
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Modern Dairy Holdings Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO

**(1) CONDITIONAL AGREEMENTS IN RELATION TO
THE SALE AND PURCHASE OF THE SALE SHARES IN
CHINA SHENGMU ORGANIC MILK LIMITED
AND**

**(2) POSSIBLE 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)**

AND

(3) NOTICE OF EGM

Exclusive Financial adviser to CMD



**CITIC
SECURITIES**

CITIC Securities (Hong Kong) Limited

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



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 9 to 34 of this circular. A letter from Somerley Capital Limited is set out on pages 37 to 69 of this circular.

A notice convening the EGM to be held electronically through an online platform accessible at https://meetings.computershare.com/CMD_EGM2025 (the "Online Platform") on Friday, 16 January 2026 at 10:00 a.m. is set out on pages 99 to 101 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend the EGM or any adjournment or postponement thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with CMD's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment or postponement thereof (as the case may be). If the proxy appointed is not the chairman of the EGM, CMD Shareholders are requested to provide a valid email address of their proxy for him or her to receive the login details to access the online platform. If no email address is provided, the proxy appointed cannot attend the EGM and participate in the voting through the Online Platform. Completion and return of the proxy form will not preclude you from attending and voting at the EGM through the Online Platform or any adjournment or postponement thereof if you so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

24 December 2025

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

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|---------------------------|---|
| “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” |
| “Announcement” | the announcement dated 30 October 2025 made by CMD in respect of the Acquisition and the Offer pursuant to Rule 3.5 of the Takeovers Code |
| “BOCI Financial Products” | BOCI Financial Products Limited |
| “Borrowed Securities” | 568,181,818 CMD Shares |
| “Business Day(s)” | a working day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 4:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong and the PRC are generally open for business |
| “Cayman Companies Act” | the Companies Act (As Revised) of the Cayman Islands, as amended from time to time |
| “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) |

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) |
| “Closing Date” | the date to be stated in the Offer Document as the first closing date of the Offer or any subsequent closing date as may be announced by CMD in accordance with the requirements under the Takeovers Code |
| “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) |
| “CMD Board” | the board of Directors |
| “CMD Group” | CMD and its subsidiaries |
| “CMD Independent Board Committee” | an independent board committee of the CMD Board comprising Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang (each being an independent non-executive director of CMD) established for the purposes of making recommendations to the CMD Independent Shareholders in relation to the Acquisition and the Offer under the Listing Rules |
| “CMD Independent Financial Adviser” | Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by CMD for the purpose of advising the CMD Independent Board Committee and the CMD Independent Shareholders in respect of the Acquisition and the Offer |
| “CMD Independent Shareholder(s)” | CMD Shareholders who are not required to abstain from voting at the EGM in relation to the resolution for approving the Acquisition, the Offer and the transactions contemplated thereunder |
| “CMD Share(s)” | ordinary share(s) of par value HK\$0.1 each in the issued share capital of CMD |

DEFINITIONS

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| “CMD Shareholder(s)” | the registered holder(s) of CMD Share(s) |
| “Consideration” | the consideration payable 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 Group” | CSM and its subsidiaries |
| “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 issued 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) |
| “Director(s)” | director(s) of CMD |
| “EGM” | the extraordinary general meeting of CMD to be held electronically through an online platform accessible at https://meetings.computershare.com/CMD_EGM2025 on Friday, 16 January 2026 at 10:00 a.m., for the CMD Shareholders to consider and, if thought fit, approve the transactions contemplated under the Share Purchase Agreements and the Offer, notice of which is set out on pages 99 to 101 of this circular, or any adjournment or postponement thereof |
| “Enlarged Group” | the CMD Group as enlarged by the CSM Group |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |

DEFINITIONS

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|----------------------------|--|
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “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 Announcement |
| “Latest Practicable Date” | 18 December 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “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 possible mandatory conditional cash offer to be 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 to be set out in the Offer Document and the accompanying form of acceptance |
| “Offer Document” | the offer document to be issued by CMD or composite offer document to be jointly issued by CMD and CSM to the CSM Shareholders in connection with the Offer in accordance with the Takeovers Code |
| “Offer Price” | the Offer Price under the Offer, currently at HK\$0.35 per Offer Share |

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) |
| “Online Platform” | has the meaning ascribed to it on the cover page of this circular |
| “PRC” | the People’s Republic of China |
| “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 |
| “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 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “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 |
| “SAMR” | State Administration for Market Regulation of the PRC or its local authorities (as applicable) |
| “Securities Lending Agreement” | the securities lending agreement dated 8 June 2023 entered into between Mengniu as lender and BOCI Financial Products as borrower in respect of the Borrowed Securities |
| “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” | each of 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” |

DEFINITIONS

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| “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 falling on the 10th Business Day after fulfilment or waiver (as applicable) of the conditions to the SPA Completion pursuant to a Share Purchase Agreement, or such other date as the relevant Selling Shareholder and CMD may agree in writing |
| “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) |
| “Trustee” | BOCI Trustee (Hong Kong) Limited, the trustee of CMD’s share award scheme adopted on 26 March 2018 |
| “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. |

GUIDANCE FOR JOINING THE ELECTRONICALLY HELD EGM

ELECTRONICALLY HELD EGM

CMD will conduct the EGM virtually using the Online Platform accessible at https://meetings.computershare.com/CMD_EGM2025, which allows CMD Shareholders to participate in the EGM online in a convenient and efficient way from anywhere with an internet connection. CMD Shareholders will be able to participate in the live webcast and voting and submit questions in written form to the EGM online via their mobile phones, tablet or computers.

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

Each set of shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at any one time only.

If any CMD Shareholder experiences any technical difficulties or require assistance while using the Online Platform, please contact the branch share registrar of CMD, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at (852) 2862 8555 from 9:00 a.m. until the end of the EGM (Hong Kong time) on the date of the EGM.

The votes of the CMD Shareholders on the resolution to be considered at the EGM cannot be recorded at, or taken by, Computershare’s service hotline.

If any CMD Shareholder has any concerns or issues attending the Online Platform, they are encouraged to appoint the chairman of the EGM as their proxy to exercise their voting rights.

The Online Platform will be open to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

CMD Shareholders attending the EGM using the Online Platform are expected:

- (i) to have a reliable and stable internet connection that can support live webcast; and
- (ii) to be able to follow the EGM proceedings in order to cast the votes and submit questions online.

If, for any reasons, the internet connection is lost or interrupted, it may affect the ability of the CMD Shareholders to follow the EGM proceedings. Any missed content as a result of connection issues arise from the Shareholders will not be repeated.

Login details for CMD Shareholders

Details regarding the arrangements of the EGM, including login details to access the Online Platform and online voting, are included in the CMD’s invitation letter to CMD Shareholders to be despatched on the date of this circular.

GUIDANCE FOR JOINING THE ELECTRONICALLY HELD EGM

Login details for Non-Registered CMD Shareholders

Only CMD Shareholders are entitled to attend and vote at the EGM. If you are a beneficial owner of CMD Shares (“**Non-Registered CMD Shareholders**”) who wish to attend and participate in the EGM using the Online Platform, you should liaise with your bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which your CMD Shares are held (collectively, the “**Intermediaries**”) as soon as possible and make appropriate arrangements with the relevant Intermediary to enable you to attend and vote at the EGM (and, for such purpose, HKSCC Nominees Limited and/or the other Intermediary may appoint you as its proxy) and provide your email address to your Intermediary. Details regarding the arrangements of the EGM, including login details to access the Online Platform and online voting, will be sent by Computershare to the email addresses provided by the Non-Registered Shareholders.

QUESTIONS RELATING TO THE ARRANGEMENTS OF THE ELECTRONICALLY HELD EGM

For enquiries, please contact Computershare in person, by phone or online form:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sun Yugang
Mr. Zhu Xiaohui

Non-executive Directors:

Mr. Chen Yiyi (*Chairman*)
Mr. Zhang Ping
Mr. Wen Yongping
Ms. Gan Lu

Independent Non-executive Directors:

Mr. Li Shengli
Mr. Lee Kong Wai, Conway
Mr. Chow Ming Sang

Registered Office:

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

*Principal place of business in
Hong Kong:*

Room A, 32nd Floor,
COFCO Tower,
262 Gloucester Road,
Causeway Bay,
Hong Kong

24 December 2025

To the CMD Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
(1) CONDITIONAL AGREEMENTS IN RELATION TO
THE SALE AND PURCHASE OF THE SALE SHARES IN
CHINA SHENGMU ORGANIC MILK LIMITED
AND
(2) POSSIBLE 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)
AND
(3) NOTICE OF EGM**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Announcement. As set out in the 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), and the total Consideration amounted to HK\$37,520,000 in cash.

The purpose of this circular is to provide you with, among other things, (a) further information with regard to the Acquisition; (b) further information with regard to the Offer; (c) a letter from the CMD Independent Financial Adviser, Somerley Capital Limited, in relation to the Acquisition and the Offer; (d) a notice of the EGM; and (e) other information required by the Listing Rules for the CMD Shareholders to consider and, if thought fit, approve the transactions contemplated under the Share Purchase Agreements and the Offer at the EGM.

THE SHARE PURCHASE AGREEMENTS

Set out below are the details of the Share Purchase Agreements:

Date:

30 October 2025 (after trading hours)

Parties:

CMD (as purchaser) and each of the Selling Shareholders (as seller, the details of which are set out below)

Subject of the Share Purchase Agreements

Pursuant to the terms and conditions of the Share Purchase Agreement:

- (a) each Selling Shareholder conditionally agreed to sell, and CMD conditionally agreed to acquire, the Sale Shares held by such Selling Shareholder; and
- (b) the Sale Shares will be acquired by CMD free from all encumbrances and together with all rights and benefits attached and accrued to them on or after the SPA Completion Date.

LETTER FROM THE BOARD

Set out below are the details of the Selling Shareholders, the number of Sale Shares to be sold by such Selling Shareholder, and the Consideration payable to such Selling Shareholder under the respective Share Purchase Agreements:

| Selling Shareholders | Number of Sale Shares | Percentage represented by such Sale Shares in the issued | Consideration per Sale Share (HK\$) | Total Consideration (HK\$) |
|----------------------|--------------------------|--|--|----------------------------------|
| | | share capital of CSM (Note) | | |
| SMbeidou | 50,000,000 | 0.60 | 0.35 | 17,500,000 |
| SMhateng | 7,200,000 | 0.09 | 0.35 | 2,520,000 |
| SMwuxing | 50,000,000 | 0.60 | 0.35 | 17,500,000 |
| Total | 107,200,000 | 1.28 | | 37,520,000 |

Note: The percentage figures are calculated on the basis of 8,381,295,229 CSM Shares in issue based on public information available to CMD as at the Latest Practicable Date. The percentage figures are subject to rounding adjustments and, accordingly, figures shown in total in the above table may not be an arithmetic aggregation of the figures preceding them.

The respective purchase price for the relevant Sale Shares was agreed after arm's length negotiations between CMD and each Selling Shareholder. In arriving at the purchase price of the relevant Sale Shares, CMD had taken into account the following factors:

(i) The prospect of CSM and potential benefits and synergies for the CMD Group arising from the Acquisition and the Offer:

In recent years, the raw milk industry in China has faced structural challenges, including oversupply, sustained downward pressure on raw milk prices and increasing operational pressure on dairy farms. Despite these headwinds, CSM has maintained its strategic focus on the production of organic milk and other functional raw milk, concentrating on organic, high-end and differentiated segments. In the first half of 2025, despite the persistent decline in industry raw milk prices, CSM's average raw milk selling price fell by only 8.9% in the first half of 2025, significantly outperforming the industry average decline of 11.7% (source: average price of raw milk in the 10 major milk-producing provinces published by the Ministry of Agriculture and Rural Affairs of the PRC), primarily attributable to its high proportion of high-end raw milk sales reaching approximately 80%. Based on publicly available information as at the Latest Practicable Date, In 2024, CSM's raw milk price declined by just 6.1%, compared with an industry average drop of 13.5%¹. In response to the industry's supply-demand imbalance, CSM has implemented a series of initiatives, including optimization of herd structure, improvement of milk yield per cow, enhanced cost control and continuous rearing of high-quality reserve heifers. The annualised milk yield per milkable cow reached 12.27 tonnes in the first half of 2025, representing a

¹ Based on publicly available information.

LETTER FROM THE BOARD

year-on-year increase of 1.7%, while the full-year figure for 2024 was 12.05 tonnes, up by 5.9% year-on-year¹. The proportion of milkable cows has begun to recover, rising from 43.5% at the end of 2024 to 44.9% in the first half of 2025 and this ongoing recovery is expected to provide solid support for further growth in milk volume going forward¹. These demonstrated operational strengths and structural advantages in organic milk segments have been widely recognized and reflected in CSM's recent share price performance, forming a transparent and reasonable market valuation basis ahead of the Acquisition and the Offer.

At the same time, the Acquisition and the Offer will strategically combine the CMD Group's existing advantages in scale and operational efficiency with CSM's leading capabilities in organic milk production and sustainable development, generating synergies through lower procurement costs, an optimised production mix, enhanced operating efficiency and stronger green development credentials. These synergies are expected to be long-term in nature, although with inherent execution uncertainties.

(ii) The trading liquidity and the historic closing price of the CSM Shares on the Stock Exchange:

The CSM Share price has been trading at a persistent discount to the net asset value attributable to the owners of CSM per CSM Share and its overall liquidity has remained low. The average daily trading volumes of the CSM Shares during the period from 1 October 2023 up to and including the Latest Practicable Date represented only approximately 0.0013% to 0.3630% of the total issued CSM Shares; and approximately 0.0025% to 0.6925% of the public float of CSM. The Acquisition and the Offer will allow CMD to acquire a substantial shareholding in CSM, which will in turn facilitate the achievement of the synergies between CMD and CSM (assuming the Offer becomes unconditional) as outlined above.

(iii) Other similar transactions in Hong Kong in recent years.

CMD will settle the Consideration in cash in Hong Kong dollars at the SPA Completion in one lump sum with the internal resources of the CMD Group.

Conditions of the Share Purchase Agreements

The SPA Completion under each Share Purchase Agreement is 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;

¹ Based on publicly available information.

LETTER FROM THE BOARD

- (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 Announcement; 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.

The conditions set out in paragraphs (a), (d) and (e) above are non-waivable. The condition set out in paragraph (b) above may be waived by CMD, and the condition set out in paragraph (c) may be waived by the Selling Shareholders, in whole or in part, by written notice to the other party.

Based on information available to CMD, the statutory review period for the antitrust clearance in accordance with the anti-monopoly laws and regulations in the PRC as referred to in the condition as set out in paragraph (a) above is up to one hundred eighty (180) days after the acceptance of the antitrust filing by the SAMR. Such period may be shortened or further extended in accordance with the Anti-Monopoly Law of the PRC.

As advised by the PRC legal advisers to CMD, the process of obtaining of the antitrust clearance will involve: (a) submission of the antitrust filing by CMD to the SAMR, (b) pre-acceptance phase of the antitrust filing, which has no statutory time limit under the applicable PRC laws and regulations, (c) acceptance of the antitrust filing by the SAMR and phase I review, which is up to thirty (30) days following the acceptance by SAMR; (d) phase II review, which is up to ninety (90) days following the completion of the phase I review (if the SAMR deems it necessary); (e) phase III review which is up to sixty (60) days following the completion of the phase II review (if the SAMR deems it necessary); and (f) decision made by the SAMR. Based on the information available to CMD as at the Latest Practicable Date (and taking into account that the SAMR has not raised any objection to the Acquisition as at the Latest Practicable Date), the CMD Board is not aware of any legal impediment for obtaining the requisite antitrust clearance from the SAMR as outlined in paragraph (a) above. As at the Latest Practicable Date, CMD has submitted the antitrust filing with the SAMR and the SAMR has accepted the antitrust filing.

Based on information available to CMD (including publicly available information on the CSM Group) as at the Latest Practicable Date, other than the approvals or consents as set out in the conditions to the SPA Completion under each Share Purchase Agreement as set out above, CMD is not aware of any approval or consent required by CMD for the Acquisition and the Offer.

As at the Latest Practicable Date, (i) CMD has no intention to waive the condition set out in paragraph (b) above; and (ii) so far as CMD is aware based on information available to it as at the Latest Practicable Date, each of the Selling Shareholder has no intention to waive the condition set out in paragraph (c) above.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the condition set out in paragraph (d) above, none of the other conditions under each Share Purchase Agreement as set out above is satisfied or (if capable of being waived) waived. Based on information available to CMD as at the Latest Practicable Date and subject to the progress of review by the SAMR and the absence of any unforeseen circumstances, it is expected that the SPA Completion will take place no later than 30 June 2026.

Termination of the Share Purchase Agreements

At any time prior to the SPA Completion Date, each Share Purchase Agreement may be terminated upon the occurrence of any of the following events:

- (a) the conditions, as set out in the section headed “Conditions of the Share Purchase Agreements” above, are not satisfied or (if capable of being waived) waived on or before 5:00 p.m. on the Long Stop Date, in which case the Share Purchase Agreement shall automatically terminate;
- (b) by the other non-defaulting party, if CMD or the relevant Selling Shareholder(s) (as the case may be) fails to comply with its completion obligations under the Share Purchase Agreement;
- (c) by mutual written consent between CMD and the relevant Selling Shareholder(s);
- (d) by written notice from CMD, if any of the representations or warranties given by the relevant Selling Shareholder(s) under the Share Purchase Agreement is false, inaccurate or misleading in any material respect; or
- (e) by written notice from the relevant Selling Shareholder(s), if any of the representations or warranties given by CMD under the Share Purchase Agreement is false, inaccurate or misleading in any material respect.

If any of the Share Purchase Agreements is terminated under any of the circumstances set out above, such termination shall be without liability on the part of any party under the relevant Share Purchase Agreement, provided however that (i) certain boilerplate provisions shall continue in full force following the termination of such Share Purchase Agreement; and (ii) the termination of such Share Purchase Agreement shall be without prejudice to the rights of any party under such Share Purchase Agreement against the other party(ies) for any breach of such Share Purchase Agreement accrued prior to such termination.

Completion of the Acquisition

Subject to satisfaction or (if capable of being waived) waiver of all the conditions set out in the section headed “Conditions of the Share Purchase Agreements” above, the SPA Completion under each Share Purchase Agreement shall take place on the SPA Completion Date.

For the avoidance of doubt, completion under any Share Purchase Agreement is not conditional upon the completion under any other Share Purchase Agreements having occurred.

LETTER FROM THE BOARD

GRANT OF IRREVOCABLE VOTING PROXY BY START GREAT IN FAVOUR OF CMD

As set out in the Announcement, on 30 October 2025 (after trading hours), CMD, Start Great and Mengniu 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 arms' 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. those 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 took 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;
- (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.

LETTER FROM THE BOARD

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 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 SPA Completion under all of the Share Purchase Agreements take place and 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.

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.

LETTER FROM THE BOARD

POSSIBLE MANDATORY CONDITIONAL CASH OFFER ON CSM

The Offer

As at the Latest Practicable Date, 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, CMD and parties acting in concert with it will hold in aggregate 30% or more of the total issued share capital of CSM. CMD will therefore, subject to and upon the SPA Completion under any of the Share Purchase Agreements, be 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.

Upon the SPA Completion under any of the Share Purchase Agreements, CLSA Limited, on behalf of CMD and in compliance with the Takeovers Code, will make the Offer on the terms to be set out in the Offer Document to be issued in accordance with the Takeovers Code on the following basis:

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

Assuming that 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 and based on the Offer Price of HK\$0.35 per Offer Share, the total issued share capital of CSM is valued at HK\$2,933,453,330.2.

The Offer, if made, will be made to the Offer Shareholders. As CMD and Start Great will 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 will be subject to the Offer. Based on 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 the Offer Document.

If, after the date of the 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 this circular, the Offer 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. Based on public information available to CMD as at the Latest Practicable Date, there is no dividend, distribution and/or return of capital which is declared by CSM but remained unpaid as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Offer Price

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;
- (v) a discount of approximately 31.45% to the audited consolidated net asset value attributable to the owners of CSM per CSM Share of approximately HK\$0.51 as at 31 December 2024, calculated based on (i) the audited consolidated net assets attributable to the owners of CSM of approximately RMB3,963.01 million as at 31 December 2024; (ii) 8,381,295,229 CSM Shares in issue as at 31 December 2024; and (iii) the exchange rate of HK\$1.0: RMB0.92604, being the central parity rate as quoted by the People's Bank of China on 31 December 2024 for illustrative purposes only; and
- (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.

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, including the potential benefits and synergies to the CMD Group arising in connection with the Acquisition and the Offer, as set out in the section headed "Share Purchase Agreements" above and the section headed "Reasons for and Benefits of the Acquisition and the Offer" below; (iii) the trading liquidity and the historic closing prices of the CSM Shares on the Stock Exchange in the section headed "Share Purchase Agreements" above; and (iv) other similar transactions in Hong Kong in recent years.

