

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.

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.

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:

	2023	2024	2025
	<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)
	2023	2024	2025
	<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.

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

Notes:

1. Certain percentage figures in the above table are subject to rounding adjustments.
2. 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.
3. 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.
4. For completeness, Mr. Zhang Jiawang is also an Offer Shareholder.
5. 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.
6. 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.

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.

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.

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