approach*

A cost approach determination of value of a Subject works on the principle that a buyer will not pay any more for an asset / liability than the cost to obtain an equivalent one by purchase or by construction. Therefore, the cost approach considers the cost to reproduce or replace the Subject in accordance with current market prices for similar subjects, with an allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes.

The cost approach generally furnishes the most reliable indication of value for subjects without a known secondary market. It is also advantageous when the subject is not directly income generating and/or is unique thus ruling out the applicability of the other two valuation approaches. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the Subject.

### *Income Approach*

An income approach determination of value is achieved by the conversion of expected future cash flow or cost savings generated by the Subject into a present value. It is based on the principle that an informed buyer would pay no more for the Subject than an amount equal to the present worth of anticipated future benefits (income or cost savings) from the same or a substantially similar asset or liability with a similar risk profile.

Advantages of this approach lie in its ability to work when information on relevant market comparables is inadequate and when reasonable projections for the quantity and timing of expected future cash flows associated with the Subject can be made. However, this approach relies on numerous assumptions over a long time horizon which by their nature are not able to be independently verified. The result of such an approach may be very sensitive to certain inputs chosen and inevitably, some assumptions may not materialize meaning actual future values may vary greatly from what was forecasted.

## **3.2. Selection of Approach**

In the Report, we have adopted the summation method under the cost approach. The summation method is typically adopted for a subject when its value is primarily a factor of the sum of its parts.

### *Summation Method*

Under the summation method, each identifiable asset and liability of the Target Company is valued using the appropriate valuation approaches, and our opinion of value of the Subject is derived by adding component assets and deducting component liabilities.

In this report, we have considered the type of assets and liabilities and their conditions when arriving at the fair value.

### ***3.2.1. Property, Plant and Equipment***

Due to the nature of buildings, structures, machinery and equipment as well as their particular location, relevant comparable transaction cases in the open market are not readily available. All items within property, plant and equipment are valued under the cost approach based on depreciated replacement cost. Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”.

For the valuation process, current price indices are adopted to adjust historical costs to derive the prevailing replacement cost of each asset and also make reference to current construction cost of replacing assets in new condition. The cost approach considers the cost to reproduce or replace the assets in new condition in line with current market prices for similar assets, with full allowance for accrued depreciation arising from condition, utility, age, wear and tear, as well as physical, functional and economic obsolescence. Past and present maintenance policies and service history of the assets are also taken into consideration. This methodology is deemed to provide the most reliable indication of value for these assets which lack an active second-hand trading market.

### ***3.2.2. Right-of-Use Assets***

The majority of the right-of-use assets (122,000 mu grassland) is valued under the income approach, by taking into account the anticipated net rental income generated over the remaining tenure and reasonable reversionary income potential of the land. The projected cash flows are discounted at an appropriate rate to arrive at the fair value. A set of reasonable and prudent assumptions relating to development, rental arrangement, operating expenses and discount rate are adopted throughout the valuation process, given the long-term operating nature of the grassland asset.

Other minor right-of-use assets are not revalued separately. Their net book values are recognized as the fair value.

### ***3.2.3. Biological Assets***

#### *Calves and heifers*

The market approach is adopted to value the calves and heifers. The most recent negotiated selling price for heifers at about 14-month age exists as at the Valuation Date, therefore the fair value of the calves and heifers is developed through the application of market approach with reasonable adjustments to reflect the age differences.

*Milkable cows*

The income approach is adopted to value the milkable cows. There is no reliable market-based price for milkable cows at this stage, therefore the fair value of the milkable cows is developed through the application of income approach technique known as multi-period excess earnings method (MEEM). MEEM is a derivative of the discounted cash flow (“DCF”) method. Using this technique, we estimate the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are netted off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Examples of such assets include fixed assets, assembled workforce and working capital.

**3.2.4. Other Assets and Liabilities**

The Target Company’s assets, excluding Property, Plant and Equipment, right-of-use assets, and Biological Assets, primarily consist of inventories, trade receivables, prepayments and other receivables, other financial assets, restricted bank deposits, cash and bank balances, intangible assets, and investments in associates. Other liabilities of the Target Company mainly consist of notes payable, accounts payable, contract liabilities and other payables.