LETTER FROM THE BOARD

The CSM Share Award Scheme and CSM Share Option Scheme

Based on public information available to CMD 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, based on public information available to CMD as at the Latest Practicable Date, no grants have been made under the CSM Share Option Scheme as at the Latest Practicable Date.

Confirmation of financial resources

The maximum amount of cash payable by CMD in respect of the total Consideration for the Acquisition and the consideration payable upon full acceptance of the Offer is approximately HK\$2,053,840,835.9, 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 total Consideration payable under the Acquisition and 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, has confirmed in the Announcement that it is satisfied that sufficient financial resources are available to CMD to satisfy the total Consideration for the Acquisition and the maximum consideration payable upon full acceptance of the Offer.

The Offer will only be made if the SPA Completion takes place and the SPA Completion is subject to the satisfaction or (if capable of being waived) waiver of the conditions precedent under the Share Purchase Agreements which have been set out in the section headed “Conditions of the Share Purchase Agreements” of this circular. Accordingly, the SPA Completion may or may not take place, and the Offer may or may not be made.

Shareholders and potential investors of CMD and CSM are advised to exercise caution when dealing in the respective shares of CMD and CSM. Further announcement(s) will be made by CMD when the SPA Completion takes place. If shareholders and potential investors of CMD and CSM are in any doubt about their position, they should consult their professional advisers.

Condition of the Offer

The Offer will be 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 after the SPA Completion and before the Offer, 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.

LETTER FROM THE BOARD

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.

Effect 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 Offer 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 the Offer Document.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Payment

Subject to the Offer becoming, 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 (as defined under the Takeovers Code) following the later of the date on which (i) the Offer becomes or is declared unconditional; and (ii) the date on which the duly completed forms of acceptance and the relevant documents of title of the Offer Shares in respect of such acceptance are received by or on behalf of CMD 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.

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.

LETTER FROM THE BOARD

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).

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.

In the event that the despatch of the Offer Document to any CSM Overseas Shareholder is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements that are unduly burdensome, subject to the Executive's waiver, the Offer Document will not be despatched to such CSM Overseas Shareholders and this will not affect the CSM Overseas Shareholders' right to accept the Offer. In those circumstances, CMD will apply for such waivers as may be required pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

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 Mengniu, Start Great, CMD, the Selling Shareholders, 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.

LETTER FROM THE BOARD

INFORMATION ON THE CSM GROUP

CSM is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange (stock code: 1432). Based on public information available to CMD 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.

The audited consolidated financial information of the CSM Group for each of the two years ended 31 December 2024 and 31 December 2023, as extracted from the annual report of CSM for the financial year ended 31 December 2024, and the unaudited consolidated financial information of the CSM Group for the six months ended 30 June 2025, as extracted from the interim report of CSM for the six months ended 30 June 2025, are as follows:

| | For the six months ended 30 June 2025 | For the year ended 31 December | |
|------------------------------|--|---------------------------------------|------------------|
| | | 2024 | 2023 |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> | <i>(audited)</i> |
| Revenue | 1,444,274 | 3,126,184 | 3,383,629 |
| Profit/(loss) before tax | (45,386) | (63,284) | 97,686 |
| Profit/(loss) for the period | (45,601) | (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 unaudited consolidated net asset value of the CSM Group as at 30 June 2025, as extracted from the interim report of CSM for the six months ended 30 June 2025, was approximately RMB4,131,729,000.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF CSM

Based on public information available to CMD as at the Latest Practicable Date, CSM has a total of 8,381,295,229 CSM Shares in issue, and 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. Based on public information available to CMD as at the Latest Practicable Date, save as disclosed above, CSM does not have any outstanding CSM Shares or options, derivatives, warrants or securities which are convertible or exchangeable into CSM Shares. The table below sets out the shareholding structure of CSM, based on public information available to CMD, (i) as at the Latest Practicable Date; (ii) immediately after the SPA Completion under the Share Purchase Agreements and before the Offer; and (iii) immediately after the SPA Completion under the Share Purchase Agreements and close of the Offer (assuming full acceptance under the Offer), in each case, assuming no further changes in the shareholding structure and number of issued CSM Shares from the Latest Practicable Date up to and including the relevant dates as set out below:

| CSM Shareholders | As at the | | Immediately after the SPA | | Immediately after the SPA | |
|-----------------------------|-------------------------|---------------|----------------------------|---------------|----------------------------|---------------|
| | Latest Practicable Date | | Completion under the Share | | Completion under the Share | |
| | | | Purchase Agreements and | | Purchase Agreements and | |
| | Number of | % | Number of | % | Number of | % |
| | CSM Shares | (Note 2) | CSM Shares | (Note 2) | CSM Shares | (Note 2) |
| CMD | – | – | 107,200,000 | 1.28 | 5,868,116,674 | 70.01 |
| Start Great (Note 1) | 2,513,178,555 | 29.99 | 2,513,178,555 | 29.99 | 2,513,178,555 | 29.99 |
| Sub-total of CMD and | | | | | | |
| Start Great | 2,513,178,555 | 29.99 | 2,620,378,555 | 31.26 | 8,381,295,229 | 100.00 |
| SMbeidou | 50,000,000 | 0.60 | – | – | – | – |
| SMhateng | 7,200,000 | 0.09 | – | – | – | – |
| SMwuxing | 50,000,000 | 0.60 | – | – | – | – |
| | – | – | | | | |
| Sub-total of Selling | | | | | | |
| Shareholders | 107,200,000 | 1.28 | – | – | – | – |
| Offer Shareholders | 5,760,916,674 | 68.74 | 5,760,916,674 | 68.74 | – | – |
| Total | 8,381,295,229 | 100.00 | 8,381,295,229 | 100.00 | 8,381,295,229 | 100.00 |

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, Start Great is a wholly-owned subsidiary of Mengniu. Mengniu holds 4,461,041,882 issued CMD Shares (representing approximately 56.36% of the total issued CMD Shares), among which (i) 1,246,079,369 CMD Shares (representing approximately 15.74% of the total issued CMD Shares) are directly held by Mengniu; and (ii) 3,214,962,513 CMD Shares (representing approximately 40.62% of the total issued CMD Shares) are indirectly held by Mengniu (through its wholly-owned subsidiary Future Discovery Limited).

Among the 4,461,041,882 CMD Shares (representing approximately 56.36% of the total issued CMD Shares) directly and indirectly held by Mengniu, 568,181,818 CMD Shares (representing approximately 7.18% of the total issued CMD Shares) are subject to the Securities Lending Agreement, under which BOCI Financial Products is entitled to exercise the voting rights of such shares, while the voting rights in such shares are continued to be regarded as held by Mengniu pursuant to Note 21 to Rule 26.1 of the Takeovers Code).

Accordingly, 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 in accordance with Class (1) of the definition of “acting in concert” under the Takeovers Code.

As set out in the section headed “Grant of Irrevocable Voting Proxy by Start Great in favour of CMD” in this circular, Start Great has irrevocably granted a proxy in favour of CMD to exercise the voting rights over approximately 24.90% of the total issued share capital of CSM as at the Latest Practicable Date and has irrevocably waived and committed not to exercise the voting rights with regards to all the remaining CSM Shares held by it save for certain matters, on and subject to the terms of the Voting Rights Agreement.

2. The percentage figures are subject to rounding adjustments and, accordingly, figures shown in total in the above table may not be an arithmetic aggregation of the figures preceding them and may not add up to 100%.
3. The shareholding figures under this column do not take into account any actions required to restore the public float of CSM as described in the section headed “Public Float and Maintenance of Listing Status of CSM” below. Accordingly, the shareholding figures are for illustrative purposes only to demonstrate the maximum potential shareholding of CMD in CSM immediately upon the SPA Completion under the Share Purchase Agreements and close of the Offer, and will not be the final shareholding structure following restoration of the public float in CSM in accordance with the requirements under the Listing Rules.

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 ACQUISITION AND THE OFFER

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 610,000 head. 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.

LETTER FROM THE BOARD

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 increasing 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.

For the Offer Shareholders

An attractive opportunity for the Offer Shareholders to realise their investment in the CSM Shares: The average daily trading volume 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 (based on public information available to CMD 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.

LETTER FROM THE BOARD

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.

In view of the above, the CMD Board considers that the Acquisition and the Offer are fair and reasonable and in the interests of the CMD Shareholders as a whole.

Changes in the macroeconomic environment, including fluctuations in global and PRC economic growth, movements in interest rates and financing costs, variations in capital market sentiment and liquidity conditions, as well as adjustments in overall consumption and investment activities, may affect the operating environment following the completion of the Acquisition and the Offer and the timing for the realization of any future returns. Such macroeconomic factors represent systemic risks generally applicable to market participants and may indirectly impact operational performance, cost structures, funding arrangements and business planning, thereby creating a degree of uncertainty in the post-transaction performance of the Enlarged Group.

In addition, the dairy industry as a whole may be subject to various external influences, including changes in the competitive landscape, fluctuations in cost structures and supply chain conditions, adjustments to regulatory policies, and shifts in consumer preferences and market demand. These may, to a certain extent, affect the operating landscape and market performance of participants within the sector and may give rise to uncertainties regarding the pace of business development and the realization of the expected benefits following the completion of the Acquisition and the Offer. As at the Latest Practicable Date, other than the Acquisition and the Offer and save for any intra-group reorganization in the ordinary course of business of the CMD Group, CMD has no intention or plan, and has not entered into any agreement, arrangement, undertaking or negotiation to acquire any new businesses, or downsize, cease or dispose of the existing business of the CMD Group. However, CMD will continuously review the business of the CMD Group and reserves the right to make any changes that it deems necessary or appropriate to the business or operations of the CMD Group to optimize the value of the CMD Group and in the interests of all CMD Shareholders.

LETTER FROM THE BOARD

INTENTION OF CMD REGARDING THE CSM GROUP

In connection with the Acquisition and the Offer, 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, CMD intends to nominate at least three new directors to the board of directors of CSM, and additionally, to ensure 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 as set out in the paragraph headed “Grant of Irrevocable Voting Proxy by Start Great in favour of CMD” above, and may effect other changes to the existing composition of the board of directors of CSM, 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. 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 LISTING STATUS OF CSM

CMD intends to maintain the listing of the CSM Shares on the Stock Exchange after the closing of the Offer.

The Stock Exchange has stated that, if, as at the close of the Offer, less than the minimum prescribed percentage applicable to CSM (being 25% of the CSM Shares (excluding treasury shares, if any) based on public information available to CMD as at the Latest Practicable Date) are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the CSM Shares; or
- (ii) there are insufficient CSM Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the CSM Shares.

Following the close of the Offer, CMD will use its commercially reasonable endeavours to ensure, or procure CSM to take such steps as are necessary to ensure, that CSM will have an adequate public float so as to comply with the applicable requirements under the Listing Rules. The Directors and (if and when nominated by CMD) the new directors to be nominated by CMD for appointment to the board of directors of CSM will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the CSM Shares.

It should be noted that, upon completion of the Offer, there may be insufficient public float and therefore trading in the CSM Shares may be suspended until a prescribed level of public float is attained.

LETTER FROM THE BOARD

DESPATCH OF THE OFFER DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, the Offer Document setting out, among others, (i) further details of the Offer; and (ii) the relevant form(s) of acceptance and transfer, will be despatched to the CSM Shareholders no later than twenty-one (21) days after the date of the Announcement or such later date as the Executive may approve. As the making of the Offer is subject to the SPA Completion, an application has been made to the Executive under Rule 8.2 of the Takeovers Code for the Executive's consent to extend the latest date for the despatch of the Offer Document to a date no later than 7 days after the earlier of: (i) the SPA Completion Date under the Share Purchase Agreements; or (ii) the Long Stop Date as disclosed in the Announcement (being 30 October 2026), and the Executive has granted such consent. Further announcement(s) regarding the despatch of the Offer Document will be made by CMD as and when appropriate.

LISTING RULES IMPLICATIONS FOR CMD

Assuming the SPA Completion takes place and all of the Offer Shareholders tender their Offer Shares for acceptance under the Offer, as the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreements and the Offer taken together, calculated pursuant to Rule 14.07 of the Listing Rules, exceed 25% but are less than 100%, the transactions contemplated under the Share Purchase Agreements and the Offer taken together constitute a major transaction of CMD. Such transactions are therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, Mengniu, the controlling shareholder of CMD, indirectly holds approximately 29.99% in the total issued share capital of CSM through its wholly-owned subsidiary, Start Great. Given that Mengniu is a "controller" of CMD (within the meaning of Rule 14A.28 of the Listing Rules) and is also an indirect substantial shareholder of CSM, the Acquisition and the Offer constitute a connected transaction of CMD under Rule 14A.28 of the Listing Rules, and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Based on public information available to CMD as at the Latest Practicable Date, save for Start Great (which is in turn wholly-owned by Mengniu, the controlling shareholder of CMD) and as disclosed in the section headed "Information on the Selling Shareholders" below, CSM and CSM Shareholders and their respective ultimate beneficial owners are third parties independent of CMD and its connected persons.

Mengniu and its associates (within the meaning of the Listing Rules), and any other CMD Shareholders with material interest in the Acquisition and/or the Offer and their close associates (within the meaning of the Listing Rules), will be required to abstain from voting at the EGM in accordance with the requirements under the Listing Rules.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date:

- (a) Mengniu and its wholly-owned subsidiary, Future Discovery Limited, collectively hold 4,461,041,882 issued CMD Shares (representing approximately 56.36% of the total issued CMD Shares);
- (b) as set out in the section headed “Shareholding Structure of CSM” above, among the CMD Shares directly and indirectly held by Mengniu, 568,181,818 CMD Shares (being the Borrowed Securities, representing approximately 7.18% of the total issued CMD Shares are subject to Securities Lending Agreement, under which BOCI Financial Products is entitled to exercise the voting rights of Borrowed Securities. Apart from the Securities Lending Agreement between Mengniu and BOCI Financial Products pursuant to which BOCI Financial Products is entitled to exercise and/or arrange for the voting rights of the Borrowed Securities, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such CMD Shareholder; and (ii) no obligation or entitlement of any such CMD Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its CMD Shares to a third party, either generally or on a case-by-case basis. BOCI Financial Products, to the extent that it continues to hold the voting rights of any of the Borrowed Securities under the Securities Lending Agreement, will be required to abstain from voting on the relevant resolution at the EGM; and
- (c) the Trustee holds 100,117,598 CMD Shares (representing approximately 1.26% of the total issued CMD Shares) for the purposes of CMD’s share award scheme adopted on 26 March 2018. According to the rules of the aforementioned share award scheme, in the event that the Trustee is provided with the opportunity to exercise the voting rights in respect of any CMD Shares which are held by the Trustee in any general meetings of CMD, the Trustee shall take no action. As such, the Trustee will abstain from voting pursuant to the terms and conditions of the aforementioned share award scheme.

Accordingly, Mengniu, Future Discovery Limited and BOCI Financial Products will be required to abstain from voting on the resolution to approve the Acquisition and the Offer at the EGM, and the Trustee will abstain from voting on the resolution to approve the Acquisition and the Offer at the EGM. Save as disclosed above, as at the Latest Practicable Date, no other CMD Shareholders will be required to abstain from voting on resolution for approving the Acquisition and the Offer at the EGM.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION AND THE OFFER ON CMD

Assuming the SPA Completion takes place and the Offer becomes unconditional

Following the completion of the Acquisition and the Offer (and assuming all the Offer Shares are acquired), CMD will hold 70.01% of the issued CSM Shares and will control the voting rights of approximately 24.90% of the issued CSM Shares held by Start Great through the Voting Rights Agreement. As such, on this basis, CSM will be accounted for as a subsidiary of CMD.

Based on the interim report of CSM for the six months ended 30 June 2025, CSM recorded a loss of approximately RMB45.6 million in the first half of 2025. Such loss was mainly attributable to (i) the year-on-year decrease in gross profit; and (ii) the loss arising from changes in fair value less costs to sale of biological assets of approximately RMB471.3 million. However, it is important to note that loss arising from changes in fair value less costs to sell of biological assets is a non-cash accounting item, which does not reflect the underlying operational performance of the business.

The Acquisition and Offer will allow expansion of the CMD Group's business scale and asset base, achieving economies of scale, which are expected to generate cost synergies and enhance operational efficiency. The combination will allow the CMD Group to further solidify its leading position in terms of both herd size and annual raw milk production. Based on the annual figures for 2024, the combined annual raw milk production will reach over 3.7 million tonnes.

The improvement in the earnings profile is expected to be driven by a positive impact on future revenue and gross profit through: (i) a substantially larger revenue base resulting from the significant increase in combined annual raw milk production; (ii) meaningful cost efficiencies arising from economies of scale, particularly in procurement, feed, logistics and administrative expenses; and; (iii) a material increase in total gross profit in absolute terms due to the proportion of high-value specialty milk (which commands a materially higher average selling price) increasing significantly from the current approximately 8% for CMD on a standalone basis to over 20% on a combined basis of the Enlarged Group, with further upside potential as the aforementioned cost synergies are realised on the acquired herds over time.

Upon consolidation of the CSM Group, the net asset value of the Enlarged Group is expected to increase, and the gearing ratio of the Enlarged Group is also expected to improve with the substantially lower net gearing ratio of the CSM Group, leading to a healthier and more resilient balance sheet for the Enlarged Group.

On the basis that all of the 5,760,916,674 CSM Shares subject to the Offer were acquired by CMD under the Offer and CSM is accounted for as a subsidiary of CMD, as set out in Scenario II of Appendix II to this circular, the unaudited pro forma total assets and the unaudited pro forma total liabilities of the Enlarged Group would be approximately RMB39,187.3 million and approximately RMB27,226.1 million, respectively, assuming completion of the Acquisition and the Offer had taken place on 30 June 2025. The unaudited pro forma information of the Enlarged Group are subject to adjustments as detailed in Appendix II to this circular.

LETTER FROM THE BOARD

Assuming the SPA Completion takes place but the Offer does not become unconditional

On the basis the SPA Completion takes place but the Offer does not become unconditional, CMD will acquire approximately 1.28% of the total issued CSM Shares through the Acquisition, and CSM will be accounted for an equity instrument at fair value through other comprehensive income (“FVTOCI”) of CMD. On this basis, the unaudited pro forma total assets and the unaudited pro forma total liabilities of the CMD Group would be approximately RMB33,386.0 million and RMB23,330.4 million (i.e. equivalent to the total assets and total liabilities of the CMD Group on a standalone basis), respectively, and total assets and total liabilities of the Enlarged Group would be equivalent to those of the CMD Group on a standalone basis, assuming completion of the Acquisition had taken place on 30 June 2025.

Your attention is drawn to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix II to this circular, which sets out the unaudited pro forma financial information in the above scenarios.

CMD Shareholders should note that the unaudited pro forma financial information of the Enlarged Group as set out in Appendix II to this circular is prepared for illustrative purposes only on the basis as set out therein and, because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group or the CMD Group after the completion of the Acquisition and/or the Offer had the Acquisition and/or the Offer been completed as at the respective dates stated or at any future date. Any adjustments made in the unaudited pro forma financial information as set out in Appendix II to this circular (including any adjustments to any asset value of the CSM Group) are prepared solely based on accounting standards and practices adopted by CMD for the information of the shareholders or potential investors of CMD only for the sole purpose of their voting decision at the EGM, which may not necessarily be agreed or adopted by CSM, and may or may not be eventually made. Even if any adjustments are eventually made, the adjustments will be made based on assessment by CMD and/or CSM depending on the then circumstances, may differ from the adjustments shown in the unaudited pro forma financial information, and may give rise to other accounting impact on the financials of the CMD Group and/or the CSM Group which may not fall within the scope of the unaudited pro forma financial information as set out herein. In addition, if the Acquisition is completed but the Offer does not become unconditional, CSM may not be accounted for as a subsidiary of CMD (and will be accounted for as an equity instrument at FVTOCI of CMD instead). The unaudited pro forma financial information should also be read and evaluated in conjunction with other financial information included elsewhere in this circular and any announcements made by CMD and/or CSM from time to time.

INFORMATION ON THE SELLING SHAREHOLDERS

SMbeidou is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, SMbeidou is wholly owned by Mr. Yuan Lun.

SMhateng is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, SMhateng is wholly owned by Mr. Chen Qingjun.

LETTER FROM THE BOARD

SMwuxing is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, SMwuxing is wholly owned by Mr. Wang Qiang.

Based on public information available to CMD as at the Latest Practicable Date, except that Mr. Wang Qiang is a substantial shareholder of an insignificant subsidiary (within the meaning of the Listing Rules) of the CMD Group, the Selling Shareholders and their respective ultimate beneficial owners are third parties independent of CMD and its connected persons.

INFORMATION ON MENGNIU AND START GREAT

Start Great is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the Latest Practicable Date, Start Great is a wholly-owned subsidiary of Mengniu.