We consider their book values on consolidated financial statements issued by the Target Company are representative of their fair values due to the natures of such assets and liabilities.

**4. VALUATION ANALYSIS****4.1. General Assumptions**

The following key assumptions in determining the Fair Value of the Subject have been made.

- The Valuation was primarily based on the financial projections and latest historical financial information made available to us. The projections outlined in the financial information provided were prepared on a reasonable basis, reflecting aspects of the Target Company including but not limited to market conditions, economic fundamentals, availability of competent management and sufficient personnel, sufficient facilities and systems for future expansion, and we assume they will materialize;

- The Target Company has, or will have, sufficient capital (financial, human, physical) to achieve or contribute to current and future production;
- There will be no material change in the core operations of the Target Company from what is present and / or expected;
- All relevant laws, statutes, ordinances and regulations pertaining to the Target Company are complied with and (where applicable) licenses and permits are renewable upon expiry;
- Operational and contractual terms stipulated in the contracts and agreements associated with the Target Company will be honored;
- We have assumed that there are no hidden or unexpected conditions associated with the Target Company that might adversely affect the reported values;
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions from present and/or from what is expected, which might adversely affect the business of the Target Company; and
- Our Valuation is conducted based on a going concern assumption, in which the Target Company is viewed as continuing in business for the foreseeable future.

## 4.2. Sources of Information, Key Inputs and Assumptions

The information used to determine the value of the Subject as at the Valuation Date was based on the management accounts as at 31 March 2026, provided by the management of the Target Company.

### 4.2.1. Key Assumptions and Inputs for Property, Plant and Equipment (PPE)

The property, plant and equipment are mainly located in Bayannur and Alxa League, Inner Mongolia. These assets primarily consist of various pasture-related facilities and production supporting assets. All assets are well maintained and currently in normal operational condition.

Different from conventional real estate development projects, certain property assets fail to obtain formal property ownership certificates due to non-standard land and building attributes. By contrast, plant and equipment do not require real estate title certificates by nature. All such machinery, facilities and auxiliary assets are fully recorded in the Company's financial books and recognized as its owned assets. We have duly verified the ownership status of all plant and equipment items during our valuation exercise. Consistent with prevailing industry practice for pasture-related assets, our valuation analysis places primary emphasis on their actual usage, operational conditions and economic usability.

#### *PPE Valuation Summary*

Category	Original Book Value (CNY)	Net Book Value (CNY)	Fair Value (CNY)
Buildings	492,536,326	274,067,387	371,254,000
Structures	2,005,865,541	1,166,633,463	1,011,111,000
Machinery & Equipment	912,663,240	379,723,896	335,147,000
Construction-in-Progress	4,566,600	4,566,600	4,567,000
<b>Total PPE</b>	<b><u>3,415,631,707</u></b>	<b><u>1,756,325,518</u></b>	<b><u>1,716,217,000</u></b>

#### *Buildings*

Buildings are valued based on depreciated replacement cost. The standard total useful life for all buildings is estimated at 40 years. Remaining useful life is determined according to the date of acquisition and actual service duration, functional and economic obsolescence of each asset. Current construction price indices are adopted to calculate replacement cost. Physical wear and tear as well as functional obsolescence arising from long-term usage are fully considered to determine the final assessed value.

*Structures*

Structures are valued by depreciated replacement cost. The prescribed total useful life for structures is 20 years. Remaining useful life is assessed on an individual basis with reference to their useful years and on-site conditions. Relevant civil engineering price adjustments are applied to compute replacement cost. Physical deterioration, ageing and functional depreciation are taken into account in the valuation process.

*Machinery & Equipment*

Machinery and equipment are valued based on the depreciated replacement cost. The standard total useful life for this category is 10 years. Remaining useful life is determined by actual operating hours and service periods. Current market price indices for industrial equipment are used to adjust replacement cost. Physical loss, technical obsolescence and economic factors are comprehensively considered in deriving the assessed value.

*Construction-in-Progress (CIP)*

Construction-in-Progress is valued based on actual accumulated construction costs and current project progress. No material adjustments have been made, and the carrying amount is deemed as the fair value, with only minor rounding differences presented in the final result.

**4.2.2. Key Assumptions and Inputs for the Valuation of Right-of-Use Assets (ROU)**

The right-of-use assets are mainly located in Bayannur and Alxa League, Inner Mongolia, predominantly comprising pasture and grassland land rights. The 122,000 mu grassland right-of-use is valued via the income approach, by taking into account the net rental income derived from the overall leasing arrangement and the reversionary income potential over the remaining tenure. The projected cash flows are discounted at an appropriate capitalization rate to determine the fair value. A set of reasonable and market-aligned assumptions is adopted throughout the valuation.

For other miscellaneous right-of-use assets, their net book value is adopted as the fair value.

Category	<b>Original Book Value</b> (CNY)	<b>Net Book Value</b> (CNY)	<b>Fair Value</b> (CNY)
122,000 mu Grassland ROU	512,400,000	154,000,000	129,500,000
Other ROU Assets	175,114,279	99,035,417	99,035,200
<b>Total ROU</b>	<b>687,514,279</b>	<b>253,035,417</b>	<b>228,535,200</b>

*Valuation Assumption*

- The 122,000 mu grassland is currently undeveloped barren grassland without any improvement works, and has remained idle since CSM obtained the 50-year contractual use right from Alxa Left Banner People's Government in 2015, with no water intake permit obtained as at the Valuation Date. We have reviewed and verified the relevant land contracting contract. We assume valid water access permit can be obtained for normal operation, given water supply is the basic leasing prerequisite and all similar pasture leases generally hold relevant permits. The land is qualified to apply for such permit, hence this assumption is made prudently in line with market facts, and it is assumed the lessor will go through relevant formalities to secure the permit.
- The grassland will be fully leased to one single tenant. Such overall leasing is practically feasible, as appealing leasing terms can draw interest from forage, dairy and relevant enterprises, and numerous similar whole-land leasing cases are found in surrounding areas. The tenant shall bear all development costs and complete relevant construction to meet operational standards.
- Reasonable rent-free period and preferential rental terms are offered to the tenant in line with general market practice.

*Leasing Terms (Formulated based on general local market research)*

- Rent-free period: The first 3 years of the lease term are exempted from payment of rent.
- Phase 1 rent: The subsequent 5 years, the annual rent is CNY50 per mu.
- Phase 2 rent: The next 5 years, the annual rent is CNY100 per mu.
- Stable period rent: After the above phases, the annual rent is fixed at CNY150 per mu for the long-term stable operation.

- Capitalisation rate: a uniform capitalisation rate of 7% is applied with year-end discounting adopted for all cash flow calculations. This rate is uplifted from the 5.34% official industrial land rate in Hohhot by around 30%. Considering higher operational risks of grassland assets affected by natural conditions, industry cycles and relevant policies, the adjustment is made in compliance with risk matching principle.

#### *Operating Costs*

Annual operating costs are calculated as 10% of the annual rental income. This ratio is confirmed via local grassland market surveys. As the lessor still needs to cover necessary recurrent outlays including facility maintenance, field patrol, insurance and administrative expenses, and such costs range from 5% to 10% of rental income, we adopt 10% prudently considering harsh local natural conditions. It covers routine land insurance, daily field patrol expenses, as well as basic maintenance costs for on-site fences, water supply and power supporting facilities, which represent the general recurring expenses for holding the grassland right-of-use.

#### *Valuation Result*

Based on the above leasing terms and cost assumptions, the fair value of the 122,000 mu grassland right-of-use is CNY129,800,000. For other miscellaneous right-of-use assets, their net book value is adopted as the fair value.