Mengniu Group is one of the leading dairy product manufacturers in China and is principally engaged in the manufacturing and distribution of quality dairy products including liquid milk, ice-cream and other dairy products.

EGM AND BOOK CLOSURE

The notice convening the EGM to be held electronically through the Online Platform accessible at https://meetings.computershare.com/CMD_EGM2025 on Friday, 16 January 2026 at 10:00 a.m. is set out on pages 99 to 101 of this circular. At the EGM, the CMD Shareholders will be requested to consider and, if thought fit, pass the ordinary resolution to approve the Acquisition and the Offer. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the CMD Shareholders at a general meeting must be taken by poll. Therefore, the resolution put to the vote at the EGM will be taken by way of poll. In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the EGM will direct that the proposed resolution set out in the notice convening the EGM be voted on by way of a poll. After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and CMD.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM (or any adjournment or postponement thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment or postponement thereof (as the case may be). If the proxy appointed is not the chairman of the EGM, CMD Shareholders are requested to provide a valid email address of their proxy for him or her to receive the login details to access the Online Platform. If no email address is provided, the proxy appointed cannot attend the EGM and participate in the voting through the Online Platform. Completion and return of the form of proxy will not preclude a CMD Shareholder from attending and voting at the EGM through the Online Platform or any adjournment or postponement thereof if he/she/it so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

LETTER FROM THE BOARD

For the purpose of determining the entitlement of the CMD Shareholders to attend and to vote at the EGM (or any adjournment or postponement thereof), the register of members of the Company will be closed from Tuesday, 13 January 2026 to Friday, 16 January 2026 (both days inclusive), during which no transfer of CMD Shares will be effected. In order to be entitled to attend and to vote at the EGM (or any adjournment or postponement thereof), all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 January 2026. The record date for ascertaining CMD Shareholders' entitlement to attend and vote at the EGM is Friday, 16 January 2026.

RECOMMENDATION

Somerley Capital Limited, the CMD Independent Financial Adviser, has been appointed by CMD for the purposes of advising the CMD Independent Board Committee and the CMD Independent Shareholders in relation to the Acquisition and the Offer pursuant to Rule 14A.44 of the Listing Rules, and in relation to the Offer pursuant to Rule 2.4 of the Takeovers Code.

The CMD Independent Financial Adviser has indicated that, it considers that (i) the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the CMD Independent Shareholders are concerned; (ii) the Acquisition is in the ordinary and usual course of business of the CMD Group and is in the interests of CMD and the CMD Shareholders as a whole; and (iii) the Offer is fair and reasonable and in the interests of CMD and the CMD Shareholders as a whole. Accordingly, the CMD Independent Financial Adviser advises the CMD Independent Board Committee to recommend, and themselves recommend, the CMD Independent Shareholders to vote in favour of the resolution to approve the Acquisition and the Offer at the EGM. Your attention is drawn to the letter from the CMD Independent Financial Adviser set out on pages 37 to 69 of this circular which contains its full advice to the CMD Board in relation to the Acquisition and the Offer.

The CMD Independent Board Committee, comprising Mr. Li Shengli, Mr. Lee Kong Wai, Conway, and Mr. Chow Ming Sang (each being an independent non-executive director of CMD), has been established for the purposes of making recommendations to the CMD Independent Shareholders in relation to the Acquisition and the Offer under the Listing Rules. The CMD Independent Board Committee, having taken into account the recommendation and advices of the CMD Independent Adviser, considers that the Acquisition and the Offer are in the interests of CMD and the CMD Shareholders as a whole and recommends the CMD Independent Shareholders to vote in favour of the resolution to approve the Acquisition and the Offer at the EGM. Your attention is drawn to the letter from the CMD Independent Financial Adviser set out on pages 37 to 69 of this circular which contains its full advice to the CMD Independent Shareholders in relation to the Acquisition and the Offer.

LETTER FROM THE BOARD

The CMD Board (excluding Mr. Chen Yiyi, Mr. Zhang Ping and Mr. Wen Yongping, who are considered to have material interests in the Acquisition and the Offer due to their positions held in the Mengniu Group and/or as overlapping directors of CMD and CSM) has approved the Acquisition and the Offer and is also of the opinion that the terms of the Offer are fair and reasonable and in the interests of CMD and the CMD Shareholders as a whole. In addition, having taken into account the basis for determining the consideration per Sale Share under the paragraph headed “Subject of the Share Purchase Agreements” and the basis for determining the Offer Price as set out in the paragraph headed “The Offer Price”, the CMD Board (excluding Mr. Chen Yiyi, Mr. Zhang Ping and Mr. Wen Yongping, who are considered to have material interests in the Acquisition and the Offer due to their positions held in the Mengniu Group and/or as overlapping directors of CMD and CSM) is of the opinion that the consideration per Sale Share and the Offer Price are fair and reasonable, on normal commercial terms and in the interest of CMD and the CMD Shareholders as a whole. Accordingly, the Board recommends the CMD Independent Shareholders to vote in favour of the resolution in relation to the Acquisition and the Offer to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices I to III to this circular.

WARNING

Shareholders and potential investors of CMD and CSM should note that the Offer is a possible mandatory conditional cash offer and will only be made if the SPA Completion takes place. As the SPA Completion is subject to the satisfaction or (if capable of being waived) waiver of the conditions precedent as set out in the section headed “Conditions of the Share Purchase Agreements” in this circular, the SPA Completion may or may not take place and the Offer may or may not be made.

Shareholders and potential investors of CMD and CSM are advised to exercise caution when dealing in the respective shares of CMD and CSM. Further announcement(s) will be made by CMD when the SPA Completion takes place. If shareholders and potential investors of CMD and CSM are in any doubt about their position, they should consult their professional advisers.

By order of the board of
China Modern Dairy Holdings Ltd.
Sun Yugang
Chief executive officer and executive director



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)

24 December 2025

To the CMD Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
(1) CONDITIONAL AGREEMENTS IN RELATION TO
THE SALE AND PURCHASE OF THE SALE SHARES IN
CHINA SHENGMU ORGANIC MILK LIMITED
AND
(2) POSSIBLE 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)
AND
(3) NOTICE OF EGM**

We refer to the circular of the Company dated 24 December 2025 (the “**Circular**”) to the CMD Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

LETTER FROM THE CMD INDEPENDENT BOARD COMMITTEE

We have been appointed by the CMD Board as members of the CMD Independent Board Committee to advise the CMD Independent Shareholders on whether the terms of the Share Purchase Agreements, the Acquisition and the Offer are fair and reasonable so far as the CMD Independent Shareholders are concerned and are in the interests of the Company and the CMD Shareholders as a whole. Somerley Capital Limited has been appointed as the CMD Independent Financial Adviser to advise us and the CMD Independent Shareholders in this respect. We wish to draw your attention to the letter of advice issued by Somerley Capital Limited which is set out on pages 37 to 69 of the Circular.

Having considered the terms of the Share Purchase Agreements, the Acquisition and the Offer, and taken into account the advice of the CMD Independent Financial Adviser, we are of the view that (i) the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the CMD Independent Shareholders are concerned; (ii) the Acquisition is in the ordinary and usual course of business of the CMD Group and is in the interests of CMD and the CMD Shareholders as a whole; and (iii) the Offer is fair and reasonable and in the interests of CMD and the CMD Shareholders as a whole. We therefore recommend that the CMD Independent Shareholders should vote in favour of the resolution to approve the Acquisition and the Offer at the EGM.

Yours faithfully,

For and on behalf of the CMD Independent Board Committee

Mr. Li Shengli Mr. Lee Kong Wai, Conway Mr. Chow Ming Sang
Independent non-executive Directors

LETTER FROM SOMERLEY CAPITAL LIMITED

Set out below is the letter of advice from the CMD Independent Financial Adviser, Somerley Capital Limited, to the CMD Independent Board Committee and the CMD Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

The Directors issuing this circular jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

24 December 2025

*To: the CMD Independent Board Committee and
the CMD Independent Shareholders*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
(1) CONDITIONAL AGREEMENTS IN RELATION TO
THE SALE AND PURCHASE OF THE SALE SHARES IN
CHINA SHENGMU ORGANIC MILK LIMITED
AND
(2) POSSIBLE 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 to advise the CMD Independent Board Committee and CMD Independent Shareholders in respect of the Acquisition and Offer, details of which are set out in the circular of CMD dated 24 December 2025 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM SOMERLEY CAPITAL LIMITED

As mentioned in the 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).

On 30 October 2025 (after trading hours), CMD, Start Great and Mengniu 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 held 2,513,178,555 CSM Shares, representing approximately 29.99% of the total issued share capital of CSM, as such, CMD and parties acting in concert with it (Start Great) own approximately 29.99% of the total issued share capital of CSM. Immediately following the SPA Completion under any of the Share Purchase Agreements, CMD and parties acting in concert with it will hold in aggregate 30% or more of the total issued share capital of CSM. CMD will therefore, subject to and upon the SPA Completion under any of the Share Purchase Agreements, be required under Rule 26.1 of the Takeovers Code to make an Offer for all the Offer Shares, being all the issued CSM Shares other than those already owned or agreed to be acquired by CMD and Start Great.

Assuming the SPA Completion takes place and all of the Offer Shareholders tender their Offer Shares for acceptance under the Offer, the transactions contemplated under the Share Purchase Agreements and Offer taken together constitute a major transaction of CMD, and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Acquisition and Offer also constitute connected transactions of CMD under Rule 14A.28 of the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. According to Rule 2.4 of the Takeovers Code, the board of an offeror must obtain competent independent advice on any offer when the directors are faced with a conflict of interest. Pursuant to Note 3 to Rule 2.4 of the Takeovers Code, a conflict of interest exists in the Offer given that Mengniu is the controlling shareholder of CMD and substantial shareholder of CSM, and there are certain overlapping directors of CMD and CSM.

The CMD Independent Board Committee comprising all independent non-executive directors having no direct and indirect interests in the Acquisition and Offer, namely Mr. Li Shengli, Mr. Lee Kong Wai, Conway, and Mr. Chow Ming Sang, was established for the purpose of advising the CMD Independent Shareholders in respect of the Acquisition and Offer. The CMD Independent Board Committee has approved our appointment as the CMD Independent Financial Adviser to advise the CMD Independent Board Committee and CMD Independent Shareholders in this regard.

LETTER FROM SOMERLEY CAPITAL LIMITED

During the past two years before the date of the Announcement, there were no engagements between CMD and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) CMD, the Selling Shareholders, Mengniu, Start Great and CSM that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the CMD Independent Financial Adviser to the CMD Independent Board Committee and CMD Independent Shareholders in respect of the Acquisition and Offer as detailed in the Circular. Somerley Capital Limited is not in the same group as the financial or other professional adviser (including stockbroker) to CMD or CSM or who has, or had, a significant connection, financial or otherwise, with either CMD or CSM, or the controlling shareholder(s) of either of them, 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 our independent advice under Rule 2.6 of the Takeovers Code. We are not associated with CMD, the Selling Shareholders, Mengniu, Start Great, CSM, or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Acquisition and Offer. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from CMD, the Selling Shareholders, Mengniu, Start Great, CSM, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Circular; (ii) the annual reports of CMD and CSM for the year ended 31 December 2024; and (iii) the interim reports of CMD and CSM for the six months ended 30 June 2025. We have relied on the information and facts supplied by CMD and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us which would render any statement in this letter misleading. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of CMD, the Selling Shareholders, Mengniu, Start Great, CSM or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In reaching our opinion with respect to the Acquisition and Offer, we have taken into account the following principal factors and reasons:

1. Principal terms of the Share Purchase Agreements

Date: 30 October 2025 (after trading hours)

Parties: CMD (as purchaser) and each of the Selling Shareholders (as seller)

LETTER FROM SOMERLEY CAPITAL LIMITED

Subject of the Share Purchase Agreements:

Pursuant to the terms and conditions of the Share Purchase Agreement: (a) each Selling Shareholder conditionally agreed to sell, and CMD conditionally agreed to acquire, the Sale Shares held by such Selling Shareholder at the Consideration of HK\$0.35 per Sale Share; and (b) the Sale Shares will be acquired by CMD free from all encumbrances and together with all rights and benefits attached and accrued to them on or after the SPA Completion Date.

Set out below are the details of the Selling Shareholders, the number of Sale Shares to be sold by such Selling Shareholders, and the Consideration payable to such Selling Shareholders under the respective Share Purchase Agreements:

| Selling Shareholders | Number of Sale Shares | Percentage represented by such Sale Shares in the issued share capital of CSM as at the Latest Practicable Date | Total Consideration (HK\$) |
|----------------------|--------------------------|---|----------------------------------|
| | | | |
| SMbeidou | 50,000,000 | 0.60% | 17,500,000 |
| SMhateng | 7,200,000 | 0.09% | 2,520,000 |
| SMwuxing | 50,000,000 | 0.60% | 17,500,000 |
| Total | 107,200,000 | 1.28 % | 37,520,000 |

CMD will settle the total Consideration in cash in Hong Kong dollars at the SPA Completion in one lump sum.

Conditions of the Share Purchase Agreements:

The SPA Completion under each Share Purchase Agreement is 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 (i.e. 30 October 2026):

- (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;

LETTER FROM SOMERLEY CAPITAL LIMITED

- (b) each of the representations and warranties provided by the Selling Shareholders under the Share Purchase Agreements remaining true and accurate in all respects;
- (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 Announcement; and
- (e) compliance by CMD with all the applicable requirements to the transactions contemplated under the Share Purchase Agreements and 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.

The conditions set out in paragraph (a), (d) and (e) above are non-waivable. As at the Latest Practicable Date, (i) CMD has no intention to waive the condition set out in paragraph (b) above; and (ii) so far as CMD is aware based on information available to it as at the Latest Practicable Date, each of the Selling Shareholder has no intention to waive the condition set out in paragraph (c) above.

As at the Latest Practicable Date, save for the condition set out in paragraph (d) above, none of the other conditions under each Share Purchase Agreement is satisfied or (if capable of being waived) waived. Further details of the conditions of the Share Purchase Agreements are set out in the paragraph headed “Conditions of the Share Purchase Agreements” under the section headed “The Share Purchase Agreements” in the “Letter from the Board” of the Circular.

Subject to satisfaction or (if capable of being waived) waiver of all the above conditions, the SPA Completion under each Share Purchase Agreement shall take place on the SPA Completion Date. Based on the information available to CMD as at the Latest Practicable Date and subject to the progress of review by the SAMR and the absence of any unforeseen circumstances, it is expected that the SPA Completion will take place no later than 30 June 2026. For the avoidance of doubt, completion under any Share Purchase Agreement is not conditional upon the completion under any other Share Purchase Agreements having occurred.

Further details of the Share Purchase Agreements are set out in the section headed “The Share Purchase Agreements” in the “Letter from the Board” of the Circular.

LETTER FROM SOMERLEY CAPITAL LIMITED

2. Principal terms of the Voting Rights Agreement

As at the Latest Practicable Date, Start Great held 2,513,178,555 CSM Shares, representing approximately 29.99% of the total issued share capital of CSM. On 30 October 2025 (after trading hours), CMD, Start Great and Mengniu 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 (the Proxy Shares, representing approximately 24.90% of the total issued share capital of CSM as at the Latest Practicable Date).

In addition, Start Great has irrevocably waived and committed not to exercise the voting rights with regards to all the remaining 426,236,043 CSM Shares held by it (i.e. other than the Proxy Shares), save for certain matters as stated in the section headed “Grant of Irrevocable Voting Proxy by Start Great in favour of CMD “ in the “Letter from the Board” of the Circular.

The Voting Rights Agreement took effect upon signing. However, 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 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 (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;
- (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.

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 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 SPA Completion under all of the Share Purchase Agreements take place and the condition of the Offer is satisfied by the Closing Date.

LETTER FROM SOMERLEY CAPITAL LIMITED

Further details of the Voting Rights Agreement are set out in the section headed “Grant of Irrevocable Voting Proxy by Start Great in favour of CMD” in the “Letter from the Board” of the Circular.

3. Principal terms of the Offer

Upon the SPA Completion under any of the Share Purchase Agreements, CLSA Limited, on behalf of CMD, will make the Offer on the following basis:

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

If, after the date of the 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. 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. Based on public information available to CMD as at the Latest Practicable Date, there is no dividend, distribution and/or return of capital which is declared by CSM but remained unpaid as at the Latest Practicable Date.

The CSM Share Award Scheme and CSM Share Option Scheme:

Based on public information available to CMD 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 for the purposes of the CSM Share Award Scheme will form part of the Offer Shares.

In addition, based on public information available to CMD as at the Latest Practicable Date, no grants have been made under the CSM Share Option Scheme as at the Latest Practicable Date.

Condition of the Offer:

The Offer will be 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 after the SPA Completion and before the Offer, 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.

If the condition cannot be satisfied by the Closing Date, the Offer will lapse.

LETTER FROM SOMERLEY CAPITAL LIMITED

The Offer will only be made if the SPA Completion takes place and the SPA Completion is subject to the satisfaction or (if capable of being waived) waiver of the conditions precedent under the Share Purchase Agreements. The SPA Completion may or may not take place, and the Offer may or may not be made/become or be declared unconditional. Shareholders and potential investors of CMD are reminded to exercise caution when dealing in the shares of CMD.

4. Financial information and development strategies of the CMD Group

The CMD Group is a leading dairy farming operator and raw milk producer 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. CMD invests in and operates 47 farm companies in Chinese Mainland, spanning 13 provinces and autonomous regions, with approximately 472,000 dairy cows being raised, and annualised raw milk production reaching over 3 million tonnes by the end of 30 June 2025.

(i) *Financial performance of the CMD Group*

The following table sets out a summary of the consolidated statements of profit or loss of the CMD Group for the two years ended 31 December 2023 and 2024, and for the six months ended 30 June 2024 and 2025, as extracted and summarised from the 2024 annual report and 2025 interim report of CMD.

| | For the six months ended 30 June | | For the year ended 31 December | |
|---|-------------------------------------|----------------------------------|-----------------------------------|--------------------------------|
| | 2025 (unaudited) (RMB'000) | 2024 (unaudited) (RMB'000) | 2024 (audited) (RMB'000) | 2023 (audited) (RMB'000) |
| Total revenue | 6,072,518 | 6,418,499 | 13,254,341 | 13,458,223 |
| – Raw milk business | 5,068,880 | 5,111,706 | 10,454,371 | 10,263,657 |
| – Integrated dairy farming solutions business | 1,003,638 | 1,306,793 | 2,799,970 | 3,194,566 |
| Profit/(loss) for the period/year | (983,771) | (207,194) | (1,469,435) | 185,434 |

LETTER FROM SOMERLEY CAPITAL LIMITED

Revenue and gross profit margin

During the financial year ended 31 December 2024, the CMD Group recorded sales revenue of approximately RMB13,254.3 million, representing a year-on-year decrease of approximately 1.5%. Among which, the sales revenue of raw milk amounted to approximately RMB10,454.4 million, accounting for approximately 78.9% of the CMD Group's total revenue and representing a year-on-year increase of approximately 1.9%. The increase was mainly due to the comprehensive impact of (a) the increase in sales volume of raw milk; and (b) the decrease in average selling price of raw milk. Average selling price of raw milk has decreased by approximately 10.4% year-on-year to approximately RMB3,613 per tonne during 2024. The gross profit margin of the raw milk business was approximately 31.2% for 2024, representing an increase of approximately 2.8 percentage points compared to around 28.4% in 2023, resulting from effective cost control.

For the first half of 2025, the CMD Group recorded sales revenue of approximately RMB6,072.5 million, representing a decrease of approximately 5.4% comparing to the first half of 2024. Among which, the sales revenue of the core raw milk business amounted to approximately RMB5,068.9 million, accounting for approximately 83.5% of the CMD Group's total revenue and representing a slight decrease of 0.8% comparing to the first half of 2024. The decrease in sales revenue of raw milk business was mainly due to the overall impact of (a) the decrease in average selling price of raw milk; and (b) the increase in sales volume of raw milk. Average selling price of raw milk declined by approximately 10.1% compared to the first half of 2024 to approximately RMB3,290 per tonne during the first half of 2025. Total sales volume of raw milk increased by approximately 10.3% year-on-year to approximately 1.542 million tonnes during the first half of 2025, mainly due to the rise in average annualised milk yield to a record high of approximately 13.2 tonnes per milkable cow and the increase in the number of milkable cows (part of the total dairy cows excluding heifers and calves). The gross profit margin of the raw milk business remained stable at approximately 30.2% compared to approximately 30.3% for the first half of 2024.