#### **4.2.3. Key Assumptions and Inputs for the Valuation of Biological Assets**

In this exercise, we have evaluated the various assumptions and parameters in order to provide a more accurate and reasonable basis for arriving at our assessed value.

#### *Quantity*

In conducting our valuation, we have relied on the detailed quantities of Biological Assets provided by the management of the Target Company as at the Valuation Date, which is stated as below.

	<b>Calves &amp; Heifers (Immature Cows)</b>	<b>Milkable Cows (Mature Cows)</b>	<b>Subtotal</b>
Bayannur Farms –			
Organic	53,608	51,716	105,324
Hohhot Farms –			
Ordinary	19,244	13,779	33,023
Hohhot Farms – DHA	950	2,066	3,016

*4.2.3.1. Calves and heifers*

As the most recent market transaction prices existed for the young heifers at average 14 months age, according to IAS 41, the fair value of calves and heifers can be developed through the application of market approach through adjusting the market transaction prices. Two major parameters of quantity and adjusted market prices are used in determining the fair value of calves and heifers.

**Quantity**

In conducting our valuation, we have relied on the detailed quantities of Biological Assets provided by the managements of the Target Company as at the Valuation Date.

**Market Price**

We understand from the management of the Target Company that the most recent negotiated selling price to third parties for heifers at an average age of 14 months is CNY 19,000 – 19,500 per head.

The fair value of the Biological Assets at other age groups is then determined with appropriate adjustments to this market-based price according to the discussions with the managements of the Client. We calculate the fair value of Biological Assets at age-groups less than 14 months by subtracting the feed costs, labor costs, medical costs, land rental costs and other miscellaneous costs required to raise the Biological Assets from the specific age (including 2 to 6 months) to 14 months. Conversely, we calculate the fair value of Biological Assets at age groups between 14 and 24 months by adding the feed costs, labor costs, medical costs, land rental costs, insemination costs and other miscellaneous costs required to raise the Biological Assets from the 14 months to the specific age (including 24 months and over 24 months) and to inseminate them. Furthermore, in the valuation, we have considered the necessary adjustments to death and culling rates as well as risk compensation for calves and heifers at different age groups, which is in accordance with the discussions with the management. We obtain the disposal values for an average bull calf and an average mature cow from the Client.

#### 4.2.3.2. Milkable cows

The MEEM is applied in the valuation of the milkable cows. Using this technique, we estimate the direct economic benefits attributed to the milkable cows. To estimate the economic benefit, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are netted off to arrive at a net income projection. The contributory asset charges, which represent returns on other assets (including fixed assets, working capital and assembled workforce) that are used or used up in the generation of the biological asset income projection, are then subtracted from the projection. Such residual economic benefits are then capitalized at an appropriate discount rate.

#### Net Income Projection

Key inputs for the valuation models of the milkable cows include:

- quantities of milkable cows, culled cows, and salable calves,
- culling rates,
- production volume of raw milk,
- prices of raw milk, calves and culled cows,
- operating costs

#### Contributory Asset Charges

In deriving the residual cash flow of the Biological Assets, we have deducted returns on contributory assets which represent charges for the use of contributory assets employed to support the operation of the Biological Assets and help generate revenue.

#### Tax Rate

In accordance with relevant Chinese laws and regulations, the corporate tax rate applicable to income derived from the raising of livestock is 0%.

#### Discount Rate

In applying the MEEM for the Valuation, it is necessary to determine an appropriate discount rate for the assets under review. We have determined that the appropriate discount rate for the Subject is its weighted average cost of capital (“WACC”).

The concept of WACC is to incorporate the different costs of capital for all sources of the Subject's capital and weight by their proportionate share of total capital to determine the Subject's overall cost of capital.

$$\text{WACC} = (E/V) \times R_e + (D/V) \times R_d \times (1-T_c)$$

where

$R_e$  = Required return on equity

$R_d$  = Required return on debt

$E$  = Fair value of the firm's equity

$D$  = Fair value of the firm's debt

$V = E + D$

$E/V$  = Percentage of equity financing

$D/V$  = Percentage of debt financing

$T_c$  = Corporate tax rate

To estimate the required return on equity, we have used a modified CAPM adjusted for further unexplained risk premia, as seen below.