The sales revenue of the integrated dairy farming solutions business (covering the entire dairy farming value chain, including feed, forage grass, breeding research and development, and intelligent digital platforms) amounted to approximately RMB2,800.0 million in 2024, accounting for approximately 21.1% of the CMD Group's total revenue and representing a year-on-year decrease of approximately 12.4%. In the first half of 2025, the sales revenue of the integrated dairy farming solutions business amounted to approximately RMB1,003.6 million, accounting for approximately 16.5% of the CMD Group's total revenue and representing a decrease of approximately 23.2% comparing to the first half of 2024. As advised by the management of CMD, the decrease in sales revenue of the integrated dairy farming solutions business was mainly a result of CMD's proactive adjustment of its sales strategy to control risks, which involved stricter customer screening and a controlled business scale.

LETTER FROM SOMERLEY CAPITAL LIMITED

Profit/(loss) for the period/year

During the financial year ended 31 December 2024, the CMD Group recorded loss of approximately RMB1,469.4 million, compared to a profit of approximately RMB185.4 million in 2023. The loss in 2024 was mainly attributable to (a) the loss arising from changes in fair value less costs to sell of dairy cows of approximately RMB2,862.6 million due to the decrease in market prices for eliminated cows and the market prices for raw milk, which represented an increase of approximately RMB1,582.2 million from the loss arising from such change in fair value of approximately RMB1,280.4 million in 2023; and (b) impairment loss on goodwill arose from acquisition of businesses of approximately RMB599.2 million in 2024 (nil in 2023) due to the temporary oversupply of raw milk and decrease of raw milk prices.

During the first half of 2025, the CMD Group recorded a loss of approximately RMB983.8 million, representing an increase of loss of approximately RMB776.6 million or 374.8% from a loss of approximately RMB207.2 million recorded in the first half of 2024. Such loss was mainly attributable to the loss arising from changes in fair value less costs to sell of dairy cows of approximately RMB1,822.9 million, which represented an increase of approximately RMB671.7 million from the loss arising from such change in fair value of approximately RMB1,151.1 million during the first half of 2024.

According to the management of CMD, the elimination of dairy cows is a regular and continuous operational activity for the CMD Group, undertaken annually as part of its standard herd management practices to ensure herd health and production efficiency. In response to the oversupply of raw milk, the CMD Group proactively accelerated the strategic elimination of low-yielding and inefficient cows to improve its herd structure during 2024 and the first half of 2025. Due to the increase in the number of eliminated cows, as well as the decrease in market prices for eliminated cows which correlates with the national average price of beef (discussed in this paragraph below) and decrease in market prices for raw milk (discussed in the section headed “6. Prospect of the raw milk industry” in this letter below), the loss arising from changes in fair value less costs to sell of dairy cows increased substantially.

According to the data from the Ministry of Agriculture and Rural Affairs of the PRC, beef prices in the PRC continued their downward trend since January 2022. The national average price of beef in the PRC dropped by around 25.4% from around RMB88.56 per kilogram by the fourth week of January 2022 (《1月份第4週畜產品和飼料集貿市場價格情況》 Market prices of livestock products and feed in the 4th week of January* published in January 2022) to around RMB66.11 per kilogram by the fourth week of December 2024 (《12月第4週畜產品和飼料集貿市場價格情況》 Market price of livestock products and feed in the 4th Week of December* published in December 2024).

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The national average price of beef in the PRC started to pick up steadily at around RMB69.77 per kilogram by the fourth week of June 2025 (《6月第4週畜產品和飼料集貿市場價格情況》 Market price of livestock products and feed in the 4th week of June* published in July 2025), and at around RMB71.30 per kilogram by the fourth week of November 2025 (《11月第4週畜產品和飼料集貿市場價格情況》 Market price of livestock products and feed in the fourth week of November* published in December 2025).

(ii) Financial position of the CMD Group

The following table sets out a summary of the consolidated statements of financial position of the CMD Group as at 31 December 2023 and 2024, and as at 30 June 2025, as extracted and summarised from the 2024 annual report and 2025 interim report of CMD.

| | As at 30 June 2025 (unaudited) (RMB'000) | As at 31 December 2024 (audited) (RMB'000) | 2023 (audited) (RMB'000) |
|---|---|---|--------------------------------|
| Total assets | 33,386,000 | 33,940,550 | 31,394,244 |
| – Biological assets | 11,662,447 | 12,435,776 | 11,927,977 |
| – Property, plant and equipment | 7,510,996 | 7,549,795 | 6,264,934 |
| – Bank balances and cash | 5,185,109 | 3,636,711 | 2,641,470 |
| Total liabilities | 23,330,419 | 22,817,754 | 19,551,480 |
| – Bank borrowings | 10,712,066 | 9,259,260 | 7,390,443 |
| – Other borrowings | 2,557,947 | 1,945,088 | 547,225 |
| – Long term bonds | 3,499,696 | 3,258,790 | 3,559,003 |
| – Trade and other payables (current) | 3,479,082 | 5,364,424 | 5,534,188 |
| Net asset value attributable to owners of CMD | 8,534,217 | 9,531,012 | 11,200,985 |
| – Net asset value per share (RMB) | 1.08 | 1.20 | 1.42 |
| – Net asset value per share (HK\$, in the exchange rate as quoted by the People's Bank of China on respective date) | 1.18 | 1.30 | 1.56 |

LETTER FROM SOMERLEY CAPITAL LIMITED

Total assets

As at 30 June 2025, the CMD Group's total assets stood at approximately RMB33,386.0 million, representing a decrease of approximately 1.6% compared to the position as at 31 December 2024. The components of the CMD Group's total assets as at 30 June 2025 included, among others, (i) approximately 34.9% or RMB11,662.4 million of biological assets (dairy cows); (ii) approximately 22.5% or RMB7,511.0 million of property, plant and equipment; and (iii) approximately 15.5% or RMB5,185.1 million of bank balances and cash.

Total liabilities

As at 30 June 2025, the CMD Group reported total liabilities of approximately RMB23,330.4 million, representing an increase of approximately 2.2% compared to the position as at 31 December 2024. The components of the CMD Group's total liabilities as at 30 June 2025 included, among others, (i) approximately 56.9% or RMB13,270.0 million of bank and other borrowings; (ii) approximately 15.0% or RMB3,499.7 million of long term bonds; and (iii) approximately 14.9% or RMB3,479.1 million of trade and other payables (current).

According to the statement of indebtedness as set out in Appendix 1 – Financial Information to the Circular, the CMD Group's total indebtedness was approximately RMB22.0 billion as at 31 October 2025.

Net asset value and gearing ratio

Net asset value attributable to owners of CMD amounted to approximately RMB8,534.2 million or approximately RMB1.08 per CMD Share as at 30 June 2025.

The net gearing ratio of the CMD Group (calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity) was approximately 117.1% as at 30 June 2025, representing a lift of approximately 20.0 percentage points as compared with that as at 31 December 2024 of approximately 97.1%. Among the Comparable Companies (as defined below) as set out in the paragraph headed “(iii) Comparable companies” under the section headed “9. Evaluation of the Consideration and Offer Price” in this letter below, except that Yuan ShengTai Dairy Farm Limited (stock code: 1431) recorded a negative net gearing ratio as at 30 June 2025, the other two Comparable Companies recorded net gearing ratios of approximately 89.0% and 184.6% (calculated on the same basis as the CMD Group of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity).

LETTER FROM SOMERLEY CAPITAL LIMITED

Summary on financial information of the CMD Group

During 2024 and the first half of 2025, sales revenue of the CMD Group's core raw milk business faced pressure mainly due to the decrease in average selling price of raw milk in the PRC market. During these periods, the CMD Group proactively accelerated the strategic elimination of low-yielding and inefficient cows to improve its herd structure. However, the loss arising from changes in fair value less costs to sell of dairy cows (driven by the decrease in market prices for eliminated cows and for raw milk) resulted in a loss recorded by the CMD Group for these periods.

The CMD Group operates an asset-heavy model, with biological assets (dairy cows), property, plant and equipment constituting over 57% of its latest total assets. With substantial borrowings, the net gearing ratio of the CMD Group reached approximately 117.1% as at 30 June 2025.

(iii) Development strategies of the CMD Group

According to the 2025 interim report of CMD, CMD's development strategies include, among others, strengthening its core raw milk business (which will be mainly affected by the raw milk prices, as well as the supply and demand situation in the PRC dairy market) by continuously improving its product quality, optimising its raw milk composition and enhancing production efficiency. Further, through technological innovation and lean procurement, CMD will reduce production costs, promote green and low-carbon development, and ensure the stable development of its core raw milk business.

5. Financial information of the CSM Group

CSM has successfully established a closed-loop ecological industry of "desert oasis + organic farming and breeding". By 30 June 2025, the 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 144,000 dairy cows (of which over 44% were milkable cows) in the PRC. The annual production capacity of ecological organic raw milk has reached 600,000 tonnes.

The CSM Group takes dairy cow farming as its core business, focusing on the production and sale of high-end desert organic raw milk, organic A2 raw milk and DHA raw milk. While deepening its commitment to the main business of desert organic milk production and sales, it has continuously developed a variety of functional raw milk to accurately meet customers' diversified demands for high-quality raw milk. In 2024, the CSM Group produced 2,015 tonnes of raw fresh milk per day, of which 21 organic certified farms produced 1,534 tonnes of raw fresh milk per day, two DHA milk farms produced 86 tonnes of raw fresh milk per day, and one organic A2 farm produced 22 tonnes of raw fresh milk per day.

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(i) *Financial performance of the CSM Group*

The following table sets out a summary of the consolidated statements of profit or loss of the CSM Group for the two years ended 31 December 2023 and 2024, and for the six months ended 30 June 2024 and 2025, as extracted and summarised from the 2024 annual report and 2025 interim report of CSM.

| | For the six months ended 30 June | | For the year ended 31 December | |
|--|-------------------------------------|------------------|-----------------------------------|------------------|
| | 2025 | 2024 | 2024 | 2023 |
| | (unaudited) | (unaudited) | (audited) | (audited) |
| | (RMB'000) | (RMB'000) | (RMB'000) | (RMB'000) |
| Revenue | 1,444,274 | 1,490,702 | 3,126,184 | 3,383,629 |
| Profit/(loss) for the period/year | (45,601) | (145,510) | (64,515) | 94,612 |

Revenue and gross profit margin

The CSM Group's sales revenue for the year ended 31 December 2024 was approximately RMB3,126.2 million, representing a year-on-year decrease of approximately 7.6%. The CSM Group's average selling price of raw milk dropped by approximately 6.1 percentage points year-on-year to approximately RMB4,467 per tonne 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. The total volume of externally-sold raw milk in 2024 was approximately 0.7 million tonnes, representing a year-on-year decrease of around 1.6%. The combination of unfavourable factors in terms of sales volume and selling price of raw milk had a negative impact on the CSM Group's sales revenue.

The CSM Group's gross profit margin in 2024 was approximately 29.6%, representing a slight decrease of approximately 0.7 percentage points from approximately 30.3% in 2023. In the current situation where the profit margin of the industry has been significantly compressed, the stable gross profit margin level demonstrates the differentiated competitiveness of the CSM Group's core business.

The CSM Group's sales revenue of approximately RMB1,444.3 million in the first half of 2025 decreased by approximately 3.1% compared with the corresponding period of 2024, mainly affected by the continuous decline in the selling price of raw milk due to the imbalance between supply and demand in the raw milk market.

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During the first half of 2025, the average selling price of raw milk decreased by approximately 8.9% from the first half of 2024 to approximately RMB3,872 per tonne. Benefiting from the continuous implementation of the dairy cow genetic improvement system and precision feeding management measures, the CSM Group's annualised milk yield has increased to a new high of approximately 12.27 tonnes per milkable cow for the first half of 2025, representing a growth of approximately 1.7% year-on-year. Supported by the increase in milk yield, the CSM Group achieved steady growth in raw milk sales volume, recording 372,973 tonnes of raw milk sales volume in the first half of 2025, representing an increase of approximately 6.3% compared to the first half of 2024. Among which, the proportion of high-end raw milk sales accounted for around 80%. At a time when the raw milk prices are low affecting all raw milk including the high-end raw milk, the growth in raw milk production and sales volume has supplemented CSM with incremental cash flow, effectively consolidating financial stability and anti-cyclical capabilities.

Although the CSM Group has implemented comprehensive measures to reduce costs and enhance efficiency with certain achievements, the magnitude of cost reduction still lagged behind that of the decline in raw milk prices. The CSM Group's overall gross profit margin for the first half of 2025 was approximately 25.3%, representing a decrease of approximately 1.2 percentage points compared with approximately 26.5% in the corresponding period of 2024.

Profit/(loss) for the period/year

In 2024, the CSM Group recorded a loss of approximately RMB64.5 million, compared to a profit of approximately RMB94.6 million in 2023. The loss in 2024 was mainly arising from (i) the year-on-year decrease in gross profit by approximately RMB99.1 million; and (ii) facing the same challenge as the CMD Group, the year-on-year increase in the loss arising from changes in fair value less costs to sell of biological assets by approximately RMB101.0 million due to the optimisation of its herd and low market price of the culled cows in 2024 as discussed below.

Due to the optimisation of its herd in 2024, the CSM Group recorded a loss arising from changes in fair value less costs to sell of biological assets of approximately RMB807.3 million, representing a year-on-year increase in loss of approximately RMB101.0 million. This was mainly due to (i) the CSM Group accelerating the retiring process of inefficient cows in order to mitigate the impact of the imbalance between the supply and demand of raw milk and improve the quality of the dairy herd, and as a result, the number of cows retired recorded a significant year-on-year increase, and (ii) the low market price of culled cows in 2024.

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The CSM Group recorded a loss of approximately RMB45.6 million in the first half of 2025, representing a decrease of approximately 68.7% from a loss of approximately RMB145.5 million for the first half of 2024. Such decrease in loss was mainly attributable to an increase in other income and gains during the first half of 2025 by approximately 233.7% compared to the first half of 2024, which was mainly due to (i) the full receipt and recognition of revenue from financial subsidy funds for projects such as high-quality dairy cow breeding, smart farm construction and high-quality forage supporting facilities; and (ii) the reversal of approximately RMB45.6 million in litigation provisions accrued in previous years (no other litigation was disclosed in the 2025 interim report of CSM).

The loss in the first half of 2025 was mainly attributable to the loss arising from changes in fair value less costs to sell of biological assets of approximately RMB471.3 million, which was substantially the same compared with the corresponding period of 2024 of approximately RMB451.0 million.

(ii) *Financial position of the CSM Group*

The following table sets out a summary of the consolidated statements of financial position of the CSM Group as at 31 December 2023 and 2024, and as at 30 June 2025, as extracted and summarised from the 2024 annual report and 2025 interim report of CSM.

| | As at 30 June 2025 | As at 31 December 2024 | 2023 |
|--|-------------------------------|-----------------------------------|------------------|
| | (unaudited) | (audited) | (audited) |
| | (RMB'000) | (RMB'000) | (RMB'000) |
| Total assets | 8,027,394 | 8,464,252 | 8,516,911 |
| – Biological assets | 3,263,151 | 3,466,521 | 3,214,229 |
| – Property, plant and equipment | 1,822,295 | 1,885,925 | 1,945,138 |
| – Cash and bank balances | 1,050,129 | 1,065,283 | 947,886 |
| Total liabilities | 3,895,665 | 4,288,460 | 4,280,656 |
| – Interest-bearing bank borrowings | 2,257,032 | 2,274,285 | 2,131,239 |
| – Trade and bills payables | 1,387,463 | 1,649,760 | 1,706,705 |
| Net asset value attributable to owners of CSM | 3,915,354 | 3,963,007 | 4,023,068 |
| – Net asset value per share (RMB) | 0.47 | 0.47 | 0.48 |
| – Net asset value per share (HK\$, in the exchange rate as quoted by the People's Bank of China on respective period/year end) | 0.51 | 0.51 | 0.53 |

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Total assets

As at 30 June 2025, the CSM Group's total assets were approximately RMB8,027.4 million, representing a decrease of approximately 5.2% from 31 December 2024. The composition of the CSM Group's total assets as at 30 June 2025 included, among others, (i) approximately 40.7% or RMB3,263.2 million of biological assets (dairy cows); (ii) approximately 22.7% or RMB1,822.3 million of property, plant and equipment; and (iii) approximately 13.1% or RMB1,050.1 million of cash and bank balances.

Total liabilities

As at 30 June 2025, the CSM Group's total liabilities were approximately RMB3,895.7 million, representing a decrease of approximately 9.2% from 31 December 2024. The CSM Group's total liabilities as at 30 June 2025 consisted of, among others, (i) approximately 57.9% or RMB2,257.0 million of interest-bearing bank borrowings; and (ii) approximately 35.6% or RMB1,387.5 million of trade and bills payables.

Net asset value and gearing ratio

Net asset value attributable to owners of CSM amounted to approximately RMB3,915.4 million or RMB0.47 per CSM Share as at 30 June 2025.

As at 30 June 2025, the CSM Group's net gearing ratio, calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity, was approximately 26.7%.

The Consideration per Sale Share and the Offer Price of HK\$0.35 each represents a discount of approximately 31.68% to the net asset value attributable to owners of CSM of approximately RMB0.47 per CSM Share (equivalent to approximately HK\$0.51 per CSM Share in the exchange rate of HK\$1.0:RMB0.91195 as quoted by the People's Bank of China on 30 June 2025) as at 30 June 2025.

Summary on financial information of the CSM Group

While both the CMD Group and CSM Group are mainly engaging in raw milk business, the CSM Group's focus is on the production and sale of high-end desert organic raw milk, organic A2 raw milk and DHA raw milk. This focus is evidenced by the CSM Group's sales of raw milk during the first half of 2025, where the proportion of high-end raw milk sales accounted for around 80% of the total volume.

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In 2024, the sales revenue of the CSM Group's core raw milk business came under pressure from the continuous decline in average selling price of raw milk in the PRC market. The total volume of the CSM Group's externally-sold raw milk decreased by around 1.6% in 2024 year-on-year. The combination of unfavourable factors in terms of selling price and sales volume of raw milk had a negative impact on the CSM Group's sales revenue in 2024. In the first half of 2025, the CSM Group achieved steady growth in raw milk sales volume of approximately 6.3% compared to the first half of 2024, but the total sales revenue still decreased by approximately 3.1% compared with the first half of 2024 due to the continuous decline in average raw milk price.

In 2024, the CSM Group recorded loss of approximately RMB64.5 million mainly as a result of (i) the year-on-year decrease in gross profit; and (ii) the loss arising from changes in fair value less costs to sell of biological assets of approximately RMB807.3 million, due to, among others, the optimisation of its herd coupled with the low market price of culled cows. The loss in the first half of 2025 of approximately RMB45.6 million was also mainly attributable to the loss arising from changes in fair value less costs to sell of biological assets of approximately RMB471.3 million. The loss arising from changes in fair value less costs to sell of biological assets has a significant impact on the financial performance of CSM.

Similar to the CMD Group, the CSM Group's business model also operates an asset-heavy model, with biological assets (dairy cows), property, plant and equipment accounting for more than 63% of its latest total assets. However, as the CSM Group's net borrowing level is comparatively lower in terms of total equity scale, it recorded a net gearing ratio of approximately 26.7% as at 30 June 2025, substantially below the approximately 117.1% reported by the CMD Group.

Net asset value attributable to owners of CSM amounted to approximately RMB3,915.4 million or RMB0.47 per CSM Share as at 30 June 2025. The Consideration per Sale Share and the Offer Price of HK\$0.35 each represents a discount of approximately 31.68% to the net asset value attributable to owners of CSM per CSM Share as at 30 June 2025.

6. Prospect of the raw milk industry

According to the data from the Ministry of Agriculture and Rural Affairs of the PRC, raw milk prices in the PRC continued their downward trend since December 2021 as supply exceeding demand in the PRC dairy market. The average price of raw milk in 10 major producing provinces, including Inner Mongolia and Hebei, dropped by around 29.3% from approximately RMB4,300 per tonne by the fourth week of December 2021 (《12月份第4週畜產品和飼料集貿市場價格情況》 Market price of livestock products and feed in the fourth week of December* published in December 2021) to approximately RMB3,040 per tonne by the fourth week of June 2025 (《6月第4週畜產品和飼料集貿市場價格情況》 Market price of livestock products and feed in the fourth week of June* published in July 2025).

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According to statistics from the National Bureau of Statistics, China's raw milk production reached 40.79 million tonnes in 2024, representing a decrease of 2.8% year-on-year (《中華人民共和國2024年國民經濟和社會發展統計 – 國家統計局》Statistical on the 2024 National Economic and Social Development of the PRC – National Bureau of Statistics* published in February 2025) and marking the first decline since 2018. In the first half of 2025, China's raw milk production reached 18.64 million tonnes, marking a 0.5% increase year-on-year (《國家統計局資訊公開》Disclosure of Information by the National Bureau of Statistics* published in July 2025). The growth rate slowed down by approximately 2.9 percentage points as compared to the first half of 2024 (《上半年國民經濟運行總體平穩，穩中有進 – 國家統計局》The national economy maintained overall stability with steady progress – National Bureau of Statistics* published in July 2024). The above trend in China's raw milk production showed the effects of optimisation of herd size starting from 2024 have gradually become apparent. The oversupply of raw milk in the PRC dairy industry is anticipated to ease as herd numbers decline.

Faced with an oversupply of raw milk in the PRC dairy industry, which has driven down raw milk prices and caused significant financial strain for dairy farmers, the government proactively introduced a series of supportive policies to stabilise market expectations and facilitate industrial transformation and upgrading. For instance, the Ministry of Agriculture and Rural Affairs of the PRC issued the “《關於實施養殖業節糧行動的意見》Opinions on Implementing Grain-Saving Actions in Animal Husbandry*” in February 2025, which explicitly advocates for the widespread adoption of precise low-protein diets and encourages the comprehensive utilisation of non-grain feed resources to accelerate the development of the forage industry. This strategy is intended to reduce breeding costs and enhance industrial resilience.

According to published news (《中國奶業協會：力爭2030年奶源自給率保持在70%以上》China Dairy Association: Striving to maintain a self-sufficiency rate of dairy sources above 70% by 2030*), the China Dairy Industry Association has put forward a development plan for the industry in July 2025, giving indicative suggestions on the key development directions of the industry by 2030. These include that the milk production should increase to about 45 million tonnes, the milk self-sufficiency rate should be kept above 70%; the proportion of farming scale above 100 heads should reach about 85%, the average annual milk production per dairy cow should exceed 10 tonnes; the product supervision and sampling qualification rate should be kept above 99%; and the milk consumption per capita should reach more than 47 kg, etc. To achieve these goals, the China Dairy Industry Association has also outlined proposed measures across the entire industry chain in the above-mentioned development plan, from production and processing to consumption, including but not limited to, establishing a modern forage production and supply system, optimising the dairy product processing, production and sales system with digital technologies, promoting domestic dairy brands, and stimulating consumer demand for dairy products in healthy aging etc.

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Notwithstanding the current difficulties and challenges facing the dairy industry, under the policy guidance of the state and local governments, and with key development directions and proposed measures of the China Dairy Industry Association as mentioned above, the CMD Board believes, and we concur, the long term outlook of the dairy industry is still promising. Accordingly, the CMD Board is of the view, and we concur, that the Acquisition and Offer, upon completion, provide a strategic opportunity to solidify CMD's leading position in the raw milk supply market and enhance its overall risk resilience and market competitiveness which are further discussed in the section headed "7. Reasons and benefits of the Acquisition and Offer" in this letter below.

7. Reasons and benefits of the Acquisition and Offer

(i) Consolidation of the CSM Group, expanding scale of business and leveraging economies of scale

It is expected that CMD will be able to consolidate CSM as its subsidiary if the SPA Completion under all of the Share Purchase Agreements take place and the condition of the Offer is satisfied by the Closing Date. Upon successful consolidation of the CSM Group by the CMD Group, the financial results, and the assets and liabilities of the CSM Group shall be consolidated into the financial statements of the CMD Group, with details discussed in the section headed "10. Financial effects of the Acquisition and Offer on the CMD Group" in this letter below.

According to the 2025 interim report of CMD, one of its main development strategies is to strengthen its core raw milk business through improving product quality, optimising raw milk composition and enhancing production efficiency. As both the CMD Group and the CSM Group are engaging in the raw milk business in the PRC as core business, the Acquisition and 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.

The combined herd size of the CMD Group and the CSM Group will exceed 610,000 heads, adding approximately 144,000 heads from the CSM Group to the existing herd size of approximately 472,000 heads of the CMD Group on a standalone basis. Based on the annual figures for 2024, the combined annual raw milk production of the Enlarged Group will reach over 3.7 million tonnes. According to China Dairy Industry Statistical Data 2025 issued by Holstein Magazine dated 1 July 2025, while CMD Group is already the industry's second-largest player, this combination will allow it to further solidify its leading position in terms of both herd size and annual raw milk production.

We have discussed and understood from the management of CMD, and noted from an analyst report of a renowned investment bank dated in November 2025 that under the current challenging operating environment of the industry, small and medium-sized farms were phased out at an accelerated pace, and the industry concentration further increased. Large-scale and standardised farms gradually became the dominant force in the market.

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Further, the expanded operating 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, which in turn enhancing its financial performance in the long-run.

(ii) Enhance production mix with higher average selling price

During the first half of 2025, the CSM Group recorded 372,973 tonnes of raw milk sales volume and the proportion of high-end raw milk sales accounted for around 80%. Integrating the 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. The combined proportion of specialty milk (including organic) in total production by the 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.

Despite the continuous decline in average raw milk price since December 2021, high-end raw milk including organic and other specialty milk provided by the CSM Group achieved higher average selling price. From 2021 to the first half of 2025, the average selling price of the CMD Group's raw milk was approximately RMB3,290 to RMB4,414 per tonne while the CSM Group, leveraging its high-end milk business, achieved higher average selling price of raw milk of approximately RMB3,872 to RMB5,104 per tonne. Given that organic and other specialty milk commands a higher average selling price than average raw milk, the Acquisition and Offer is expected to enhance the CMD Group's production mix, and in turn strengthen the CMD Group's position in the high-value raw milk segments.

(iii) Integration of CSM's sustainable ecological model

As set out in the 2025 interim report of CMD, one of the development strategies of CMD is to promote green and low-carbon development and ensure the stable development of its core raw milk business.

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.

Taking into account the above reasons and benefits of the Acquisition and Offer, the CMD Board considers, and we concur, the Acquisition and Offer are in line with the CMD Group's development strategies, and such expansion in operation scale and enhancement in production mix will benefit CMD and the CMD Shareholders in the long-term.

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As discussed in the section headed “Reasons for and benefits of the Acquisition and the Offer” in the “Letter from the Board” of the Circular, macroeconomic factors may create a degree of uncertainty in the post-transaction performance of the combined businesses. In addition, the dairy industry as a whole may be subject to various external influences, including changes in the competitive landscape, fluctuations in cost structures and supply chain conditions, adjustments to regulatory policies, and shifts in consumer preferences and market demand. These may, to a certain extent, affect the operating landscape and market performance of participants within the sector and may give rise to uncertainties regarding the pace of business development and the realisation of the expected benefits following the completion of the Acquisition and the Offer. As at the Latest Practicable Date, other than the Acquisition and Offer and save for any intra-group reorganisation in the ordinary course of business of the CMD Group, CMD has no intention or plan, and has not entered into any agreement, arrangement, undertaking or negotiation to acquire any new businesses, or downsize, cease or dispose of the existing business of the CMD Group. However, CMD will continuously review the business of the CMD Group and reserves the right to make any changes that it deems necessary or appropriate to the business or operations of the CMD Group to optimise the value of the CMD Group and in the interests of all CMD Shareholders.

8. Intention of CMD regarding the CSM Group

CMD intends to maintain the listing of the CSM Shares on the Stock Exchange after the closing of the Offer. And 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 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.

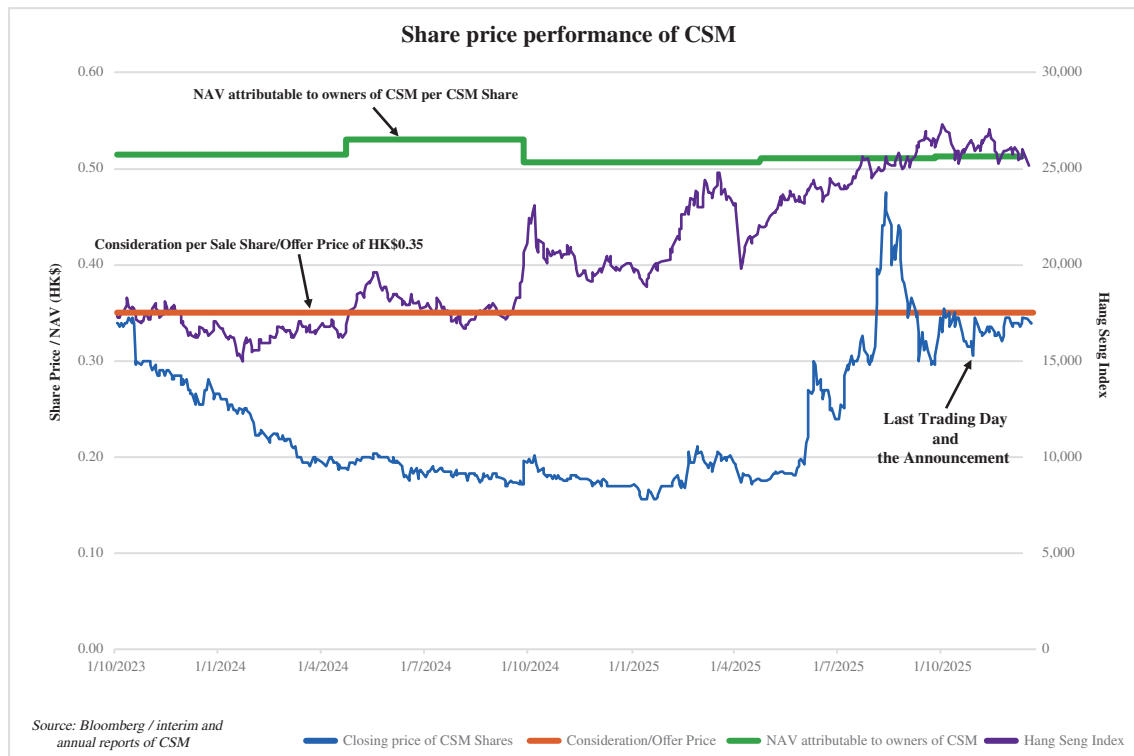
As at the Latest Practicable Date, CMD intends to nominate at least three new directors to the board of directors of CSM, and additionally, to ensure one director designated by Mengniu to remain on the board of directors of CSM at all times until the termination of the Voting Rights Agreement, and may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

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9. Evaluation of the Consideration and Offer Price

(i) Historical price performance of CSM Shares

The chart below illustrates the comparisons of the daily closing price per CSM Share with (i) the Consideration per Sale Share/Offer Price of HK\$0.35; (ii) the Hang Seng Index; and (iii) the consolidated net asset value (the “NAV”) attributable to the owners of CSM per CSM Share from 1 October 2023 up to and including the Latest Practicable Date (the “Review Period”). CSM reported its consolidated NAV attributable to the owners of CSM by way of interim and annual results announcement twice a year.



During the Review Period, the CSM Shares closed in a range from HK\$0.156 to HK\$0.475. From October 2023 to April 2024, the closing prices of CSM Shares showed a general downward trend, ranging from HK\$0.186 to HK\$0.345. Since May 2024, the fluctuation in CSM Shares’ closing prices was largely in line with the Hang Seng Index. The closing prices of CSM Shares reached a low in the Review Period of HK\$0.156 per CSM Share on 9 January 2025. Since early June 2025, CSM Shares’ closing prices led a remarkable upward trend which outperform the increase in Hang Seng Index, reaching a high during the Review Period of HK\$0.475 on 13 August 2025. Since then the closing prices of CSM Shares started to go down in general and closed at HK\$0.305 on 30 October 2025 (the Last Trading Day).

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After trading hours on 30 October 2025, CSM posted the Announcement published by CMD and the closing price of CSM Shares increased to HK\$0.345 on 31 October 2025, representing an increase of approximately 13.1% from the closing price of HK\$0.305 on 30 October 2025 (the Last Trading Day). The closing price of CSM Shares as at the Latest Practicable Date was HK\$0.34.

The Consideration per Sale Share and Offer Price of HK\$0.35 each 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 approximately 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; and
- (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.

The Consideration per Sale Share and Offer Price each shows premia in a range from approximately 7.75% to 14.75% over market prices of the CSM Shares on the Last Trading Day and for last 5, 10 and 30 trading days before and up to the Last Trading Day as set out above.

During the whole Review Period, the CSM Share price traded at a persistent discount to the consolidated NAV attributable to the owners of CSM per CSM Share, ranging from approximately 6.97% to 69.19%, with an average discount of around 53.90%. Such wide range of discount is mainly attributable to the fluctuation of CSM Share prices during the Review Period. For more recent period of 30-trading days immediately prior to and including the Last Trading Day, the CSM Shares traded at a discount to NAV attributable to the owners of CSM per CSM Share, ranging from approximately 30.70% to 42.23%, with an average of approximately 36.54% (the “**Recent Period NAV Discount Average**”).

The Consideration per Sale Share and Offer Price of HK\$0.35 each represents a discount of approximately 31.68% to the NAV attributable to the owners of CSM of approximately HK\$0.51 per CSM Share as at 30 June 2025. Such discount is lower (by around 4.86 percentage points) than the Recent Period NAV Discount Average set out above. Given that the CSM Group is operating under an asset-heavy model with substantial assets, the Consideration per Sale Share and Offer Price each representing a discount of approximately 31.68% to such NAV attributable to the owners of CSM per CSM Share is considered a favourable factor from CMD’s perspective.

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(ii) Trading liquidity of CSM Shares

Set out in the table below are the average daily trading volumes of the CSM Shares and the percentages of such average daily trading volumes to the total issued share capital of CSM and the public float of CSM during the Review Period:

| | Average daily trading volume of CSM Shares (Note 1) | Number of trading days | Percentage of the average daily trading volume of CSM Shares to the total issued share capital of CSM (Note 2) | Percentage of the average daily trading volume of CSM Shares to public float of CSM (Note 2) |
|---|--|------------------------|---|---|
| 2023 | | | | |
| October | 2,679,450 | 20 | 0.0320% | 0.0609% |
| November | 472,909 | 22 | 0.0056% | 0.0107% |
| December | 436,842 | 19 | 0.0052% | 0.0099% |
| 2024 | | | | |
| January | 225,318 | 22 | 0.0027% | 0.0051% |
| February | 391,833 | 18 | 0.0047% | 0.0089% |
| March | 480,100 | 20 | 0.0057% | 0.0109% |
| April | 427,050 | 20 | 0.0051% | 0.0097% |
| May | 930,000 | 21 | 0.0111% | 0.0211% |
| June | 330,842 | 19 | 0.0039% | 0.0075% |
| July | 213,318 | 22 | 0.0025% | 0.0049% |
| August | 110,682 | 22 | 0.0013% | 0.0025% |
| September | 1,205,739 | 19 | 0.0144% | 0.0275% |
| October | 1,658,571 | 21 | 0.0198% | 0.0378% |
| November | 325,038 | 21 | 0.0039% | 0.0074% |
| December | 1,443,167 | 18 | 0.0172% | 0.0329% |
| 2025 | | | | |
| January | 522,222 | 18 | 0.0062% | 0.0119% |
| February | 3,054,750 | 20 | 0.0364% | 0.0696% |
| March | 2,751,286 | 21 | 0.0328% | 0.0627% |
| April | 1,467,684 | 19 | 0.0175% | 0.0334% |
| May | 1,118,700 | 20 | 0.0133% | 0.0255% |
| June | 9,612,905 | 21 | 0.1147% | 0.2188% |
| July | 12,825,818 | 22 | 0.1530% | 0.2920% |
| August | 30,424,619 | 21 | 0.3630% | 0.6925% |
| September | 15,913,644 | 22 | 0.1899% | 0.3622% |
| October | 10,819,900 | 20 | 0.1291% | 0.2463% |
| November | 9,886,908 | 20 | 0.1180% | 0.2251% |
| From 1 December 2025 to the Latest Practicable Date | 11,343,001 | 14 | 0.1353% | 0.2582% |

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Notes:

1. Source: Bloomberg
2. The calculation is based on the average daily trading volume of CSM Shares divided by the total issued share capital of CSM or the total number of CSM Shares in public float. The total number of CSM Shares in public float is calculated based on the number of total issued shares of CSM excluding CSM Shares held by Start Great, Nong You Co., Ltd. (a substantial shareholder of CSM) and the director(s) of CSM as disclosed in the interim/annual reports of CSM.

From the table above, the average daily trading volumes of the CSM Shares during the Review Period represented only approximately 0.0013% to 0.3630% of the total issued CSM Shares; and approximately 0.0025% to 0.6925% of the public float of CSM. Given the thin trading volume of the CSM Shares, if CMD wishes to acquire the CSM Shares in the open market instead of making the Offer, it would likely exert significant upward pressure on the CSM Share price as a result of acquisition of a considerable amount of the CSM Shares in the open market, and the timeframe for securing a controlling stake would be uncertain. The Offer enables CMD to lock up the Offer Price of HK\$0.35 and ensure a definitive timeline.

(iii) Comparable companies

For the purpose of evaluating the Consideration and Offer Price, we have conducted a search on Bloomberg for companies similar to the CSM Group, which (i) are primarily listed on the Main Board of the Stock Exchange; and (ii) based on their latest published annual reports available as at the Latest Practicable Date, are principally engaging in the sales of raw milk with operation of dairy farms in the PRC (the “**Comparable Companies**”). The table below sets out an exhaustive list of the Comparable Companies identified based on the above selection criteria.

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The price-to-sales multiples (“**P/S Multiple(s)**”), price-to-earnings multiples (“**P/E Multiple(s)**”) and price-to-book multiples (“**P/B Multiple(s)**”) are three of the widely accepted multiples for valuing businesses. Given that CSM recorded a loss for the latest financial year, an analysis based on P/E Multiple is not applicable. We have set out the P/B Multiples and P/S Multiples of the Comparable Companies in the table below.

| Comparable Companies | Principal Business | Market Capitalisation | Net Asset Value attributable to owners of the company | Historical P/B Multiple | Historical P/S Multiple |
|--|---|----------------------------|---|-------------------------|---------------------------------|
| | (Note 1) | (HK\$ million) (Note 2) | (HK\$ million) (Note 3) | (Approximate times) | (Approximate times) (Note 2) |
| China Youran Dairy Group Limited (stock code: 9858) | The production and sales of raw milk, and the trading, production and sale of feeds, ruminant farming products and breeding products. | 17,595.13 | 12,086.19 | 1.46 | 0.63 |
| CMD (stock code: 1117) | The production and sales of raw milk, trading, production and sales of feeds. | 11,161.08 | 9,358.21 | 1.19 | 0.77 |
| YuanShengTai Dairy Farm Limited (stock code: 1431) | The production and sales of raw milk. | 1,111.65 | 5,684.19 | 0.20 | 0.38 |
| AustAsia Group Ltd. (stock code: 2425) | The production and sales of raw milk, beef cattle and feed products, and the distribution and sales of milk products. | 1,833.81 | 3,760.87 | 0.49 | 0.32 |
| | | | Highest | 1.46 | 0.77 |
| | | | Lowest | 0.20 | 0.32 |
| | | | Average | 0.84 | 0.53 |
| | | | Median | 0.84 | 0.51 |
| CSM | | | | 0.68 | 0.87 |
| (at Consideration per Sale Share/Offer Price) | | | | (Note 4) | (Note 5) |

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Notes:

1. The information on the principal business of the Comparable Companies is extracted from the most recent annual report published by the respective Comparable Companies.
2. The market capitalisation data and historical P/S Multiples of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date.
3. The net asset value attributable to the owners of the respective Comparable Companies is sourced from the most recent interim report published by the respective Comparable Companies, translated into Hong Kong dollars using the exchange rate of HK\$1.0:RMB0.91195 as quoted by the People's Bank of China on 30 June 2025.
4. The implied P/B Multiple of CSM is calculated based on (a) the Consideration per Sale Share/Offer Price of HK\$0.35; (b) the unaudited net asset value attributable to the owners of CSM as at 30 June 2025 of approximately RMB3,915.4 million as extracted from the CSM's 2025 interim report (equivalent to approximately HK\$4,293.4 million in the exchange rate of HK\$1.0:RMB0.91195 as quoted by the People's Bank of China on 30 June 2025); and (c) the total number of issued CSM Shares of 8,381,295,229 as at 30 June 2025.
5. The implied P/S Multiple of CSM is calculated based on (a) the Consideration per Sale Share/Offer Price of HK\$0.35; (b) the audited consolidated revenue of CSM for the year ended 31 December 2024 of approximately RMB3,126.2 million as extracted from CSM's 2024 annual report (equivalent to approximately HK\$3,375.9 million in the exchange rate of HK\$1.0:RMB0.92604 as quoted by the People's Bank of China on 31 December 2024); and (c) the total number of issued CSM Shares of 8,381,295,229 as at 31 December 2024.

CSM and the Comparable Companies are operating under an asset-heavy model with substantial biological assets, property, plant and equipment, which require massive capital investment in assets to generate revenue. The primary value driver of CSM and the Comparable Companies is the efficient utilisation and productive capacity of their assets, especially biological assets, property, plant and equipment. Therefore, we consider the P/B Multiple the more relevant multiple for evaluating the Consideration and Offer Price in this analysis.