The CAPM is a fundamental tenet of modern portfolio theory which has been a generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital. The thinking behind it is that because specific risks can be avoided through portfolio diversification, the expected return on an asset should include only the risk premium for holding market risk. The degree of market risk is estimated via the beta which is determined by referencing comparable publicly traded companies.

The equation of CAPM is shown as follows.

$$\text{CAPM} = R_f + \beta \times R_m$$

where

$R_f$  = Risk Free Rate

$\beta$  = Estimated Beta

$R_m$  = Equity risk premium

### 4.3. Opinion of Value

Based on the results of our investigations and analysis outlined in the Report, we are of the opinion that the Fair Value of the Subject as at the Valuation Date are as follow.

<b>Asset</b>	<b>Fair Value</b> <i>(CNY'000)</i>
<b>Non-current assets</b>	
Property, plant and equipment	1,716,217
Right-of-use assets	228,535
Other intangible assets	21,434
Investments in associates	82,239
Biological assets	3,120,657
Cash and bank balances	60,422
<b>Current assets</b>	
Inventories	734,939
Biological assets	9,348
Trade receivables	253,204
Prepayments, other receivables and other assets	67,077
Other financial assets <sup>1</sup>	190,000
Restricted bank deposits	12,127
Cash and bank balances	792,186
<b>Total Assets</b>	<b><u>7,288,385</u></b>

*Note 1:*

According to the management of the Target Company, the other financial assets are short-term bank-managed investment plans. Therefore, in this valuation the fair value of the other financial assets is based on its book value.

<b>Liabilities</b>	<b>Fair Value</b> (CNY'000)
<b>Current liabilities</b>	
Trade and bills payables	1,320,467
Other payables and accruals	122,757
Lease liabilities	17,518
Interest-bearing bank borrowings (current portion)	862,661
Tax payable	69
<b>Non-current liabilities</b>	
Lease liabilities (non-current portion)	16,451
Deferred income	12,116
Interest-bearing bank borrowings (non-current portion)	<u>1,271,277</u>
<b>Total Liabilities</b>	<b><u><u>3,623,315</u></u></b>
	<b>Fair Value</b> (CNY'000)
<b>Net Assets</b>	<b><u><u>3,665,068</u></u></b>

*Note: Numbers may not add up due to rounding.*

#### 4.4. Risk Factors

We caution readers to be aware of the following risks which we believe could influence the Fair Value of the Subject. Such risks can range from very subject-specific factors to more systematic factors.

##### *Microeconomic and Macroeconomic Considerations*

The Subject can be directly or indirectly affected by characteristics and changing forces of supply and demand for the contributing inputs and / or the produced goods and services associated with the Subject. These forces work to impact the magnitude of the gap between inflows and outflows regarding the Subject and thus its value. Variations in the degree of competition or in barriers to entry are key drivers of changes to supply whilst consumption preferences, income levels or the availability of substitutes are key drivers of changes to demand. Macroeconomic circumstances including inflation, interest rate fluctuations and existing and forecast levels of growth in the broader economy may also have an effect on the valuation of the Subject.

***Technological Change***

Changes in the rate of advancement of technology, the propensity for any particular technology to have an effect on the Target Company and the degree to which technological advancement is impacting and will continue to impact the Target Company can disrupt its desirability, competitiveness, efficiency and/or indirectly impact the products and services considered substitutes or complements for it and thus the value of the Subject.

***Environmental Considerations***

Phenomena within the physical environment can severely impact the factors of production and demand factors within an economy for the Subject. The occurrence of natural disasters, resource depletion and variations in climate conditions may influence resource availability and prices for inputs on the supply side or may influence market access and preferences for products and services associated to the Subject from end-user demand.

On the other hand, with tightening environmental regulation as well as growing consumer preference towards sustainable materials and products, lack of green protocol to combat climate changes and natural resources depletion could exert pre-financial impact to company performance, and hence suppress value creation over the long run.

***Social and Political Considerations***

Various political and social phenomena surrounding the Subject may change so as to affect our opinion of value of the Valuation. Social factors encompassing the perception and preferences of people in general may swing rendering the Subject more or less desirable and thus more or less valuable. Given an increasing awareness over fair trade and human rights, companies are expected to engage with their stakeholders more openly and transparently regarding how they address social factors, including fair pricing practices, safe working environment, health protection, diversity and inclusion, etc. Otherwise, it could be difficult to retain customers and attract human capital, which are key assets to generate investment return on a sustainable way.

***Governance Considerations***

International or nationwide policy and / or legislative changes that alter existing rights and obligations may directly or indirectly influence the Subject. More importantly, enforcing a corporate governance structure that can sustain unforeseeable challenges, is vital to maintain financial performance and avoid contingent liabilities arising from fines imposed by regulatory authority. Without a good corporate governance and management, it could be difficult to sustain business growth with acceptable risk level, and this would in turn affect the valuation of the Subject.

#### 4.5 General Limiting Conditions

- In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client / Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Client/Target Company in reaching its conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Client.
- We have explained as part of our service engagement procedure that it is the directors' responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
- Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
- The board of directors and the management of Client/Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
- Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from the Client. Such kind of additional work may incur without prior notification to the Client.
- No opinion is intended to be expressed for matters which require legal or other specialised expertise, which are out of valuers' capacity.
- The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.
- Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

- We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client / Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
- This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind any third party who will receive this report and the client will need to undertake any consequences resulting from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
- This Report is confidential to the Client and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
- Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.
- The Client / Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subject in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of our services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if we have been advised of their possible existence.
- We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities existing, and regarding the effect on the value of the asset, it is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

- This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client / Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above-mentioned information requires adjustments, the resulting value may differ significantly.
- This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client / Target Company and other sources. Actual transactions involving the Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.
- The board of directors, management, staff, and representatives of the Client / Target Company have confirmed to us that they are independent of JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client / Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

## JLL Office

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For other office locations, please visit JLL website.

*The following is the text of a report received from CITICS HK in connection with the qualification of the Valuer in accordance with Rule 11.1 of the Takeovers Code.*



30 June 2026

**The Board of Directors**  
**China Modern Dairy Holdings Limited**  
Room A, 32/F., COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF CHINA MODERN DAIRY HOLDINGS LTD. TO ACQUIRE ALL THE ISSUED SHARES OF CHINA SHENGMU ORGANIC MILK LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY CHINA MODERN DAIRY HOLDINGS LTD. AND START GREAT)**

We refer to the composite offer document and response document of even date jointly issued by CMD and CSM to all the Offer Shareholders in relation to the Offer (the “**Composite Document**”). Unless otherwise defined or the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Composite Document.

For the sole purpose of purchase price allocation of the Acquisition and the Offer by CMD, which was referred to in the pro forma financial information of the enlarged CMD Group prepared for the information of the shareholders or potential investors of CMD in the CMD Circular only for the sole purpose of their voting decision at the CMD EGM, CMD has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”) as the independent valuer to assess the fair value of the identifiable tangible and intangible assets and liabilities belonging to CSM (the “**Valuation**”), contained in the Valuation Report dated 30 June 2026 prepared by the Valuer as set out in Appendix VII to the Composite Document. The Valuer is a professional valuation firm specializing in provision of various valuation services for companies worldwide, especially listed companies in Hong Kong.

We, in our capacity as the financial adviser solely to CMD in respect of the Offer, are required to report on the Valuation and the qualifications and experience of the Valuer pursuant to the requirements of Rule 11.1 of the Takeovers Code.

**OUR REVIEW**

For the purpose of providing this letter, we have conducted the following due diligence:

- (a) conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Valuer, including reviewing the supporting documents on the qualifications of the Valuer and discussing the Valuer's qualifications, experience and expertise with you and the Valuer;
- (b) reviewed the Valuation, for which you and the Valuer are solely responsible; and
- (c) discussed, in our capacity as, and from the perspective of, the financial adviser to CMD, the Valuation and the bases and assumptions underlying the Valuation with the Valuer.