As illustrated in the table above, although the implied P/S Multiple of CSM at the Consideration per Sale Share/Offer Price of approximately 0.87 times is higher than the historical P/S Multiples of the Comparable Companies, considering the implied P/B Multiple (which we considered the more relevant and appropriate multiple to be adopted in evaluating the Consideration and Offer Price in this analysis) of CSM at the Consideration per Sale Share/Offer Price of approximately 0.68 times is lower than the average and median of the historical P/B Multiples of the Comparable Companies of approximately 0.84 times and 0.84 times respectively, on balance, we consider that the Consideration per Sale Share/Offer Price is fair and reasonable so far as the CMD Shareholders are concerned.

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Summary on the evaluation of the Consideration and Offer Price

Notwithstanding the Consideration per Sale Share and Offer Price each shows premia in a range from approximately 7.75% to 14.75% over market prices of CSM Shares on the Last Trading Day and for last 5, 10 and 30 trading days before and up to the Last Trading Day as set out above, each of the Consideration per Sale Share and Offer Price represents a discount of approximately 31.68% to the NAV attributable to the owners of CSM of approximately RMB0.47 per CSM Share (equivalent to approximately HK\$0.51 per CSM Share in the exchange rate of HK\$1.0:RMB0.91195 as quoted by the People's Bank of China on 30 June 2025) as at 30 June 2025. Such discount is lower (by around 4.86 percentage points) than the Recent Period NAV Discount Average of approximately 36.54% as set out above. In addition, the implied P/B Multiple of CSM at the Consideration per Sale Share/Offer Price of approximately 0.68 times is lower than the average and median of the historical P/B Multiples of the Comparable Companies. Given the thin trading volume of the CSM Shares, if CMD wishes to acquire the CSM Shares in the open market instead of making the Offer, it would likely exert significant upward pressure on the CSM Share price as a result of acquisition of a considerable amount of the CSM Shares in the open market, and the timeframe for securing a controlling stake would be uncertain. Considering the above, as well as the reasons and benefits and expected financial effects of the Acquisition and Offer as discussed in this letter, we consider each of the Consideration and Offer Price fair and reasonable from the perspective of CMD.

10. Financial effects of the Acquisition and Offer on the CMD Group

(i) Financial resources for the Acquisition and Offer

The maximum amount of cash payable by CMD in respect of the total Consideration for the Acquisition and the consideration payable upon full acceptance of the Offer is approximately HK\$2,053.8 million, 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 Acquisition and Offer through internal resources from its bank balances and cash of approximately RMB5,185.1 million (equivalent to approximately HK\$5,685.7 million in the exchange rate of HK\$1.0:RMB0.91195 as quoted by the People's Bank of China on 30 June 2025) as at 30 June 2025. We understand from the management of CMD that no borrowing is required for this purpose.

(ii) Assets and liabilities of the Enlarged Group

Assuming the SPA Completion takes place and the Offer becomes unconditional, CSM will be accounted for as a subsidiary of CMD. Upon successful consolidation of the CSM Group by the CMD Group, the financial results, and the assets and liabilities of the CSM Group shall be consolidated into the financial statements of the CMD Group.

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The unaudited consolidated total assets and total liabilities of the CMD Group as at 30 June 2025 were approximately RMB33,386.0 million and RMB23,330.4 million respectively. As set out in the section headed “Unaudited pro forma financial information of the Enlarged Group” contained in Appendix II to the Circular (the “**Unaudited Pro Forma**”), assuming the SPA Completion had taken place and the Offer became unconditional on 30 June 2025, (a) the total assets and total liabilities would have increased by the unaudited consolidated total assets and total liabilities of the CSM Group as at 30 June 2025 of approximately RMB8,027.4 million and RMB3,895.7 million respectively; (b) the total assets would have decreased by the amount of cash payable by CMD in respect of the Consideration of the Acquisition of approximately HK\$37.5 million and the maximum consideration payable by CMD under the Offer of approximately HK\$2,016.3 million (approximately HK\$2,053.8 million in aggregate, equivalent to approximately RMB1,873.0 million in the exchange rate of HK\$1.0:RMB0.91195 as quoted by the People’s Bank of China on 30 June 2025); and (c) the total assets would have decreased by other unaudited pro-forma adjustments in relation to property, plant and equipment and rights-of-use assets of approximately RMB353.1 million, resulting in a balance of approximately RMB39,187.3 million of unaudited pro forma total assets and approximately RMB27,226.1 million of unaudited pro forma total liabilities for the Enlarged Group respectively.

Upon consolidation of the CSM Group, the net asset value of the CMD Group would be increased by approximately RMB1,905.6 million or 19.0% from approximately RMB10,055.6 million (approximately RMB1.27 per CMD Share) to RMB11,961.2 million (approximately RMB1.51 per CMD Share) as at 30 June 2025.

As at 30 June 2025, the net gearing ratio of the CMD Group stood at approximately 117.1%, calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity. On the same basis, the CSM Group’s net gearing ratio was approximately 26.7% as at 30 June 2025. The consolidation of the CSM Group is expected to improve the gearing ratio of the Enlarged Group.

Further details on the Unaudited Pro Forma assuming consolidation of the CSM Group by the CMD Group are set out in the paragraph headed “C. Unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2025 – Scenario II” in Appendix II to the Circular. The Unaudited Pro Forma of the Enlarged Group are subject to adjustments as detailed in Appendix II to the Circular.

Assuming the SPA Completion takes place but the Offer does not become unconditional, CSM will be accounted for an equity instrument at fair value through other comprehensive income of CMD. On this basis, the unaudited pro forma total assets, total liabilities and net asset value of the Enlarged Group would be equivalent to those of the CMD Group on a standalone basis.

Further details on the Unaudited Pro Forma assuming CSM will be accounted for an equity instrument at fair value through other comprehensive income of CMD are set out in the paragraph headed “B. Unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2025 – Scenario I” in Appendix II to the Circular.

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(iii) Revenue base and profitability of the Enlarged Group

Based on the interim report of CSM for the six months ended 30 June 2025, CSM recorded a loss of approximately RMB45.6 million in the first half of 2025. Such loss was mainly attributable to the loss arising from changes in fair value less costs to sell of biological assets (dairy cows) of approximately RMB471.3 million as described in this letter above. Notwithstanding this, with the combination of the CSM Group's existing organic milk business yielding higher average selling price and the CMD Group's experience and robust development strategy to strengthen its core raw milk business, assuming CSM will be accounted for as a subsidiary of CMD, it is expected that the Acquisition and Offer would expand the revenue base and increase the revenue-generating capabilities of the Enlarged Group in the longer-term.

DISCUSSION

In arriving at our opinion and recommendation, we have taken into account all of the above principal factors and reasons, in particular:

- (i) It is expected that CMD will be able to consolidate CSM as its subsidiary if the SPA Completion under all of the Share Purchase Agreements take place and the condition of the Offer is satisfied by the Closing Date. On this basis, the financial results, and the assets and liabilities of the CSM Group shall be consolidated into the financial statements of the CMD Group, with details discussed in the section headed "10. Financial effects of the Acquisition and Offer on the CMD Group" in this letter above.

The Acquisition and Offer will allow expansion of the CMD Group's business scale and asset base, achieving economies of scale. The CMD Group is already the PRC industry's second-largest player in terms of herd size and annual raw milk production. The combination will allow the CMD Group to further solidify its leading position in the raw milk supply market in terms of both herd size and annual raw milk production.

Given that organic and other specialty milk of the CSM Group commands a higher average selling price than average raw milk, the Acquisition and Offer is expected to enhance the CMD Group's production mix, and in turn strengthen the CMD Group's position in the high-value raw milk segments.

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.

Further details of the reasons and benefits of the Acquisition and Offer are set out in the section headed "7. Reasons and benefits of the Acquisition and Offer" in this letter above;

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- (ii) Notwithstanding the Consideration per Sale Share and Offer Price each shows premia in a range from approximately 7.75% to 14.75% over market prices of CSM Shares on the Last Trading Day and for last 5, 10 and 30 trading days before and up to the Last Trading Day, each of the Consideration per Sale Share and Offer Price represents a discount of approximately 31.68% to the NAV attributable to owners of CSM per CSM Share as at 30 June 2025. Such discount is lower (by around 4.86 percentage points) compared to the Recent Period NAV Discount Average as set out above in this letter. In addition, although the implied P/S Multiple of CSM at the Consideration per Sale Share/Offer Price of approximately 0.87 times is higher than the historical P/S Multiples of the Comparable Companies, the implied P/B Multiple of CSM (which we considered the more relevant and appropriate multiple to be adopted in evaluating the Consideration and Offer Price in the analysis) at the Consideration per Sale Share/Offer Price of approximately 0.68 times is lower than the average and median of the historical P/B Multiples of the Comparable Companies. Further details of our analysis are set out in the paragraph headed “(iii) Comparable companies” under the section headed “9. Evaluation of the Consideration and Offer Price” in this letter above;
- (iii) Given the thin trading volume of the CSM Shares, if CMD wishes to acquire the CSM Shares in the open market instead of making the Offer, it would likely exert significant upward pressure on the CSM Share price as a result of acquisition of a considerable amount of the CSM Shares in the open market, and the timeframe for securing a controlling stake would be uncertain. The Offer enables CMD to lock up the Offer Price of HK\$0.35 and ensure a definitive timetable;
- (iv) Upon consolidation of the CSM Group, the net asset value of the Enlarged Group is expected to increase, and the gearing ratio of the Enlarged Group is also expected to improve with the substantially lower net gearing ratio of the CSM Group compared to that of the CMD Group; and
- (v) Upon consolidation of the CSM Group, the Acquisition and Offer are expected to expand the revenue base and increase the revenue-generating capabilities of the Enlarged Group in the longer-term.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors as set out in this letter and summarised in the section headed “Discussion” above, we consider that (i) the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the CMD Independent Shareholders are concerned; (ii) the Acquisition is in the ordinary and usual course of business of the CMD Group and is in the interests of CMD and the CMD Shareholders as a whole; and (iii) the Offer is fair and reasonable and in the interests of CMD and the CMD Shareholders.

Accordingly, we advise the CMD Independent Board Committee to recommend, and we ourselves recommend, the CMD Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over thirteen years’ experience in the corporate finance industry.

* *English translation is for reference only. Chinese version shall prevail in case of inconsistency.*

(A) FINANCIAL INFORMATION OF THE CMD GROUP**1. Financial Reports**

The audited consolidated financial statements of the CMD Group for the three financial years ended 31 December 2022, 2023 and 2024 are disclosed in the annual reports of CMD for each of such three financial years respectively, and the unaudited condensed consolidated financial statements of the CMD Group for the six months ended 30 June 2025 are disclosed in the interim report of CMD. All of the above financial statements have been published on the website of CMD (www.modernmilk.com) and the website of the Stock Exchange (www.hkexnews.hk) and can be accessed by the direct hyperlinks below:

- (i) in respect of the annual report of CMD for the year ended 31 December 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042502297.pdf>

- (ii) in respect of the annual report of CMD for the year ended 31 December 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0428/2024042800101.pdf>

- (iii) in respect of the annual report of CMD for the year ended 31 December 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0425/2025042500939.pdf>

- (iv) in respect of the interim report of CMD for the six months ended 30 June 2025:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0925/2025092500425.pdf>

2. Indebtedness

As at the close of business on 31 October 2025, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, details of the borrowings and indebtedness of the CMD Group are as follows:

| | As at 31 October 2025 <i>RMB'000</i> |
|------------------------------|---|
| Current | |
| Bank borrowings – unsecured | 2,380,924 |
| Bank borrowings – secured | 129,850 |
| Other borrowings – unsecured | 1,215,216 |
| Other borrowings – secured | 14,984 |
| Long term bonds | 3,147,359 |
| Short term debenture | 203,442 |
| Lease liabilities | 124,910 |
| | <hr/> |
| Subtotal | 7,216,685 <hr/> <hr/> |
| Non-current | |
| Bank borrowings – unsecured | 7,681,914 |
| Bank borrowings – secured | 1,082,900 |
| Other borrowings – unsecured | 1,055,918 |
| Long term bonds | 2,798,567 |
| Lease liabilities | 2,138,232 |
| | <hr/> |
| Subtotal | 14,757,531 <hr/> <hr/> |
| Total Indebtedness | 21,974,216 <hr/> <hr/> |

In addition, as of 31 October 2025, except as disclosed in the table below, the CSM Group did not have any other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

| | As at 31 October 2025 RMB'000 |
|--|--|
| Current | |
| Interest-bearing bank borrowings – unsecured | 1,309,648 |
| Lease liabilities | 17,007 |
| Non-current | |
| Interest-bearing bank and other borrowings – unsecured | 899,486 |
| Lease liabilities | 28,252 |
| Total | 2,254,393 |

3. Working Capital

The Directors are of the opinion that, taking into consideration the effect of the Acquisition and the Offer and the financial resources available to the Enlarged Group, including internally generated funds and external borrowings, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

4. Financial and Trading Prospects of the CMD Group

The CMD Group is a leading dairy farming operator and raw milk producer in the industry in China in terms of herd size and volume of annual production. The CMD Group's corporate vision is "deploying the whole industry chain, being innovative with digital intelligence, and being a global dairy farming leader". The CMD Group remains committed to raw milk production as its core business while guiding its development through digitalisation and ecological practices. The CMD Group's operations span the entire dairy industry chain, encompassing dairy farming, feed production, forage plantation, breeding business, and a digital intelligence platform for the value chain, and this comprehensive approach lays a solid foundation for the CMD Group's sustainable and stable growth.

As at 31 December 2024, the CMD Group operated a total of 47 farming companies across 13 provinces and autonomous regions with 491,169 dairy cows. For the years ended 31 December 2022, 2023 and 2024, the CMD Group recorded average annualised milk yield of 12.2 tons per milkable cow, 12.6 tons per milkable cow and 12.8 tons per milkable cow, respectively. For the years ended 31 December 2022, 2023 and 2024, the CMD Group had a total milk production of approximately 2.36 million tons, 2.59 million tons and 3.01 million tons, respectively. The total organic raw milk sales volume was 144,748 tons. The CMD Group has achieved production growth and enhanced its operational efficiency, helping to mitigate industry headwinds and support its margins through strategic initiatives, including increasing the proportion of milkable cows, enhancing milk yield per cow, and implementing optimised feed formulation and cost management measures.

The CMD Group has relentlessly focused on food safety, product quality, as well as operating efficiency. The CMD Group has continued to lead in driving modernisation of the overall dairy farming industry through the employment of modern farming practices, development of large-scale farms, application of advanced digital systems and improvement of genetics. Every procedure in the raw milk production process, including milking, refrigeration and transportation, was completed with monitoring measures and the strictest standard was adopted to guarantee the quality of raw milk.

Its products have been awarded the Gold Prize of Monde Selection which is generally regarded as the “Nobel Prize” in the food industry, for the past twelve consecutive years as at 30 June 2025. The CMD Group was awarded the “National Key Leading Enterprise of Agricultural Industrialisation”, the “National Agricultural Standardisation Demonstration Zone”, “Agricultural and Rural Informatisation Model Base” by the Ministry of Agriculture and Rural Affairs and other national authorities, and the first dairy farming group in China to pass the “Quality Milk Project – Accredited Milk” acceptance.

The CMD Group has established comprehensive strategic partnership with Mengniu, its controlling shareholder and major customer. The strategic partnership with Mengniu brings numerous benefits to the CMD Group, including guaranteed raw milk sale via the off-take agreement entered into between Inner Mongolia Mengniu Dairy (Group) Co., Ltd. and Modern Farming (Group) Co., Ltd. (“**Modern Farming**”), and sharing of internal resources strengthens its synergies with Mengniu in terms of sales, cost control (via the enhancement of market confidence and its bargaining power with third party feed suppliers) and resources utilisation (by Mengniu sharing and exchanging experience in aspects such as personnel training, information empowerment and smart farm management). To date, as the largest raw milk supplier to Mengniu, the CMD Group has been assisting Mengniu to consolidate its raw milk supply platforms. As at 31 December 2024, more than 30% of Mengniu daily raw milk intake was supplied by the CMD Group.

The CMD Group has been expanding its herd size and production in a stable manner to attain sustainable business growth and creating a vertically integrated upstream dairy farming enterprise by integrating the upstream and downstream business, thereby building a full chain of raw milk production from forage cultivation, dairy farming, feed processing to sales.

5. Material Adverse Change

As at the Latest Practicable Date, other than as set out in the profit warning announcement issued by CMD dated 20 June 2025, the Directors are not aware of any material adverse changes in the financial or trading position of the CMD Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the CMD Group were made up.

(B) FINANCIAL INFORMATION OF THE CSM GROUP**1. Financial Reports**

The audited consolidated financial statements of the CSM Group for the three financial years ended 31 December 2022, 2023 and 2024 are disclosed in the annual reports of the CSM Group for each of such three financial years respectively, and the unaudited condensed consolidated financial statements of the CSM Group for the six months ended 30 June 2025 are disclosed in the interim report of the CSM Group. All of the above financial statements have been published on the website of the CSM Group (www.shengmuorganicmilk.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. Management Discussion and Analysis on the CSM Group

The following financial information is based on the published accountants' report of the CSM Group.

Operating Results***Revenue***

The CSM Group is a leading organic raw milk supplier in China. The principal business of the CSM Group is dairy cow farming, focusing on the production and sales of desert-based organic milk. CSM primarily engages in the production and distribution of raw milk through its subsidiaries in the PRC.

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's revenue were RMB3,176.3 million, RMB3,383.6 million and RMB3,126.2 million, respectively. The increase in revenue of CSM Group for the year ended 31 December 2023 was mainly attributable to the increase in sales volume of its organic milk. The decrease in revenue of CSM Group for the year ended 31 December 2024 was mainly due to the combination of unfavourable factors in terms of sales volume and selling price of raw milk.

For the six months ended 30 June 2024 and 2025, the CSM Group's revenue were RMB1,490.7 million and RMB1,444.3 million, respectively. The decrease in revenue of CSM Group for the first half of 2025 was mainly affected by the continuous decline in the selling price of raw milk.

Cost of sales and gross profit

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's cost of sales were RMB2,163.6 million, RMB2,358.6 million and RMB2,200.3 million, respectively. For the six months ended 30 June 2024 and 2025, the CSM Group's cost of sales were RMB1,096.2 million and RMB1,079.4 million, respectively.

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's gross profit were RMB1,012.7 million, RMB1,025.0 million and RMB925.9 million, respectively. For the six months ended 30 June 2024 and 2025, the CSM Group's gross profit were RMB394.5 million and RMB364.9 million, respectively.

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's gross profit margins were 31.9%, 30.3% and 29.6%, respectively. For the six months ended 30 June 2024 and 2025, the CSM Group's gross profit margins were 26.5% and 25.3%, respectively. Although the CSM Group has implemented comprehensive measures to reduce costs and enhance efficiency with certain achievements, the magnitude of cost reduction still lagged behind that of the decline in raw milk prices.

Selling and distribution expenses

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's selling and distribution expenses were RMB55.2 million, RMB62.7 million and RMB49.1 million, respectively. In 2023, selling and distribution expenses amounted to RMB62.7 million, representing an increase of 13.7% as compared with the corresponding period. This was mainly attributable to: (i) the growth in the total volume of sales of raw milk; and (ii) the CSM Group's proactive expansion of sales channels in response to the industry cycle, with an increase in the transportation radius as compared with the corresponding period. In 2024, the CSM Group implemented a dual strategy to optimize transportation costs: on one hand, it reached a new freight rate agreement with its core carriers to reduce freight rates and drive down logistics costs structurally; on the other hand, it innovated its pricing model by implementing an offshore pricing delivery strategy for regional sources of milk to effectively transfer part of the carrier costs. As a result of these dual initiatives, selling and distribution expenses for the year dropped to RMB49.1 million, representing a 21.8% year on year decrease.

For the six months ended 30 June 2024 and 2025, the CSM Group's selling and distribution expenses were RMB27.9 million and RMB26.1 million, respectively. During the first half of the 2025, despite an increase in sales volume year-on-year, the total selling and distribution expenses were effectively reduced from RMB27.9 million in the corresponding period of the previous year to RMB26.1 million, representing a decrease of 6.5%. This fully reflects the improvement in the CSM Group's operational efficiency and the results of expense control.

Administrative expenses

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's administrative expenses were RMB141.0 million, RMB166.3 million and RMB152.6 million, respectively. The increase in administrative expenses of CSM Group for the year ended 31 December 2023 is mainly attributable to the recognition of the different benefit periods for the expenses related to share awards. In 2024, in order to cope with the challenges of the severe market environment, the CSM Group actively adopted effective measures to reduce costs and increase efficiency. With the efficient operation of the information technology platform, the CSM Group achieved significant savings during the year through process streamlining, functional streamlining, resource coordination and sharing, and compression of expenditures, etc. Administrative expenses decreased by 8.3% year-on-year to RMB152.6 million.