Based on the information provided by the Valuer, we are satisfied that (i) the Valuer is suitably qualified and experienced to prepare the Valuation and (ii) the valuation approach, as well as the bases and assumptions adopted in deriving the Valuation, has been made with due care, consideration and objectivity, and on a reasonable basis.

We have not independently verified the computations leading to the determination of the Valuation and have assumed the computations to be true, accurate and complete. The valuation of identifiable tangible and intangible assets is inherently imprecise and subject to the underlying assumptions, which are in turn subject to uncertainties and affected by market and environmental conditions. In addition, our view is necessarily based on prevailing economic, market and other conditions which generally affect the financial condition of identifiable tangible and intangible assets available to us as of the date of this letter. In accordance with Rule 9.1 of the Code on Takeovers and Mergers, it is our responsibility to ensure this letter remains accurate and up to date throughout the Offer Period. The Offer Shareholders will be notified as soon as possible of any material changes to the information contained herein as well as our view, if any, after the date of the Composite Document and throughout the Offer Period.

**GENERAL**

This letter has been provided to the directors of CMD only and solely for the purposes of Rule 11.1 of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

We are not the independent appraiser of the Valuation, which was determined by the Valuer. We are acting as the financial adviser to CMD in connection with the Offer. We will not be responsible to any person other than CMD for providing advice in connection with the Offer, nor will we owe any responsibility to any person other than CMD.

We have assumed that all information, materials and representations provided to us by the Valuer were true, accurate, complete and not misleading at the time they were supplied or made, and remained so throughout the Offer Period and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Composite Document.

In providing this letter, we express no opinion or recommendation to any person as to how such person should act on any matters relating to the Offer or as to the fairness of the financial terms of the Offer. Offer Shareholders are recommended to seek their own independent financial advice.

Yours faithfully,  
For and on behalf of  
**CITIC Securities (Hong Kong) Limited**  
**Edmund Chan**  
*Managing Director, Head of M&A*

*The following is the text of the letter from CITICS HK, the exclusive financial adviser to CMD in respect of the Acquisition and the Offer, for the purpose of inclusion in this Composite Document.*



30 June 2026

**The Board of Directors**  
**China Modern Dairy Holdings Limited**  
Room A, 32nd Floor  
COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

**MANDATORY CONDITIONAL CASH OFFER BY CLSA LIMITED FOR AND ON BEHALF OF CHINA MODERN DAIRY HOLDINGS LTD. TO ACQUIRE ALL THE ISSUED SHARES OF CHINA SHENGMU ORGANIC MILK LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY CHINA MODERN DAIRY HOLDINGS LTD. AND START GREAT)**

Dear Sirs,

We refer to the composite offer document and response document of even date jointly issued by CMD and CSM to all Offer Shareholders in relation to the Offer (the “**Composite Document**”). Unless otherwise defined or the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Composite Document.

We refer to the valuation report dated 30 June 2026 in respect of the identifiable tangible and intangible assets and liabilities belonging to CSM issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Valuer**”) as set out in Appendix VII to the Composite Document (the “**Valuation Report**”).

CMD has engaged the Valuer as the independent valuer to assess the fair value of the identifiable tangible and intangible assets and liabilities belonging to CSM (the “**Valuation**”) contained in the Valuation Report, which includes, amongst other things, the valuation of CSM Group’s milkable cows and right-of-use assets in relation to a grassland with an area of 122,000 mu (the “**Relevant Forecasts**”) based on the management accounts of CSM.

As the Relevant Forecasts were prepared using the income approach and based on discounted future cash flows, each of the Relevant Forecasts is regarded as a profit forecast under Rule 10 by virtue of Rule 11.1(a) of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Relevant Forecasts and their respective underlying bases (including, without limitation, the management accounts of CSM) and assumptions, which were provided by you and for which you, as the directors of CMD, are solely responsible. We have also discussed the above with the Valuer, you and the senior management of CMD. None of the parties is aware of any assumptions which appear to be unrealistic or have been omitted which appear to be important.

In respect of the accounting policies and calculations concerned, upon which the Relevant Forecasts have been made, we have considered the report as contained in Appendix X to the Composite Document addressed to the board of directors of CMD from KPMG, being the reporting accountants of CMD. KPMG is of the opinion that so far as the accounting policies and calculations are concerned, the Relevant Forecasts have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the CMD Directors as set out in the Valuation Report. The discounted future cash flows do not involve the adoption of accounting policies.

Having considered all of the above, we are satisfied that the Relevant Forecasts (including the bases and assumptions as set out in the Valuation Report) have been made with due care and consideration.

We have not independently verified the computations leading to the determination of the Relevant Forecasts and have assumed the computations to be true, accurate and complete. The valuation and profit forecasts in respect of biological assets and right-of-use assets are inherently imprecise and subject to the underlying assumptions, which are in turn subject to uncertainties and affected by market and environmental conditions. In addition, our view is necessarily based on prevailing economic, market and other conditions which generally affect the financial condition of CSM Group's milkable cows and grassland available to us as of the date of this letter. In accordance with Rule 9.1 of the Code on Takeovers and Mergers, it is our responsibility to ensure that this letter remains accurate and up to date throughout the Offer Period. The Offer Shareholders will be notified as soon as possible of any material changes to the information contained herein as well as to our view, if any, after the date of the Composite Document and throughout the Offer Period.

## **GENERAL**

This letter has been provided to the directors of CMD only and solely for the purposes of Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

We are not the independent appraiser of the Valuation, which was determined by the Valuer. We are acting as the financial adviser to CMD in connection with the Offer. We will not be responsible to any person other than CMD for providing advice in connection with the Offer, nor will we owe any responsibility to any person other than CMD.

We have assumed that all information, materials and representations provided to us by you and the Valuer were true, accurate, complete and not misleading at the time they were supplied or made, and remained so throughout the Offer Period and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Relevant Forecasts as set out in the Valuation Report.

In providing this letter, we express no opinion or recommendation to any person as to how such person should act on any matters relating to the Offer or as to the fairness of the financial terms of the Offer. Offer Shareholders are recommended to seek their own independent financial advice.

Yours faithfully,  
For and on behalf of  
**CITIC Securities (Hong Kong) Limited**  
**Edmund Chan**  
*Managing Director, Head of M&A*

*The following is the text of a report received from CMD's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this Composite Document.*



**REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE IDENTIFIABLE TANGIBLE AND INTANGIBLE ASSETS AND LIABILITIES BELONGING TO CHINA SHENGMU ORGANIC MILK LIMITED**

**TO THE BOARD OF DIRECTORS OF CHINA MODERN DAIRY HOLDINGS LTD.**

We refer to the discounted future cash flows on which the valuation (“**the Valuation**”) dated 30 June 2026 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the fair value of the identifiable tangible and intangible assets and liabilities belonging to China Shengmu Organic Milk Limited (the “**CSM**”) for the sole purpose of purchase price allocation of the Acquisition and the Offer by China Modern Dairy Holdings Ltd. as at 31 March 2026 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under Rule 10 by virtue of Rule 11.1(a) of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the “**Takeovers Code**”).

**CMD Directors’ Responsibilities**

The directors of China Modern Dairy Holdings Ltd. (the “**CMD Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the CMD Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to report, as required by Note 1(c) to Rules 10.1 and 10.2 and Rule 10.3(b) of the Takeovers Code, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

**Basis of Opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the CMD Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the CMD Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the CMD Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the CMD Directors as set out in the Valuation.

**Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the identifiable tangible and intangible assets and liabilities belonging to CSM or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relate to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under Note 1(c) to Rules 10.1 and 10.2 and Rule 10.3(b) of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

**KPMG***Certified Public Accountants*

Hong Kong

30 June 2026