For the six months ended 30 June 2024 and 2025, the CSM Group's administrative expenses were RMB62.7 million and RMB55.8 million, respectively. The decrease in administrative expenses of CSM Group for six months ended 30 June 2025 is mainly attributable to the fact that CSM Group has continued to promote cost reduction and efficiency improvement initiatives. It has effectively lowered administrative costs through measures such as streamlining the organizational structure, strictly controlling expense budgets, and reducing non-rigid expenditures, which provides strong support for a stable transition through the industry cycle.

Finance costs

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's finance costs were RMB57.4 million, RMB53.1 million and RMB47.5 million, respectively. For the six months ended 30 June 2024 and 2025, the CSM Group's finance costs were RMB23.5 million and RMB19.4 million, respectively. The CSM Group continued to deepen the cooperation between banks and enterprises, practiced green finance, optimized the debt structure and lowered the finance costs.

Other income and gains

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's other income and gains were RMB46.1 million, RMB72.3 million and RMB71.0 million, respectively. In 2023, other income and gains amounted to RMB72.3 million, representing an increase of approximately 56.8% as compared with the corresponding period. This mainly included government grants, interest income and beef cow breeding business, etc., of which interest income was RMB29.6 million (2022: RMB17.3 million).

For the six months ended 30 June 2024 and 2025, the CSM Group's other income and gains were RMB49.9 million and RMB166.5 million, respectively. During the first half of the year 2025, this item recorded RMB166.5 million, representing an increase of approximately 233.7% year-on-year. This was mainly due to: (i) the full receipt and recognition of revenue from financial subsidy funds in the first half of the year for projects such as high-quality dairy cow breeding, smart farm construction and high-quality forage supporting facilities; and (ii) the reversal of RMB45.6 million in litigation provisions accrued in previous years.

Profit/(loss) for the period/year

For the three years ended 31 December 2022, 2023 and 2024, the CSM Group's profit/(loss) were RMB450.1 million, RMB94.6 million and RMB(64.5) million, respectively.

In 2023, the profit decrease was mainly due to the year-on-year increase in the loss arising from changes in fair value less costs to sell of biological assets. In 2023, the loss arising from changes in fair value less costs to sell of biological assets amounted to RMB706.3 million (2022: RMB291.4 million), the increase in loss as compared with the corresponding period was mainly attributable to (i) a substantial increase in the number of retired inefficient cows compared with the corresponding period as the CSM Group proactively retired inefficient cows in order to improve the structure of the high-quality milkable cow herd; and (ii) a year-on-year decrease in the appraised value of biological assets, as a result of the decrease in the market price of raw milk, the constant high cost of feeds, the decrease in the market price of beef and other factors.

In 2024, the CSM Group recorded a loss of approximately RMB64.5 million, compared to a profit of approximately RMB94.6 million in 2023. The loss in 2024 was mainly arising from (i) the year-on-year decrease in gross profit by approximately RMB99.1 million; and (ii) the year-on-year increase in the loss arising from changes in fair value less costs to sell of biological assets by approximately RMB101.0 million.

Due to the optimisation of its herd in 2024, the CSM Group recorded a loss arising from changes in fair value less costs to sell of biological assets of approximately RMB807.3 million, representing a year-on-year increase in loss of approximately RMB101.0 million. This was mainly due to (i) the CSM Group accelerating the retiring process of inefficient cows in order to mitigate the impact of the imbalance between the supply and demand of raw milk and improve the quality of the dairy herd, and as a result, the number of cows retired recorded a significant year-on-year increase, and (ii) the low market price of culled cows in 2024.

For the six months ended 30 June 2024 and 2025, the CSM Group's profit/(loss) were RMB(145.5) million and RMB(45.6) million, respectively.

The CSM Group recorded a loss of approximately RMB45.6 million in the first half of 2025, representing a decrease of approximately 68.7% from a loss of approximately RMB145.5 million for the first half of 2024. Such decrease in loss was mainly attributable to an increase in other income and gains during the first half of 2025 by approximately 233.7% compared to the first half of 2024, which was mainly due to (i) the full receipt and recognition of revenue from financial subsidy funds for projects such as high-quality dairy cow breeding, smart farm construction and high-quality forage supporting facilities; and (ii) the reversal of approximately RMB45.6 million in litigation provisions accrued in previous years.

The loss in the first half of 2025 was mainly attributable to the loss arising from changes in fair value less costs to sell of biological assets of approximately RMB471.3 million, which was substantially the same compared with the corresponding period of 2024 of approximately RMB451.0 million.

Liquidity, Financial Resources and Capital Structure

CSM's operating funds and capital expenditure are mainly derived from cash flows generated from internal operations and credit facilities provided by major correspondent banks.

Interest-bearing bank borrowings

As at 31 December 2022, CSM's net borrowings (interest-bearing bank and other borrowings, excluding lease liabilities, less cash and bank balances and short-term investment deposits) amounted to RMB891.1 million. In 2022, the interest rates on interest-bearing liabilities ranged from 0.87% to 4.15% per annum.

As at 31 December 2023, CSM's interest-bearing bank and other borrowings amounted to RMB2,131.2 million, all denominated in RMB, of which RMB911.4 million was repayable within one year. Net borrowings amounted to RMB1,053.4 million. In 2023, the interest rate on interest-bearing liabilities ranged from 0.87% to 3.26% per annum.

As at 31 December 2024, CSM's interest-bearing bank borrowings increased to RMB2,274.3 million, including RMB666.6 million repayable within one year. Net borrowings amounted to RMB1,209.0 million. In 2024, the interest rate on interest-bearing liabilities ranged from 0.82% to 3.20% per annum.

As at 30 June 2025, CSM's interest-bearing bank borrowings amounted to RMB2,257.0 million, of which RMB1,451.1 million was repayable within one year. Net borrowings amounted to RMB1,206.9 million, remaining broadly in line with the level as at 31 December 2024. During the first half of 2025, the annual interest rates of interest-bearing liabilities ranged from 0.90% to 3.20%.

Capital structure

As at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, CSM recorded total equity of RMB4,261.7 million, RMB4,236.3 million, RMB4,175.8 million and RMB4,131.7 million, respectively, while its current assets amounted to RMB2,155.0 million, RMB2,121.3 million and RMB2,215.3 million, its non-current assets amounted to RMB6,361.9 million, RMB6,342.9 million and RMB5,812.1 million, its current liabilities amounted to RMB3,022.2 million, RMB2,639.2 million and RMB3,055.6 million, and its non-current liabilities amounted to RMB1,258.4 million, RMB1,649.3 million and RMB840.1 million as at 31 December 2023, 31 December 2024 and 30 June 2025, respectively.

As at 31 December 2022, CSM's financial gearing ratio (calculated as interest-bearing bank and other borrowings divided by total equity) was 43.5%. As at 31 December 2023, the financial gearing ratio (calculated as interest-bearing bank and other borrowings, including lease liabilities, divided by total equity) increased to 51.5%. As at 31 December 2024, the financial gearing ratio further rose to 55.9%, representing an increase of 4.4 percentage points year-on-year. As at 30 June 2025, the financial gearing ratio amounted to 55.7%, remaining broadly in line with the level as at 31 December 2024.

Charge on assets

As at 31 December 2022, the CSM Group had total restricted bank deposits of RMB199.9 million, comprising RMB114.2 million pledged to banks in the PRC for the issuance of letters of credit and bank drafts and RMB85.7 million frozen due to litigation. As at 31 December 2023, the CSM Group's restricted bank deposits amounted to RMB148.8 million, including RMB63.1 million pledged for the issuance of letters of credit and bank drafts and RMB85.7 million frozen due to litigation. As at 31 December 2024, the CSM Group's restricted bank deposits decreased to RMB129.0 million, comprising RMB43.3 million pledged for the issuance of letters of credit and bank drafts and RMB85.7 million frozen due to litigation. As at 30 June 2025, the CSM Group's restricted bank deposits further decreased to RMB105.0 million, including RMB19.3 million pledged for the issuance of letters of credit and bank drafts and RMB85.7 million frozen due to litigation.

Capital commitments

As at 31 December 2022, the CSM Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB5.0 million. As at 31 December 2023, such capital commitments increased to RMB43.7 million, primarily due to the scheduled construction of the Smart Farm during the year. As at 31 December 2024, the CSM Group's capital commitments further decreased to RMB5.2 million, mainly because the Smart Farm had completed its basic construction during the year, with its principal funding sourced from external financial institutions. As at 30 June 2025, the CSM Group's capital commitments in relation to the renovation and upgrading of property, plant and equipment amounted to RMB8.3 million.

Foreign exchange risk

The CSM Group's operations are primarily located in Mainland China and the majority of transactions are conducted in RMB. As at 31 December 2022, the CSM Group had no significant foreign exchange risk in respect of its operations except for cash balances of approximately RMB3.3 million, RMB0.2 million and RMB68.7 million denominated in USD, Euro and HKD, respectively. As at 31 December 2023, the CSM Group had no significant foreign exchange risk in respect of its operations except for cash balances of approximately RMB2.0 million, RMB0.2 million and RMB0.1 million denominated in USD, Euro and HKD, respectively. As at 31 December 2024, the CSM Group had no significant foreign exchange risk in respect of its operations except for cash of approximately RMB3.6 million and RMB1.5 million denominated in HKD and USD, respectively. As at 30 June 2025, the CSM Group had no significant foreign exchange risk in respect of its operations except for approximately RMB0.6 million and RMB0.2 million in cash denominated in HKD and USD, respectively. During the relevant periods, the CSM Group had not entered into any arrangement to hedge against any foreign exchange fluctuations.

Contingent liabilities

As at 31 December 2022, CSM provided guarantees for bank borrowings of RMB142.9 million of Bayannur Shengmu High-tech Ecological Forage Co., Ltd. (巴彥淖爾市聖牧高科技生態草業有限公司). Such external guarantees were recognised in the financial statements, with the valuation determined by an independent professional valuer adopted as the best estimate of the payment required for the performance of the relevant existing obligations in accordance with IFRSs. During the year, CSM also made a supplementary provision of RMB35.7 million in connection with a claim against Inner Mongolia Shengmu High-tech Farming Co., Ltd. (內蒙古聖牧高科技牧業有限公司), an indirect wholly-owned subsidiary of CSM, and former directors of CSM, taking into account the latest development of the case and the opinion of its legal adviser.

As at 31 December 2023, 31 December 2024 and 30 June 2025, CSM provided guarantees for bank borrowings of RMB69.0 million, RMB70.0 million and RMB150.0 million, respectively, for Bayannur Shengmu High-tech Ecological Forage Co., Ltd. (巴彥淖爾市聖牧高科技生態草業有限公司).

Credit risk

Since the CSM Group trades only with recognized and creditworthy third parties, collateral is generally not required.

Material Acquisitions and Disposals

In 2022, the CSM Group conducted the following transactions: (1) on 8 June 2022, Inner Mongolia Shengmu High-tech Farming Co., Ltd. (內蒙古聖牧高科牧業有限公司) (“**Inner Mongolia Shengmu**”) entered into an equity transfer agreement with Food Union (Dairy) Hong Kong Limited for the sale of a 4.05% equity interest in Food Union Shengmu Dairy Co., Ltd. (“**Food Union Shengmu**”) for a consideration of US\$4.5 million. Immediately after completion, Inner Mongolia Shengmu held 1.85% equity interest in Food Union Shengmu, which continued to be accounted for as an associate under the equity method; and (2) on 28 June 2022, Inner Mongolia Shengmu entered into an equity transfer agreement with the minority shareholders of Inner Mongolia Shengyou Cattle Industry Co., Ltd. (內蒙古晟有牛業有限公司) (“**Shengyou Cattle Industry**”) to acquire an aggregate of 15.31% equity interest in Shengyou Cattle Industry for a consideration of RMB5.2 million. Upon completion, Inner Mongolia Shengmu held 86.29% equity interest in Shengyou Cattle Industry. Save for the above, the CSM Group did not make any material acquisitions or disposals of subsidiaries or associates for the three years ended 31 December 2022, 2023 and 2024 and for the six months ended 30 June 2025.

Future Plans for Material Investments or Acquisition of Capital Assets and Expected Source of Funding

As at 30 June 2025, the CSM Group’s capital commitments in relation to the renovation and upgrading of property, plant and equipment amounted to RMB8.3 million.

For illustrative purposes, the financial information prepared in accordance with rule 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the CMD Group might be affected by the completion of the Acquisition and the Offer as if the Acquisition and the Offer had been completed on 30 June 2025. The statement has been prepared for illustrative purposes only and because of their nature, they may not give a true picture of the CMD Group's financial position on the completion of the Acquisition and/or the Offer.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following are illustrative unaudited pro forma consolidated statements of assets and liabilities (the “**Unaudited Pro Forma Financial Information**”) of China Modern Dairy Holdings Ltd. (“**CMD**”) and its subsidiaries (the “**CMD Group**”) and China Shengmu Organic Milk Limited (“**CSM**”) and its subsidiaries (the “**CSM Group**”), together with CMD Group referred to as the “**Enlarged Group**”) as a result of the completion of the purchase of 107,200,000 shares of CSM under the share purchase agreements and the possible mandatory conditional cash offer as detailed in section headed “Letter from the Board” contained in this circular (“**the Acquisition and the Offer**”) on the basis set out in the notes below for illustrating the effect of the Acquisition and the Offer, as if the Acquisition and the Offer had taken place on 30 June 2025.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited consolidated statement of financial position of CMD Group as at 30 June 2025 as extracted from the published 2025 interim report of CMD Group for the six months ended 30 June 2025; (ii) the unaudited consolidated statement of financial position of CSM Group as at 30 June 2025 as extracted from the published 2025 interim report of CSM Group for the six months ended 30 June 2025; and (iii) after giving effect to other unaudited pro forma adjustments as described in the accompanying note.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of CMD Group in accordance with Rule 4.29 of the Hong Kong Listing Rules for the purposes of illustrating the effect of the Acquisition and the Offer only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual assets and liabilities of the Enlarged Group that would be attained had the Acquisition and the Offer been completed as of the specified dates or any future date. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future assets and liabilities.

The key assumptions made by the Directors of CMD for preparing the Unaudited Pro Forma Financial Information for Scenario I and II are as follows:

- | | |
|-------------|---|
| Scenario I | Assuming the Offer lapses as a result of the non-satisfaction of the condition of the Offer (as set out in the section headed “Possible Mandatory Conditional Cash Offer on CSM – Condition of the Offer”) by the Closing Date and the termination of the Voting Rights Agreement among CMD, Start Great Holdings Limited and China Mengniu Dairy Company Limited. Under this assumption, with the 107,200,000 shares purchased through the Acquisition, altogether 1.28% equity interest in CSM held by CMD upon the Acquisition and the Offer, CSM would be accounted for as an equity instrument at FVTOCI of CMD. |
| Scenario II | Assuming all of the 5,760,916,674 CSM shares subject to the Offer were accepted. Under this assumption, with the 107,200,000 shares purchased through the Acquisition, altogether 70.01% equity interest in CSM held by CMD upon the Acquisition and the Offer, CSM would be accounted for as a subsidiary of CMD |

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES AS AT 30 JUNE 2025 – SCENARIO I**

| | CMD Group as at 30 June 2025 RMB'000 Note 1 | Unaudited pro forma adjustment RMB'000 Note 2 | Enlarged Group as at 30 June 2025 RMB'000 |
|--|--|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 7,510,996 | – | 7,510,996 |
| Right-of-use assets | 2,446,394 | – | 2,446,394 |
| Goodwill | 1,819,179 | – | 1,819,179 |
| Intangible assets | 33,791 | – | 33,791 |
| Interests in associates and a joint venture | 608,345 | – | 608,345 |
| Biological assets | 11,662,447 | – | 11,662,447 |
| Equity instruments at FVTOCI | 39,998 | 34,216 | 74,214 |
| Derivative financial instruments | 161,998 | – | 161,998 |
| Bank balances | 1,288,082 | – | 1,288,082 |
| Deferred tax assets | 10,665 | – | 10,665 |
| | <u>25,581,895</u> | <u>34,216</u> | <u>25,616,111</u> |
| Current assets | | | |
| Inventories | 2,191,914 | – | 2,191,914 |
| Biological assets | – | – | – |
| Trade and other receivables and prepayments | 1,704,028 | – | 1,704,028 |
| Other financial assets | – | – | – |
| Pledged bank deposits | 11,136 | – | 11,136 |
| Bank balances and cash | <u>3,897,027</u> | <u>(34,216)</u> | <u>3,862,811</u> |
| | <u>7,804,105</u> | <u>(34,216)</u> | <u>7,769,889</u> |

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

| | CMD Group as at 30 June 2025 RMB'000 Note 1 | Unaudited pro forma adjustment RMB'000 Note 2 | Enlarged Group as at 30 June 2025 RMB'000 |
|--|---|---|---|
| Current liabilities | | | |
| Trade and other payables | 3,479,082 | – | 3,479,082 |
| Tax payable | 2,148 | – | 2,148 |
| Bank borrowings | 2,315,418 | – | 2,315,418 |
| Other borrowings | 1,037,694 | – | 1,037,694 |
| Lease liabilities | 209,201 | – | 209,201 |
| Long term bonds | 32,728 | – | 32,728 |
| Short term debenture | 202,007 | – | 202,007 |
| Other liabilities | 12,872 | – | 12,872 |
| Contract liabilities | 14,235 | – | 14,235 |
| Deferred income | 27,584 | – | 27,584 |
| | <u>7,332,969</u> | <u>–</u> | <u>7,332,969</u> |
| Net current assets | <u>471,136</u> | <u>(34,216)</u> | <u>436,920</u> |
| Total assets less current liabilities | <u>26,053,031</u> | <u>–</u> | <u>26,053,031</u> |

Notes to unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2025 – Scenario I

1. The unadjusted financial information of CMD Group as at 30 June 2025 is extracted from the published 2025 interim report of CMD Group for the six months ended 30 June 2025 dated 25 September 2025.
2. The adjustment represents the cash consideration of RMB34,216,000, representing CMD's acquisition of 107,200,000 CSM shares acquired through the Acquisition with HK\$0.35 per share (translated based on an exchange rate of RMB/HKD of 0.91195 at 30 June 2025).
3. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the Directors of CMD determined that such costs are insignificant.
4. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of CMD Group or CSM Group entered into subsequent to 30 June 2025.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2025 – SCENARIO II

| | Unaudited pro forma adjustments | | | | |
|---|---------------------------------|---------------|----------------------|-------------|-------------|
| | CMD Group | CSM Group | Other unaudited | | Enlarged |
| | as at | as at 30 June | pro forma adjustment | | Group as at |
| | 30 June | 2025 | | | 30 June |
| | 2025 | 2025 | | | 2025 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Note 1 | Note 2 | | Note 3 | |
| Non-current assets | | | | | |
| Property, plant and equipment | 7,510,996 | 1,822,295 | – | (13,790) | 9,319,501 |
| Right-of-use assets | 2,446,394 | 584,912 | – | (339,307) | 2,691,999 |
| Goodwill | 1,819,179 | – | – | – | 1,819,179 |
| Intangible assets | 33,791 | 21,803 | – | – | 55,594 |
| Interests in associates and a joint venture | 608,345 | 32,775 | – | – | 641,120 |
| Biological assets | 11,662,447 | 3,245,672 | – | – | 14,908,119 |
| Equity instruments at FVTOCI | 39,998 | – | – | – | 39,998 |
| Other financial assets | – | 53,000 | – | – | 53,000 |
| Derivative financial instruments | 161,998 | – | – | – | 161,998 |
| Bank balances | 1,288,082 | 51,637 | – | – | 1,339,719 |
| Deferred tax assets | 10,665 | – | – | – | 10,665 |
| | 25,581,895 | 5,812,094 | – | (353,097) | 31,040,892 |
| Current assets | | | | | |
| Inventories | 2,191,914 | 631,953 | – | – | 2,823,867 |
| Biological assets | – | 17,479 | – | – | 17,479 |
| Trade and other receivables and prepayments | 1,704,028 | 341,932 | – | – | 2,045,960 |
| Other financial assets | – | 120,395 | – | – | 120,395 |
| Pledged bank deposits | 11,136 | 105,049 | – | – | 116,185 |
| Bank balances and cash | 3,897,027 | 998,492 | – | (1,873,000) | 3,022,519 |
| | 7,804,105 | 2,215,300 | – | (1,873,000) | 8,146,405 |

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

| | Unaudited pro forma adjustments | | | | Enlarged |
|--|---------------------------------|------------------|----------------------|--------------------|--------------------|
| | CMD Group | CSM Group | | | Group as at |
| | as at | as at 30 June | | | 30 June |
| | 30 June | 2025 | Other unaudited | | 2025 |
| | 2025 | 2025 | pro forma adjustment | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Note 1 | Note 2 | Note 3 | | |
| Current liabilities | | | | | |
| Trade and other payables | 3,479,082 | 1,587,662 | – | – | 5,066,744 |
| Tax payable | 2,148 | – | – | – | 2,148 |
| Bank borrowings | 2,315,418 | 1,451,128 | – | – | 3,766,546 |
| Other borrowings | 1,037,694 | – | – | – | 1,037,694 |
| Lease liabilities | 209,201 | 16,783 | – | – | 225,984 |
| Long term bonds | 32,728 | – | – | – | 32,728 |
| Short term debenture | 202,007 | – | – | – | 202,007 |
| Other liabilities | 12,872 | – | – | – | 12,872 |
| Contract liabilities | 14,235 | – | – | – | 14,235 |
| Deferred income | 27,584 | – | – | – | 27,584 |
| | <u>7,332,969</u> | <u>3,055,573</u> | <u>–</u> | <u>–</u> | <u>10,388,542</u> |
| Net current assets/(liabilities) | <u>471,136</u> | <u>(840,273)</u> | <u>–</u> | <u>(1,873,000)</u> | <u>(2,242,137)</u> |
| Total assets less current liabilities | 26,053,031 | 4,971,821 | – | (2,226,097) | 28,798,755 |
| Non-current liabilities | | | | | |
| Bank borrowings | 8,396,648 | 805,904 | – | – | 9,202,552 |
| Other borrowings | 1,520,253 | – | – | – | 1,520,253 |
| Other payables | 3,259 | – | – | – | 3,259 |
| Long term bonds | 3,466,968 | – | – | – | 3,466,968 |
| Lease liabilities | 2,103,231 | 27,862 | – | – | 2,131,093 |
| Derivative financial instruments | 607 | – | – | – | 607 |
| Other liabilities | 238,863 | – | – | – | 238,863 |
| Deferred tax liabilities | 9,687 | – | – | – | 9,687 |
| Deferred income | 257,934 | 6,326 | – | – | 264,260 |
| | <u>15,997,450</u> | <u>840,092</u> | <u>–</u> | <u>–</u> | <u>16,837,542</u> |
| Net assets | <u>10,055,581</u> | <u>4,131,729</u> | <u>–</u> | <u>(2,226,097)</u> | <u>11,961,213</u> |

Notes to unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2025 – Scenario II

1. The unadjusted financial information of CMD Group as at 30 June 2025 is extracted from the published 2025 interim report of CMD Group for the six months ended 30 June 2025 dated 25 September 2025.
2. The amounts are extracted from the published 2025 interim report of CSM Group for the six months ended 30 June 2025 dated 25 September 2025.
3. CMD would hold 70.01% equity interest in CSM upon the completion of the Acquisition and the Offer. The identifiable assets and liabilities of the CSM Group acquired would be accounted for in the Enlarged Group's consolidated financial statements at fair value under the acquisition method of accounting in accordance with IFRS Accounting Standards 3 (Revised) Business Combinations ("**IFRS 3**").

The pro forma adjustment made represents:

| | <i>Notes</i> | <i>RMB'000</i> |
|--|--------------|----------------|
| Total cash consideration | <i>i</i> | 1,873,000 |
| | | ----- |
| Less: net assets acquired: | | |
| Net assets of CSM Group as at 30 June 2025 | <i>2</i> | 4,131,729 |
| Fair value adjustments | | |
| – Property, plant and equipment | <i>ii</i> | (13,790) |
| – Right-of-use assets | <i>ii</i> | (339,307) |
| Less: Non-controlling interests (" NCI ") of CSM Group as at 30 June 2025 | <i>iii</i> | (216,375) |
| | | ----- |
| | | 3,562,257 |
| The percentage held by CMD | <i>i</i> | 70.01% |
| Total amount of identifiable net assets acquired | | 2,493,936 |
| | | ----- |
| Provisional gain from a bargain purchase arising from the Acquisition and the Offer | <i>iv</i> | 620,936 |
| | | ===== |

- i. The total cash consideration is estimated based on 107,200,000 CSM shares acquired through the Acquisition and 5,760,916,674 CSM shares acquired through the Offer with HK\$0.35 per share. (translated based on an exchange rate of RMB/HKD of 0.91195 at 30 June 2025), which is expected to be settled by CMD's own bank balances and cash.

The total cash consideration at the date of completion will be determined based on the number of shares accepted under the Offer, which may be substantially different from the estimated results used in the Unaudited Pro Forma Financial Information.

- ii. Recognition of fair value adjustments of the identifiable assets and liabilities of CSM Group.

Solely for the purpose of the Unaudited Pro Forma Financial Information, CMD Group Directors, for the purpose of purchase price allocation of the Acquisition and the Offer, have determined the fair values of the identifiable assets and liabilities of CSM Group as at 30 June 2025 mainly with reference to a preliminary valuation report issued by Jones Lang LaSalle Limited on 16 December 2025. The fair value adjustments on identifiable assets and liabilities are calculated by deducting carrying amounts of identifiable assets and liabilities from their respective fair value as at 30 June 2025. Such preliminary valuation report and adjustments have been made solely based on accounting standards and practices adopted by CMD for the information of the shareholders or potential investors of CMD only for the sole purpose of their voting decision at the EGM, which may not necessarily be agreed or adopted by CSM, and may or may not be eventually made.

According to the prevailing tax rules and regulation of the Enterprise Income Tax Law, CMD Group and CSM Group is exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC. The deferred tax arising therefrom the fair value adjustments of the identifiable assets and liabilities will not be recognised.

Since the carrying amounts and the fair values of the identifiable assets and liabilities of CSM Group on the date of completion may be substantially different from those used in the preparation of the Unaudited Pro Forma Financial Information, the fair value adjustments could be different from the estimated amounts stated herein.

- iii. NCI is measured based on the carrying amount of NCI of CSM Group extracted from the published 2025 interim report of CSM Group for the six months ended 30 June 2025 dated 25 September 2025 and adjusted for the portion of the above fair value adjustments to NCI.

- iv. Recognition of gain on bargain purchase

Gain on bargain purchase represents the excess of the amount of the identifiable net assets of CSM Group over the consideration for the Acquisition and the Offer, details of which are set out above.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors of CMD have, with reference to IFRS 3, reassessed whether they have correctly identified all of the assets acquired and all of the liabilities assumed, and reviewed whether the measurements reflect consideration of all available information regarding the identifiable assets acquired and liabilities assumed and the consideration transferred. Based on the Directors of CMD's assessment, a gain from a bargain purchase would be recognised in profit or loss.

Since the fair value of the identifiable assets and liabilities of CSM Group at the date of completion may be substantially different from their respective values used in the Unaudited Pro Forma Financial Information, the actual amount of gain on bargain purchase may be different from the amount presented herein. Accordingly, the Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the assets and liabilities of the Enlarged Group following the completion of the Acquisition and the Offer.

4. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the Directors of CMD determined that such costs are insignificant.
5. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of CMD Group or CSM Group entered into subsequent to 30 June 2025.

D. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma information received from KPMG, for the purpose of incorporation in this circular.

Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma Financial Information**To the Directors of China Modern Dairy Holdings Ltd.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Modern Dairy Holdings Ltd. (“**CMD**”) and its subsidiaries (collectively the “**CMD Group**”) by the directors of CMD (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2025 and related notes as set out in Part A to Part C of Appendix II to the circular dated 24 December 2025 (the “**Circular**”) issued by CMD. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A to Part C of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed purchase of 107,200,000 shares of China Shengmu Organic Milk Limited under the share purchase agreements and the possible mandatory conditional cash offer as detailed in section headed “Letter from the Board” contained in the Circular (the “**Acquisition and the Offer**”) on the CMD Group’s financial position as at 30 June 2025 as if the Acquisition and the Offer had taken place at 30 June 2025. As part of this process, information about the CMD Group’s financial position as at 30 June 2025 has been extracted by the Directors from the interim report of the CMD Group for the six months ended 30 June 2025, on which a review report has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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 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.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the CMD Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2025 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the CMD Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the CMD Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

24 December 2025

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to CMD. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The information relating to the CSM Group and the CSM Shareholders in this circular has been extracted from or based on the published information of CSM. The only responsibility accepted by the Directors in respect of such information is for the correctness and fairness of its reproduction or presentation.

2. INTERESTS OF DIRECTORS

(A) Interests in CMD Shares, underlying shares and debentures of CMD and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the CMD Shares or underlying shares or debentures of CMD or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to CMD and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register kept by CMD under Section 352 of the SFO; or (c) to be notified to CMD and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) of the Listing Rules were as follows:

(a) *Directors’ and Chief Executives’ Interest and Short Position in Shares, Underlying Shares and Debentures*

| Name of Director | Nature of interest | Number of CMD Shares and underlying CMD Shares | Approximate percentage of shareholding interest in CMD ⁽¹⁾ |
|------------------|--------------------|---|---|
| Mr. Sun Yugang | Beneficial owner | 19,872,000 | 0.25% |
| Mr. Zhu Xiaohui | Beneficial owner | 12,486,593 | 0.16% |

Note:

(1) Based on 7,915,662,048 Shares in issue as at Latest Practicable Date.

(b) Interests in Associated Corporation

| Name of Director | Name of associated corporation | Number of Shares and underlying shares in associated corporation | Approximate percentage of shareholding interest ⁽²⁾ |
|------------------|-------------------------------------|--|--|
| Mr. Zhang Ping | China Mengniu Dairy Company Limited | 1,238,636 | 0.03% |
| Mr. Wen Yongping | China Mengniu Dairy Company Limited | 667,915 | 0.02% |
| Mr. Chen Yiyi | China Mengniu Dairy Company Limited | 1,360,604 | 0.03% |

Note:

- (1) Mr. Chen Yiyi, Mr. Zhang Ping and Mr. Wen Yongping are non-executive Directors of CMD. Mr. Wen Yongping is a vice president and the head of research and development and innovation worldwide of Mengniu Group. Mr. Chen Yiyi, is a vice president and head of strategy management of Mengniu Group, and is responsible for the strategic and investment management of Mengniu Group. As at the Latest Practicable Date, Mengniu holds 56.36% of the issued share capital of CMD.
- (2) Based on 3,893,202,513 shares of Mengniu in issue as at the Latest Practicable Date.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of CMD had or deemed to have any interest or short positions in the shares, underlying shares and debentures of CMD or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to CMD and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by CMD referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to CMD and the Stock Exchange.

(B) Interests in assets of the CMD Group

As at the Latest Practicable Date, save for Mr. Chen Yiyi and Mr. Zhang Ping, who were considered to have material interest in the Acquisition and the Offer by virtue of being overlapping directors of CMD and CSM, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the CMD Group since 31 December 2024, being the date to which the latest published audited accounts of the CMD Group were made up.

(C) Competing interests

As at the Latest Practicable Date, the following Directors had interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the CMD Group other than those businesses where the Directors were appointed as directors to represent the interests of CMD and/or the CMD Group.

Each of Mr. Chen Yiyi and Mr. Zhang Ping is an overlapping director of CMD and CSM. In addition, each of Mr. Chen Yiyi, Mr. Zhang Ping and Mr. Wen Yongping, held certain positions and/or interests (within the meaning of Part XV of the SFO) in Mengniu as of the Latest Practicable Date as set out in the paragraph headed “Interests in the associated corporations” above. Mengniu is a substantial shareholder of CMD and is engaged in the dairy industry. 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.

The above-mentioned competing business is managed by separate entities with independent management and administration. The Directors are of the view that the CMD Group is capable of carrying on its businesses independently of, and at arm’s length from, the businesses of these entities. When making decisions, the relevant Director, in performance of his duty as Director, have acted and will continue to act in the best interests of the CMD Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had interest in any business apart from the business of the CMD Group, which is considered to compete or is likely to compete, either directly or indirectly, with that of the CMD Group.

(D) Interests in contracts or arrangements

Save for contracts amongst members of the CMD Group and save for the Acquisition and the Offer (in which Mr. Chen Yiyi and Mr. Zhang Ping were considered to have material interests in by virtue of being overlapping directors of CMD and CSM), as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the CMD Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the CMD Group.

3. DIRECTORS’ SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the CMD Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the CMD Group) have been entered into by members of the CMD Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material:

- (a) a subscription agreement dated 2 July 2025 entered into between CMD and certain managers in connection with the issue of the sustainability bonds due 2030;
- (b) an option agreement dated 1 February 2024 entered into between CMD and China Agricultural Reclamation Industry Development Fund (Limited Partnership) (“**China Agricultural**”), pursuant to which CMD agreed to grant an option to China Agricultural to subscribe for CMD Shares, the exercise of which is subject to the following thresholds, whichever is lower: (i) the total subscription amount of the option shares by China Agricultural shall not exceed RMB600 million (or the equivalent amount in HK\$); or (ii) the total number of option shares subscribed by China Agricultural shall not exceed 6% of the total number of CMD Shares in issue at the time of the exercise of option;
- (c) a capital injection agreement dated 1 February 2024 entered into, amongst others, between Modern Farming (Wuhe) Co., Ltd. (“**Modern Farming Wuhe**”), an indirect non-wholly owned subsidiary of CMD, China Agricultural, Anhui Suida Rongyao Equity Investment Fund Partnership (Limited Partnership) and Modern Farming, pursuant to which, China Agricultural subscribed for approximately 25.4% of the enlarged registered capital of Modern Farming Wuhe by way of capital injection in cash for the sum of RMB600 million into Modern Farming Wuhe on 8 February 2024; and
- (d) the Share Purchase Agreements.

Save as disclosed above, as at the Latest Practicable Date, no contracts (not being contracts entered into in the ordinary course of business) had been entered into by CMD or its subsidiaries within the two years immediately preceding the issue of this circular which are, or may be, material to the CMD Group.

5. LITIGATION

As at the Latest Practicable Date, neither CMD nor any of its subsidiaries was engaged in any litigation or arbitration of material importance, and so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against CMD or any of its subsidiaries.

6. EXPERT'S CONSENT AND QUALIFICATIONS

The following are the names and qualification of the experts who have given an opinion or advice which is contained in this circular:

| Name | Qualifications |
|--------------------------|--|
| KPMG | Certified Public Accountants |
| Somerley Capital Limited | A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, neither KPMG nor Somerley Capital Limited was interested in any securities of any member of the CMD Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the CMD Group, and neither KPMG nor Somerley Capital Limited had any direct or indirect interest in any assets which had been, since 31 December 2024 (being the date to which the latest published audited accounts of the CMD Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the CMD Group.

Each of KPMG and Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or letter of advice and references to its name in the form and context in which they respectively appear.

7. GENERAL

- (a) The registered office of CMD is situated at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The share registrar and transfer office in the Cayman Islands of CMD is Maples Finance Limited, PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
- (c) CMD's share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of CMD is Mr. Li Kwok Fat, who is an associate member of The Hong Kong Chartered Governance Institute and The Hong Kong Institute of Certified Public Accountants.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the HKExnews website (www.hkexnews.hk) and CMD's website (<http://www.moderndairyir.com>) for 14 days from the date of this circular:

- (a) the Share Purchase Agreements;
- (b) the letter from Somerley Capital Limited, the text of which is set out in “Letter from Somerley Capital Limited” of this circular;
- (c) the report on the unaudited pro forma financial information of the Enlarged Group from KPMG, the text of which is set out in “Appendix II – Unaudited Pro Forma Financial Information of the Enlarged Group” to this circular; and
- (d) the consent letters of each of KPMG and Somerley Capital Limited referred to in the paragraph headed “6. Expert’s Consent and Qualifications” in this Appendix III.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of China Modern Dairy Holdings Ltd. (“CMD”) will be held electronically through an online platform accessible at https://meetings.computershare.com/CMD_EGM2025 on Friday, 16 January 2026 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of CMD. Unless otherwise defined herein, terms used in this notice shall have the same meanings as those defined in the circular of CMD dated 24 December 2025 (the “**Circular**”).

ORDINARY RESOLUTION

“THAT:

- (A) the Share Purchase Agreements and the transactions contemplated thereunder (including but not limited to the Acquisition) be and are hereby approved, confirmed and ratified;
- (B) subject to the SPA Completion under any Share Purchase Agreements taking place, the making of the mandatory conditional cash offer by CLSA Limited on behalf of CMD to acquire all of the CSM Shares, other than those already owned or agreed to be acquired by CMD and Start Great Holdings Limited, at the Offer Price, subject to and conditional upon the conditions set out, and as described, in the Circular, be and is hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) the Directors, acting collectively and individually, be and are hereby authorised, for and on behalf of CMD, (i) to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to, to implement or otherwise in connection with or incidental to the Acquisition and the Offer and any and all of the transactions contemplated thereunder, and (ii) to agree to such variation and amendment of the terms of the Acquisition and the Offer as are, in the opinion of the Directors, in the interest of CMD and its shareholders as a whole.”

By order of the board of
China Modern Dairy Holdings Ltd.
Sun Yugang
Chief executive officer and executive director

Hong Kong, 24 December 2025

Notes:

1. The meeting will be held in the form of an electronic meeting only. CMD Shareholders may attend, participate and vote at the meeting through online access by visiting the website at https://meetings.computershare.com/CMD_EGM2025 (the “Online Platform”). Questions relevant to the proposed resolution may be submitted through the Online Platform in written form.
2. Any CMD Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who must be individuals) to attend, speak and vote instead of him/her at the meeting, and separate proxies may be appointed by a CMD Shareholder to represent the respective number of shares held by him/her as specified in the relevant proxy form. A proxy need not be a member of CMD.
3. For the purpose of determining the entitlement of the CMD Shareholders to attend and to vote at the EGM (or any adjournment or postponement thereof), the register of members of CMD will be closed from Tuesday, 13 January 2026 to Friday, 16 January 2026 (both days inclusive), during which no transfer of CMD Shares will be effected. In order to be entitled to attend and to vote at the EGM (or any adjournment or postponement thereof), all transfers accompanied by the relevant share certificates must be lodged with CMD’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 January 2026. The record date for ascertaining CMD Shareholders’ entitlement to attend and vote at the EGM is Friday, 16 January 2026.
4. In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at CMD’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment or postponement thereof (as the case may be). If the proxy appointed is not the Chairman of the meeting, CMD Shareholders are requested to provide a valid email address of their proxy for him or her to receive the login details to access the Online Platform. If no email address is provided, their proxy cannot attend the meeting and participate in the voting through the Online Platform.
5. Delivery of an instrument appointing a proxy will not preclude such CMD Shareholders from attending and voting at the above meeting through the Online Platform or any adjournment or postponement thereof and, in such event, the instrument appointing a proxy will be revoked by operation of law.
6. In the case of joint holders of a share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, whether in person or by proxy, that one of such joint holders so present whose name stands first on the register of members of CMD in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. CMD Shareholders attending the meeting using the Online Platform are expected to have a reliable and stable internet connection that can support live webcast and be able to follow the meeting proceedings in order to cast the votes and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the CMD Shareholders to follow the meeting proceedings. Any missed content as a result of connection issues arise from the CMD Shareholders will not be repeated. Each set of the CMD Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at any one time only. If any CMD Shareholder experiences any technical difficulties or require assistance while using the Online Platform, please contact Computershare at (852) 2862 8555 from 9:00 a.m. until the end of the meeting (Hong Kong time) on the date of the meeting. Please note that CMD Shareholders' votes on the proposed resolution cannot be recorded at, or taken by, Computershare's service hotline. If any CMD Shareholder has any concerns or issues attending the Online Platform, they are encouraged to appoint the chairman of the meeting as their proxy to exercise their voting rights.
8. The Online Platform will be open to log in (see below for login details and arrangements) approximately 30 minutes prior to the commencement of the meeting and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Login details for CMD Shareholders

Details regarding the arrangements of the meeting, including login details to access the Online Platform and online voting, are included in the CMD's invitation letter to CMD Shareholders despatched on the date of the Circular of which this notice forms part.

Login details for Non-Registered CMD Shareholders

Only CMD Shareholders are entitled to attend and vote at the meeting. If you are a beneficial owner of CMD Shares ("**Non-Registered CMD Shareholders**") who wish to attend and participate in the meeting using the Online Platform, you should liaise with your bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which your CMD Shares are held (collectively, the "**Intermediaries**") as soon as possible and make appropriate arrangements with the relevant Intermediary to enable you to attend and vote at the EGM (and, for such purpose, HKSCC Nominees Limited and/or the other Intermediary may appoint you as its proxy) and provide your email address to your Intermediary. Details regarding the arrangements of the EGM, including login details to access the Online Platform and online voting, will be sent by Computershare to the email addresses provided by the Non-Registered Shareholders.

9. For questions relating to the arrangements of the electronically held meeting, please contact Computershare in person, by phone or online form:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

10. Voting on the above resolution will be taken by poll.
11. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
12. As at the date of this notice (a) the executive Directors of CMD are Mr. Sun Yugang and Mr. Zhu Xiaohui; (b) the non-executive Directors of CMD are Mr. Chen Yiyi (Chairman), Mr. Zhang Ping, Mr. Wen Yongping and Ms. Gan Lu; and (c) the independent non-executive Directors of CMD are Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang.