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

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

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CHINA SHENGMU ORGANIC MILK LIMITED

中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

**CONTINUING CONNECTED TRANSACTION
2023 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT
REVISION OF ANNUAL CAPS**

AND

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**Independent Financial Advisor to
the Independent Board Committee and the Independent Shareholders**

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Advisor, Altus Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 26 of this circular.

A notice convening the EGM to be held at Conference Room, 2/F, Shengmu Building, Shaerqin Industrial Park, Southern District of Ruyi Development New Zone, Tumotezuqi, Hohhot, Inner Mongolia Autonomous Region, PRC on 29 September 2023 at 10:00 a.m. is set out on pages 33 to 34 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://www.youjimilk.com>).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish, in which event your proxy shall be deemed to be revoked.

14 September 2023

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DEFINITIONS

In this circular, the following expressions have the meanings as set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Zhi Nong”	Beijing Zhi Nong Investment Co., Ltd.* (北京智農投資有限公司), a company established in the PRC
“Board”	the board of Directors
“China 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 shares of which are listed on the Stock Exchange (stock code: 2319)
“China Modern Dairy”	China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1117)
“Company”	China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1432)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dabeinong Group”	Beijing Dabeinong Technology Group Co., Ltd.* (北京大北農科技集團股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002385)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Conference Room, 2/F, Shengmu Building, Shaerqin Industrial Park, Southern District of Ruyi Development New Zone, Tumotezuoqi, Hohhot, Inner Mongolia Autonomous Region, PRC on 29 September 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, approving, among others, the 2023 Dabeinong Group Materials Supply Framework Agreement (including the revised/proposed annual caps) and the transactions contemplated under such agreement

DEFINITIONS

“Fuyuan International”	Inner Mongolia Fuyuan International Industrial (Group) Co., Limited* (內蒙古富源國際實業(集團)有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary (as to 99.07%) of China Modern Dairy as at the Latest Practicable Date
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng
“Independent Financial Advisor” or “Altus Capital”	Altus Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, who is appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement
“Independent Shareholder(s)”	Shareholders other than Nong You and its associates
“Latest Practicable Date”	12 September 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nong You”	Nong You Co., Ltd., a company incorporated in the British Virgin Islands which holds 1,301,651,000 Shares, representing approximately 15.53% of the total number of issued Shares as at the Latest Practicable Date
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) of par value HK\$0.00001 each in the issued share capital of the Company

DEFINITIONS

“Shengmu High-tech”	Inner Mongolia Shengmu High-tech Farming Co., Ltd.* (內蒙古聖牧高科牧業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Yiyongmei Dairy”	Inner Mongolia Yiyongmei Dairy Co., Ltd.* (內蒙古益嬰美乳業有限公司), a company established in the PRC with limited liability and a subsidiary of Dabeinong Group as at the Latest Practicable Date
“2021 Dabeinong Group Materials Supply Framework Agreement”	the materials supply framework agreement dated 30 December 2020, entered into between Shengmu High-tech and Dabeinong Group, details of which are set out in the announcement of the Company of the same date
“2022 Dabeinong Group Materials Supply Framework Agreement”	the materials supply framework agreement dated 28 March 2022, entered into between Shengmu High-tech and Dabeinong Group, details of which are set out in the announcement of the Company of the same date
“2023 Dabeinong Group Materials Supply Framework Agreement”	the materials supply framework agreement dated 15 August 2023, entered into between Shengmu High-tech and Dabeinong Group, in relation to the supply of materials (including but not limited to feed, additives and medicines) by Dabeinong Group to Shengmu High-tech for a term ending 31 December 2025

* For identification purpose only



CHINA SHENGMU ORGANIC MILK LIMITED

中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

Executive Director:

Mr. ZHANG Jiawang

Non-executive Directors:

Mr. LU Minfang (*Chairman*)

Mr. ZHANG Ping

Mr. ZHAO Jiejun

Mr. SUN Qian

Ms. SHAO Lijun

Independent non-executive Directors:

Mr. WANG Liyan

Mr. WU Liang

Mr. SUN Yansheng

Registered address:

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

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

Food Industry Park

Deng Kou County

Bayannur City

Inner Mongolia Autonomous Region

PRC

Principal place of business in Hong Kong:

Room A, 32nd Floor

COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

14 September 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
2023 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT
REVISION OF ANNUAL CAPS**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 August 2023 in relation to, among other things, the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 28 March 2022 in relation to, among other things, the 2022 Dabeinong Group Materials Supply Framework Agreement for a term from 28 March 2022 to 31 December 2024.

The purpose of this circular is to provide you with, among other things:

- (i) information as is necessary to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM relating to the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025;
- (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders relating to the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025;
- (iii) the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders relating to the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025;
- (iv) the notice of the EGM; and
- (v) other information as required to be disclosed under the Listing Rules.

The Company announces that on 15 August 2023 (after trading hours), Shengmu High-tech (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, entered into the 2023 Dabeinong Group Materials Supply Framework Agreement with Dabeinong Group (for itself and on behalf of its subsidiaries) in relation to the purchase of materials (including but not limited to feed, additives and medicines) by the Group from Dabeinong Group for a term ending 31 December 2025.

2023 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT

Principal Terms

The principal terms of the 2023 Dabeinong Group Materials Supply Framework Agreement are summarised as follows:

Date: 15 August 2023 (after trading hours)

Parties: (1) Shengmu High-tech (for itself and on behalf of its subsidiaries); and

LETTER FROM THE BOARD

(2) Dabeinong Group (for itself and on behalf of its subsidiaries)

Term: From the date of approval at the EGM to 31 December 2025

Subject matter: Dabeinong Group shall sell to Shengmu High-tech materials (including but not limited to feed, additives and medicines) which meet the purchasing standards of Shengmu High-tech. Shengmu High-tech will purchase by placing written orders based on the Group's actual demand and Shengmu High-tech will determine the final purchase of goods, specifications, quantity and related quality, delivery and other services. The materials will be supplied to Shengmu High-tech from Dabeinong Group in accordance with the 2023 Dabeinong Group Materials Supply Framework Agreement and the orders confirmed between Shengmu High-tech and Dabeinong Group.

Purchase price and other terms: The price of materials purchased by Shengmu High-tech from Dabeinong Group shall be based on the prevailing market price at the time of submission of the relevant purchase order by Shengmu High-tech to Dabeinong Group. Dabeinong Group undertakes to sell at a price which is no higher than the market price of similar materials. For the purpose of determining the prevailing market price, Shengmu High-tech shall request quotations from at least two independent suppliers (excluding Dabeinong Group). The Company will compare the price of products supplied by Dabeinong Group during the same period as well as compare, prior to placing a purchase order, quotations obtained from the independent suppliers through the Company's quotation system. If the price of the product supplied by Dabeinong Group in the same period is higher than the market price of the product or the price supplied by Dabeinong Group to a third party (which can be retrieved from the communication network where procurement related information is exchanged from time to time), Shengmu High-tech shall have the right to adjust the price of an executed purchase order during the validity period (generally around three months) of or, as the parties may agree, after the expiry of the relevant purchase order, and Dabeinong Group agrees that Shengmu High-tech may deduct the difference from the payment due to Dabeinong Group. For the avoidance of doubt, the framework agreement is on a non-exclusive basis and the Company may purchase products from independent suppliers as it sees fits.

LETTER FROM THE BOARD

Shengmu High-tech will review the product price on a quarterly basis and quality and safety of each batch of products delivered to ensure that the products are in line with the Group's standards and beneficial to the wellbeing of the Group's dairy cows, as well as to ensure that the transaction terms are fair and reasonable.

Subject to the 2023 Dabeinong Group Materials Supply Framework Agreement being approved at the EGM, the 2022 Dabeinong Group Materials Supply Framework Agreement will be terminated on the date of the EGM.

Delivery: Dabeinong Group guarantees the delivery of purchased materials to Shengmu High-tech in accordance with the requirements of the 2023 Dabeinong Group Materials Supply Framework Agreement and purchase orders.

Payment terms: Shengmu High-tech shall make payment according to the settlement plan agreed under the purchase order between Shengmu High-tech and Dabeinong Group. For the avoidance of doubt, the settlement plan will reflect any price adjustment as set out above.

Reasons for and Benefits of the 2023 Dabeinong Group Materials Supply Framework Agreement

As a leading dairy farming materials provider in the PRC, Dabeinong Group is one of the largest feed premix enterprises in the PRC which also provides services and solutions in the areas of animal husbandry, plantation and agricultural Internet of Things (IoT). The products of Dabeinong Group observe high standards in respect of technology, quality and safety. The manufacturing and sales systems of the dairy farming materials of Dabeinong Group across the country also guarantee the provision of products and after-sales technical service support to our farms from a close distance. The Group believes that the cooperation with Dabeinong Group can ensure the quality and safety of materials supplied to the Group and the provision of after-sales technical support service, which are essential to the production of high quality raw milk by the Group.

In addition, the cooperation with Dabeinong Group allows the Group to take advantage of cost advantages and procurement efficiencies generated under Dabeinong Group's centralized procurement platform. Leveraging on Dabeinong Group's bulk procurement of materials, which are in turn supplied to the Group with or without further processing, the Group is well positioned to efficiently source (through Dabeinong Group) materials from a network of suppliers around the world and collect market information on raw material demand and supply in a timely fashion. As Dabeinong Group has 30 years of experience in the feed industry and an annual feed purchase amount of over RMB26 billion, coupled with their big data analysis and input from their doctoral team as well as overseas procurement team, Dabeinong is better positioned to project price changes with accuracy and such forecasts can be shared with the Group at anytime. This would help reduce the Group's administrative costs associated with procurement of materials and allow the Group to benefit from any bulk purchase discounts available to Dabeinong Group and, if necessary, make arrangements to hedge material costs, which would in turn enhance the Group's ability to control the operational cost level.

LETTER FROM THE BOARD

In light of the factors mentioned above, the Directors (including the independent non-executive Directors and Ms. Shao Lijun who has abstained from voting at the relevant Board meeting after taking into account the advice of the Independent Financial Advisor) are of the view that the 2023 Dabeinong Group Materials Supply Framework Agreement is entered into on normal commercial terms and in the ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement (including the revised/proposed annual caps) are fair and reasonable.

Historical Transaction Amounts

For the year ended 31 December 2021, the total purchase amount under the 2021 Dabeinong Group Materials Supply Framework Agreement amounted to approximately RMB49.4 million. For the year ended 31 December 2022 and the six months ended 30 June 2023, the total purchase amount under the 2022 Dabeinong Group Materials Supply Framework Agreement amounted to approximately RMB115.3 million and RMB106.5 million, respectively. Based on information available to the Company as at the Latest Practicable Date, for the period commencing from 1 January 2023 to the date of the EGM, the total purchase amount under the 2022 Dabeinong Group Materials Supply Framework Agreement will not exceed the original annual cap of RMB146 million.

Revised/Proposed Annual Caps

The Directors propose to revise or set (as the case may be) annual caps for the purchase amount by the Group from Dabeinong Group under the 2023 Dabeinong Group Materials Supply Framework Agreement as follows:

	For each of the two years ending 31 December 2023 and 2024 <i>RMB million</i>
Original annual caps	146
Proposed revised annual caps	300

	For the year ending 31 December 2025 <i>RMB million</i>
Proposed annual cap	300

LETTER FROM THE BOARD

In determining the proposed revised annual caps for the two years ending 31 December 2023 and 2024 and the proposed annual cap for the year ending 31 December 2025, the Directors have considered the following factors:

- (a) the Group's expected number of dairy cows for each of the three years ending 31 December 2023, 2024 and 2025. As at 30 June 2023, the Group had 139,897 milkable cows and fattening cows in stock, representing a year-on-year increase of 9,095 cows. As the Group has actively strengthened its dairy cow breeding capacity in the past few years, core indicators such as the pregnancy rate of milkable cows, conception rate and cow retention rate were significantly improved, which lay the groundwork for high natural growth in number of milkable cows in the next few years. Taking into account the improvement of various breeding indices, as well as potential acquisitions from third parties and completion of the dairy cow demonstration zone, it is expected the Group will achieve a herd expansion rate of approximately 8% in the next two to three years;
- (b) as the demand for materials in the coming years is expected to exceed the maximum design capacity of the Group's existing feed processing workshops, which is approximately 204,000 tonnes per year, the Group intends to increase the procurement of feed which does not require further processing to meet the shortfall. The Group expects that the shortfall between the design capacity of the processing workshop and the Group's demand for materials will increase to approximately 90,000 tonnes in 2023, and the gap between capacity and materials demand will continue to rise as herd size grows and materials demand increases. As a result of both the processing capacity shortfall and expected herd expansion rate of 8%, it is anticipated the Group will increase its feed purchase by approximately RMB118 million, RMB128 million and RMB138 million for the three years ending 31 December 2025, as compared with the year ended 31 December 2022;
- (c) the Group plans to adjust its feeding strategy and increase the procurement of feed premix (such as concentrated feed and refined feed) in the coming years, leveraging on Dabeinong Group's expertise and pricing advantage as a large global feed premix enterprise, in order to further control feed costs;
- (d) the historical and current market prices of similar materials supplied by Dabeinong Group and its subsidiaries; and
- (e) the historical transaction amounts in respect of similar materials purchased by the Group from Dabeinong Group and its subsidiaries as well as other suppliers.

Internal Control Mechanism

The Company has implemented internal control procedures and policies led by the Group's compliance team to monitor connected transactions with an emphasis on, among others, (1) maintenance of a list of connected persons and connected transactions; (2) identifying connected transactions with the assistance of various departments and external legal advisors; (3) analysis on aggregating connected transactions and managing any aggregated transaction amounts; and (4) monitoring utilization of annual caps of continuing connected transactions on a monthly basis.

LETTER FROM THE BOARD

The Group's procurement center will monitor the market price of products procured from Dabeinong Group on a quarterly basis. Prior to placing a purchase order, the Group will use the Company's quotation system to enquire for quotations from Dabeinong Group and other independent suppliers. Where the supplier indicates there is room for negotiation, the Group will request certain suppliers to provide the revised quotations, and thereafter the Group will compare the final quotations obtained from Dabeinong Group and the other independent suppliers. In the event that the price quoted by Dabeinong Group is less favourable than that of other independent suppliers, the independent supplier who has provided the lowest quotation will be selected for the purchase.

The Group's compliance team will conduct an annual review to verify if the continuing connected transactions are conducted in compliance with the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement and Chapter 14A of the Listing Rules. The compliance team will prepare and submit a report of its findings to the management and Audit Committee of the Company.

The Group's external auditors and independent non-executive Directors will conduct an annual review and confirm whether the transactions have been entered into in accordance with the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement in the Company's annual report in accordance with the Listing Rules.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Shao Genhuo holds 24.49% equity interest in, and is the de facto controller of, Dabeinong Group. Accordingly, Dabeinong Group is an associate of Mr. Shao.

Mr. Shao also holds the entire equity interest in Beijing Zhi Nong, which in turn holds the entire equity interest in Nong You, a substantial shareholder of the Company (holding 1,301,651,000 Shares, representing approximately 15.53% of the total number of issued Shares as at the Latest Practicable Date). To the best of the Directors' knowledge, Nong You is entitled to exercise control over the voting rights in respect of its Shares. Accordingly, each of Mr. Shao and Dabeinong Group is a connected person of the Company.

As one or more applicable percentage ratios under the Listing Rules in respect of the highest revised/proposed annual cap under the 2023 Dabeinong Group Materials Supply Framework Agreement exceed 5%, the entering into of the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Nong You and its associates, namely Mr. Shao and Beijing Zhi Nong, will be required to abstain from voting at the EGM in relation to the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM in relation to the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement.

LETTER FROM THE BOARD

Ms. Shao Lijun, a non-executive Director, is also a director of Nong You and general manager of Beijing Zhi Nong. Accordingly, Ms. Shao abstained from voting on the resolution(s) of the Directors approving the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder. Other than Ms. Shao, no Director is materially interested in the transactions contemplated under the 2023 Dabeinong Group Materials Supply Framework Agreement and accordingly no Director is required to abstain from voting on the resolution(s) of the Directors to approve the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is principally engaged in dairy farming and the sale of raw milk.

Dabeinong Group is a company whose shares are listed on the Shenzhen Stock Exchange and is principally engaged in the manufacturing and sale of animal feed products. As at the Latest Practicable Date, Mr. Shao Genhuo holds 24.49% equity interest in, and is the de facto controller of, Dabeinong Group. Based on public information available to the Company as at the Latest Practicable Date, each of the remaining top ten shareholders of Dabeinong Group holds less than 10% equity interest in Dabeinong Group.

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular.

The Board has appointed Altus Capital as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025. A letter from Altus Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 26 of this circular.

EGM

A notice convening the EGM to be held at Conference Room, 2/F, Shengmu Building, Shaerqin Industrial Park, Southern District of Ruyi Development New Zone, Tumotezuqi, Hohhot, Inner Mongolia Autonomous Region, PRC on 29 September 2023 at 10:00 a.m. is set out on pages 33 to 34 of this circular. At the EGM, an ordinary resolution will be proposed to approve the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolution will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

You will find enclosed with this circular a form of proxy for use at the EGM and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youjimilk.com). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish, in which event your proxy form shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlements to attend and vote at the EGM, the register of members of the Company will be closed from 27 September 2023 to 29 September 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 26 September 2023.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 14 to 15 of this circular and (ii) the letter from Altus Capital as set out on pages 16 to 26 of this circular.

Having taken into account the aforementioned reasons and benefits, the Board considers that the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement are entered into on normal commercial terms and in the ordinary course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement and each of its revised/proposed annual caps are fair and reasonable. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025, as detailed in the EGM notice.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
China Shengmu Organic Milk Limited
Lu Minfang
Chairman



CHINA SHENGMU ORGANIC MILK LIMITED

中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

14 September 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
2023 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT
REVISION OF ANNUAL CAPS**

We have been appointed by the Board to advise the Independent Shareholders in connection with the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 14 September 2023 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Altus Capital has been appointed as the Independent Financial Advisor to advise us and the Independent Shareholders on the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025. We wish to draw your attention to the letter from the Board as set out on pages 4 to 13 of the Circular, and the letter from Altus Capital to us and the Independent Shareholders as set out on pages 16 to 26 of the Circular, which contains its advice and recommendation in respect of the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder.

Having considered, inter alia, the factors and reasons considered by, and the opinion of, Altus Capital, as stated in its aforementioned letter, we consider the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement are entered into on normal commercial terms and in the ordinary course of business of the Group, are in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned, and the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement and each of its revised/proposed annual caps are fair and reasonable.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolution to be proposed at the EGM and thereby approve the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Wang Liyan
*Independent non-executive
Director*

Wu Liang
*Independent non-executive
Director*

Sun Yansheng
*Independent non-executive
Director*

LETTER FROM ALTUS CAPITAL

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, which have been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

14 September 2023

To the Independent Board Committee and the Independent Shareholders

China Shengmu Organic Milk Limited

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

Dear Sirs and Madams,

**CONTINUING CONNECTED TRANSACTION
2023 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT
AND
REVISION OF ANNUAL CAPS**

INTRODUCTION

We refer to our appointment as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) (the “**Transaction**”), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 14 September 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM ALTUS CAPITAL

Reference is made to the announcement of the Company dated 15 August 2023, which announced that Shengmu High-tech (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, has entered into the 2023 Dabeinong Group Materials Supply Framework Agreement with Dabeinong Group (for itself and on behalf of its subsidiaries) in relation to the purchase of materials (including but not limited to feed, additives, and medicines) by the Group from Dabeinong Group for a term ending 31 December 2025.

As it is anticipated that the annual transaction amount between the Group and Dabeinong Group for the two years ending 31 December 2023 and 2024 will exceed the annual caps under the 2022 Dabeinong Group Materials Supply Framework Agreement, Shengmu High-tech and Dabeinong Group entered into the 2023 Dabeinong Group Materials Supply Framework Agreement to (i) terminate the 2022 Dabeinong Group Materials Supply Framework Agreement; (ii) renew the 2022 Dabeinong Group Materials Supply Framework Agreement for a term ending 31 December 2025; (iii) revise the annual caps for the two years ending 31 December 2023 and 2024; and (iv) set an annual cap for the year ending 31 December 2025.

As at the Latest Practicable Date, Mr. Shao Genhuo holds 24.49% equity interest in, and is the de facto controller of, Dabeinong Group. Accordingly, Dabeinong Group is an associate of Mr. Shao Genhuo. Mr. Shao also holds the entire equity interest in Beijing Zhi Nong, which in turn holds the entire equity interest in Nong You, a substantial shareholder of the Company. Accordingly, each of Mr. Shao and Dabeinong Group is a connected person of the Company.

As one or more applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap under the 2023 Dabeinong Group Materials Supply Framework Agreement exceed 5%, the entering into of the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Nong You (and its associates who may hold Shares) will be required to abstain from voting at the EGM in relation to the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM in relation to the 2023 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated under such agreement.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng, has been established to advise the Independent Shareholders as to (i) whether the 2023 Dabeinong Group Materials Supply Framework Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the proposed annual caps are fair and reasonable; and (iv) how to vote in respect of the ordinary resolution to be proposed at the EGM approving the 2023 Dabeinong Group Materials Supply Framework Agreement, the Transaction and the proposed annual caps (the "**Resolution**"), taking into account the recommendation of the Independent Financial Advisor.

LETTER FROM ALTUS CAPITAL

THE INDEPENDENT FINANCIAL ADVISOR

As the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the 2023 Dabeinong Group Materials Supply Framework Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the proposed annual caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the Resolution.

We have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the 2023 Dabeinong Group Materials Supply Framework Agreement, the Transaction and the proposed annual caps are at market level and not conditional upon successful passing of the Resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the 2023 Dabeinong Group Materials Supply Framework Agreement; (ii) the 2022 Dabeinong Materials Supply Framework Agreement; (iii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (iv) the announcement of the Company dated 28 March 2022 in relation to the 2022 Dabeinong Materials Supply Framework Agreement; and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM ALTUS CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Principal businesses of the Group and connected persons

The Company is an investment holding company. The Group is principally engaged in dairy farming and the sale of raw milk.

Dabeinong Group is a company whose shares are listed on the Shenzhen Stock Exchange and is principally engaged in the manufacturing and sale of animal feed products (in particular, it is a leading dairy farming materials provider and one of the largest feed pre-mix enterprises in the PRC).

As at the Latest Practicable Date, Mr. Shao Genhuo holds 24.49% equity interest in, and is the de facto controller of, Dabeinong Group. Based on public information available as at the Latest Practicable Date, each of the remaining top ten shareholders of Dabeinong Group holds less than 10% equity interest in Dabeinong Group.

Given that the materials (including, but not limited to feed, additives, and medicines) supplied to the Group are essential to the production of raw milk by the Group, it is within its ordinary and usual course of business to purchase materials from Dabeinong Group.

1.2 Previous Dabeinong Group materials supply framework agreements

To enable the Group to secure stable supply of animal feed products for its normal business operations at a fair, reasonable and competitive price, the Group entered into materials supply framework agreements with Dabeinong Group since 2016 with consecutive renewals.

In anticipation of the annual transaction amount between the Group and Dabeinong Group for the two years ending 31 December 2023 and 2024 will exceed the annual caps under the 2022 Dabeinong Group Materials Supply Framework Agreement, the 2023 Dabeinong Group Materials Supply Framework Agreement represents a continuation of the existing arrangement in respect of the Group's purchase of materials from Dabeinong Group as well as to enable the Group to secure quality and safety of materials supply for its normal business operations at a fair, reasonable and competitive price.

LETTER FROM ALTUS CAPITAL

2. The 2023 Dabeinong Group Materials Supply Framework Agreement

To assess the fairness and reasonableness of the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement, we have considered the followings.

2.1 Key terms of the 2023 Dabeinong Group Materials Supply Framework Agreement

For details of the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement, please refer to the “Letter from the Board” of the Circular.

- (i) The amount of materials purchased shall be the actual demand based on the written orders (with specifications, quantity and related quality, delivery and other services) placed by the Group with Dabeinong Group.

We have performed random sample checks as further elaborated in the paragraph headed “2.2 Internal controls” below and noted that the amount of materials purchased is being charged according to the written orders placed by the Group with Dabeinong Group.

We also noted that there is no minimum order requirement set by Dabeinong Group and there is no obligation for the Group to purchase up to the maximum amount as described in the 2023 Dabeinong Group Materials Supply Framework Agreement.

- (ii) Purchase price of the materials shall be based on the prevailing market price at the time of each purchase order submitted by Shengmu High-tech to Dabeinong Group. Dabeinong Group undertakes to sell at a price which is no higher than the market price of similar materials. For the purpose of determining the prevailing market price, Shengmu High-tech shall request quotations from at least two independent suppliers (excluding Dabeinong Group). The Company will compare the price of products supplied by Dabeinong Group during the same period as well as compare, prior to placing a purchase order, quotations obtained from the independent suppliers through the Company’s quotation system. If the price of the product supplied by Dabeinong Group in the same period is higher than the market price of the product or the price supplied by Dabeinong Group to a third party (which can be retrieved from the communication network where procurement related information is exchanged from time to time), Shengmu High-tech shall have the right to the adjust the price of an executed order during the validity period (generally around three months) of or, as the parties may agree, after the expiry of the relevant purchase order, and Dabeinong Group agrees that Shengmu High-tech may deduct the difference from the payment due to Dabeinong Group. It is also noted that Shengmu High-tech will review the product price on a quarterly basis and quality and safety of each batch of products delivered to ensure that the products are in line with the Group’s stringent standards and beneficial to the well being of the Group’s dairy cows, as well as to ensure that the transaction terms are fair and reasonable.

We noted that the Company had obtained quotations from two independent suppliers. We have reviewed all the quotations and noted that the purchase price offered by Dabeinong Group is no less favourable to the Group than those offered by independent third parties.

LETTER FROM ALTUS CAPITAL

Taking into account the above, in particular, (i) Shengmu High-tech will obtain at least two quotations for its purchases and keep track of the market prices of its required materials from time to time for reference; and (ii) there is a mechanism to adjust the purchase price downward as mentioned above, we are of the view that the basis to determine the purchase price is fair and reasonable.

- (iii) Payment shall be settled in cash in accordance with the terms set out in the individual order contract.

We have performed random sample checks as further elaborated in the paragraph headed “2.2 Internal controls” below and noted that the payment was made according to the written orders placed by Shengmu High-tech with Dabeinong Group and similar to the payment terms made by the Group with independent third party suppliers.

In light of the above, (i) the amount purchased is based on the actual written orders; (ii) the guarantee delivery by Dabeinong Group provides an assurance to Shengmu High-Tech on the continued supply of materials, which is essential for its operation; (iii) there is no obligation for Shengmu High-tech to order the maximum quantity of materials; (iv) the purchase price offered by Dabeinong is no less favourable to the Group than those offered by independent third suppliers; (v) the payments are settled in cash in accordance with the terms set out in the individual order contract and similar to the payment terms made by the Group with independent third party suppliers; and (vi) the framework agreement is on a non-exclusive basis and the Company may purchase products from independent suppliers as it see fits , we consider the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

2.2 Internal controls

We have obtained and reviewed the Group’s internal control procedures and noted that the compliance team of the Group will monitor connected transactions with an emphasis on, among others, (i) maintenance of a list of connected persons and connected transactions; (ii) identifying connected transactions with the assistance of various departments and external legal advisors; (iii) analysis on aggregating connected transactions and managing any aggregated transaction amounts; and (iv) monitoring utilisation of annual caps of continuing connected transactions on a monthly basis. In this regard, as mentioned in the paragraph headed “2.1 Key terms of the 2023 Dabeinong Group Materials Supply Framework Agreement” above, we have checked all 38 purchase orders placed for the six months ended 30 June 2023 and cross-checked the pricing against the same materials from independent third party suppliers. We noted that the pricing mechanism had been adhered to with and the prices of the materials offered by Dabeinong Group were either the same or better than those offered by the independent third party suppliers. As it is anticipated that the annual transaction amount between the Group and Dabeinong Group for the two years ending 31 December 2023 and 2024 will exceed the annual caps under the 2022 Dabeinong Group Materials Supply Framework Agreement, we are of the view that by reviewing the purchase orders for a period of six months ended 30 June 2023 (being the most recent available information) will provide a fair reflection of the demand of the Group from Dabeinong Group for the rest of 2023 and onwards.

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We also noted that the Group has internal control procedures to obtain quotation(s) from independent materials supplier(s) prior to placing purchase orders with Dabeinong Group. In this regard, as discussed in the paragraph headed “2.1 Key terms of the 2023 Dabeinong Group Materials Supply Framework Agreement” above, we understand that the Company has obtained quotations from at least two independent suppliers. We have obtained the quotations on similar products obtained by Shengmu High-tech and noted that the purchase price offered by Dabeinong Group is no less favourable to the Group than those offered by independent third party suppliers. In addition, the audit committee of the Board will conduct review of the Transaction to ensure completeness and effectiveness of the internal control measures relating to the continuing connected transactions of the Group.

In view of the above, we concur with the Management’s view that the Group’s internal control measures in relation to the Transaction and the monitoring of the annual caps is effective and sufficient.

2.3 Reasons for and benefits of the 2023 Dabeinong Group Materials Supply Framework Agreement

As described in the paragraph headed “1.1 Principal businesses of the Group and connected persons” above, Shengmu High-tech is principally engaged in dairy farming and the sale of raw milk and Dabeinong Group is a leading dairy farming materials provider and one of the largest feed pre-mix enterprises in the PRC. The close co-operation between Shengmu High-tech and Dabeinong Group enables the Group to secure stable supply of quality animal feed products and the safety of materials supplied for its normal business operations at a fair, reasonable and competitive price and the provision of after-sales technical support service, which are essential for the Group’s operation (i.e. the production of high quality raw milk).

As Dabeinong Group allows the Group to take advantage of cost advantages and procurement efficiencies generated under Dabeinong Group’s centralized procurement platform, the Group will be able to efficiently source (through Dabeinong Group) materials from a network of suppliers around the world and collect market information on raw material demand and supply in a timely manner, which in turn, reduce the Group’s administrative costs associated with procurement of materials.

Further, by procuring materials via Dabeinong Group’s centralized procurement platform, the Group may be able to enjoy the benefit from any bulk purchase discounts available to Dabeinong Group, which would in turn reduce the Group’s overall operational cost level.

In view of the above, we concur with the Management’s view that the entering into of the 2023 Dabeinong Group Materials Supply Framework Agreement is in the interests of the Company and the Shareholders as a whole.

2.4 The proposed annual caps

In general, the proposed annual caps in relation to the purchase of materials by the Group from Dabeinong Group is determined, principally, with reference to (i) the Group’s expected number of dairy cows for each of the three years ending 31 December 2023, 2024 and 2025 respectively; (ii) it is expected that the demand for materials in the coming years will exceed the maximum production

LETTER FROM ALTUS CAPITAL

capacity of the Group's existing feed processing workshops, the Group intends to increase the procurement of feeds which does not require further processing; (iii) the Group plans to adjust its feeding strategy and increase the procurement of feed premix in the coming years, leveraging on Dabeinong Group's expertise and pricing advantage as a large global feed premix enterprise, in order to further control feed costs; (iv) the historical and current market prices of similar materials supplied by Dabeinong Group and its subsidiaries; and (v) the historical transaction amounts in respect of similar materials purchased by the Group from Dabeinong Group and its subsidiaries as well as other suppliers.

(i) *Historical annual caps*

Below is a table setting out (i) the historical transaction amounts; (ii) the historical annual caps; and (iii) the actual purchased amount for the year ended 31 December 2022 and the six months ended 30 June 2023 respectively.

	For the year ended 31 December 2022	For the year ending 31 December	
	2022	2023	2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Original annual cap	146	146	146
Actual purchased	115.3	106.5 (Note 1)	
Utilisation rate	79.0%	72.9% (Note 2)	
Actual number of dairy cows (head)	136,344 (Note 3)	139,897 (Note 3)	

Notes:

1. The actual purchased amount is for the six months ended 30 June 2023.
2. The utilisation rate for the year ending 31 December 2023 is calculated based on the transaction amount for the six months ended 30 June 2023 and divided by the annual cap for the year ending 31 December 2023.
3. The actual number of dairy cows was recorded as at 31 December 2022 and 30 June 2023 respectively.

As shown in the table above, the utilisation rates of historical annual caps were relatively high at approximately 79.0% and 72.9% for the year ended 31 December 2022 and the six months ended 30 June 2023 respectively. As such, we concur with the Management that the actual amount of purchase for the year ending 31 December 2023¹ and 2024 may exceed the approved historical annual cap of RMB146 million.

¹ Based on information available to the Company as at the Latest Practicable Date, for the period commencing from 1 January 2023 to the date of the EGM, it is expected that the total purchase amount under the 2022 Dabeinong Group Materials Supply Framework Agreement will not exceed the original annual cap of RMB146 million.

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(ii) *Proposed annual caps*

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Proposal annual cap	300	300	300

We understand from the Management that the proposed annual caps of RMB300 million for the three years ending 31 December 2025 is derived based on (i) the Group's expected number of dairy cows for each of the three years ending 31 December 2023, 2024 and 2025. In particular, as at 30 June 2023, the Group had 139,897 milkable cows and fattening cows in stock, representing a year-on-year increase of 9,095 cows. As the Group has actively strengthened its dairy cow breeding capacity in the past few years, core indicators such as the pregnancy rate of milkable cows, conception rate and cow retention rate were significantly improved, which lay the groundwork for high natural growth in number of milkable cows in the next few years. Taking into account the improvement of various breeding indexes, as well as potential acquisitions from third parties and completion of the dairy cow demonstration zone, it is expected the Group will achieve a herd expansion rate of approximately 8% in two to three years; (ii) it is expected that the demand for materials in the coming years will exceed the maximum design capacity of the Group's existing feed processing workshops which is approximately 204,000 tonnes per year, the Group intends to increase the procurement of feed which does not require further processing to meet the shortfall. Taking into account the anticipated growth in herd size, it is expected the shortfall between the design capacity of the processing workshop and the Group's demand for materials will increase to approximately 90,000 tonnes in 2023, and the gap between capacity and materials demand will continue to rise as herd size grows and materials demand increases. As a result of both the processing capacity shortfall and expected herd expansion rate of 8%, it is anticipated the Group will increase its feed purchase by approximately RMB118 million, RMB128 million and RMB138 million for the three years ending 31 December 2025, as compared with the year ended 31 December 2022; (iii) the Group plans to adjust its feed strategy and increase the procurement of feed premix in the coming years, leveraging on Dabeinong Group's expertise and pricing advantage as a large global feed premix (such as concentrated feed and refined feed) enterprise, in order to further control feed costs; (iv) the historical and current market prices of similar materials supplied by Dabeinong Group; and (v) the historical transaction amounts in respect of similar materials purchased by the Group from Dabeinong Group as well as other independent third party suppliers.

For the six months ended 30 June 2023, the Group's total purchases of materials amounted to approximately RMB1,016.0 million, of which approximately RMB106.5 million related to purchase from Dabeinong Group, representing approximately 10.5% of the Group's total purchases of materials. In view of the reasons and benefits of the Group to co-operate with Dabeinong Group as described in the section headed "2.3 Reasons for and benefits of the 2023 Dabeinong Group Materials Supply Framework Agreement" above and the Group's plan to adjust its feed strategy by increasing the procurement of feed premix in the coming years to leverage on Dabeinong Group's expertise and pricing advantage as a large global feed premix enterprise, the Management believes and we concur that should the terms (such as the purchase price, quality and quantity of the materials available, the delivery schedule or payment terms) offered by Dabeinong Group are favourable than the existing

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independent third party suppliers, the Group may select Dabeinong Group as the supplier (as opposed to the existing independent third party suppliers) under its procurement policy, which in turn, may increase the amount of purchases from Dabeinong Group going forward (i.e. there is a possibility to increase the percentage of the purchases from Dabeinong Group among the Group's total purchases of materials from approximately 10.5% to a higher percentage).

Based on the amount of purchase from Dabeinong Group for the year ended 31 December 2022 (i.e. RMB115.3 million), and the information from the Company that as a result of (i) the number of dairy cows increased from 136,344 heads as at 31 December 2022 to 139,897 heads as at 30 June 2023 and expected to continue to grow by the end of the year due to the improved pregnancy rate of milkable cows, conception rate and cow retention rate as mentioned above and (ii) the Group's existing feed processing workshops have reached their maximum design capacity and may not be able to satisfy the additional demand from the Group going forward; Shengmu High-tech may increase the amount of purchase from Dabeinong Group to fill the gap (that is, an expected increase of approximately 90,000 tonnes in 2023 on top of the existing 204,000 tonnes maximum design capacity, the Group may need to increase its feed purchase by approximately RMB118 million, RMB128 million and RMB138 million for the three years ending 31 December 2025, as compared with the year ended 31 December 2022. We have reviewed the workings from the Company and noted the types of feeds required, the amount of purchases from Dabeinong Group (in terms of weight) for the year ending 31 December 2023 and the expected amount of purchases from Dabeinong Group (in monetary terms) for each of the year ending 31 December 2023, 2024 and 2025 (the year-on-year growth is corresponding to the expected growth rate of the herd at around 8% per annum). We have also reviewed information on the types of feeds required, the amount of purchases from Dabeinong Group (in terms of weight) for the six months ended 30 June 2023 and the amount of purchases from Dabeinong Group (in monetary terms) for the six months ended 30 June 2023. Given that (i) the types of feeds expected to be purchased for the three years ending 31 December 2025 are generally the same as those purchased during the six months ended 30 June 2023, (ii) the average prices of such feeds expected to be purchased for the three years ending 31 December 2025 are comparable with those during the six months ended 30 June 2023, and (iii) approximately 45.3% of the expected total feeds purchase (in terms of weight) and approximately 41.4% of the expected total feeds purchase (in monetary terms) for the year ending 31 December 2023 had been achieved during the six months ended 30 June 2023, we are of the view that such information forms a fair and reasonable basis to prepare the abovementioned workings for the year ending 31 December 2023. Then the information for the year ending 31 December 2023 is used as the base case to prepare for the workings for the year ending 31 December 2024 and 2025 (taking into account the expected growth rate of the herd at round 8% per annum), which we consider as reasonable. Accordingly, we are of the view that the basis and assumptions used by the Company to prepare the abovementioned workings for the three years ending 31 December 2025 are fair and reasonable.

Given that the expected amount of purchases from Dabeinong Group has a year-on-year growth corresponds to the expected growth rate of the herd, whilst the proposed annual cap of RMB300 million for each of the three years ending 31 December 2025 is fixed, there is a mathematical difference range from approximately RMB47 million to RMB67 million available during each of the three years ending 31 December 2025 for the Group to purchase from Dabeinong Group. As mentioned above, (i) by procuring materials via Dabeinong Group's centralized procurement platform, the Group may be able to efficiently source materials from a wider network of suppliers as well as to enjoy the benefit from any bulk purchase discounts available to Dabeinong Group; and (ii) the Group's total

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purchases of materials amounted to approximately RMB1,016.0 million for the six months ended 30 June 2023, we are of the view that a room of RMB47 million to RMB67 million, representing approximately 4.6% to 6.6% of Shengmu High-tech's total purchases of materials (which is not a substantial amount as compared to the aforesaid total purchases of materials), but such amount provides flexibility for Shengmu High-tech to purchase from Dabeinong Group (which instead may be purchased from independent third party suppliers) is justifiable, fair and reasonable.

Taking into account of, amongst others, (i) the relatively high utilisation rates of historical annual caps for the year ended 31 December 2022 and the six months ended 30 June 2023; (ii) the expected increase in the number of dairy cows in 2023, 2024 and 2025 respectively, in deriving the proposed feed purchases from Dabeinong Group for the year ending 31 December 2023, 2024 and 2025 respectively; and (iii) the flexibility for Shengmu High-tech to purchase from Dabeinong Group (which instead may be purchased from independent third party suppliers), we are of the view that the proposed annual caps of RMB300 million is fair and reasonable.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the 2023 Dabeinong Group Materials Supply Framework Agreement and the Transaction are conducted in the Group's ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 2023 Dabeinong Group Materials Supply Framework Agreement and the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the proposed annual caps have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the Resolution approving the 2023 Dabeinong Group Materials Supply Framework Agreement, the Transaction and the proposed annual caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Responsible Officer

Ms. Jeanny Leung ("Ms. Leung") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

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 the Company. 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.

2. DISCLOSURE OF INTERESTS

(i) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed 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 referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying Shares

Name	Capacity/Nature of interest	Number of Shares/underlying Shares	Percentage
Zhang Jiawang (張家旺)	Beneficial Owner	164,391,580	1.96%

Mr. Zhang has a beneficial interest in a total of 164,391,580 Shares, comprising 144,977,790 Shares and 19,413,790 Shares underlying share awards which have not yet vested.

Save as disclosed above and so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed 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 referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.

(iii) INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the Shares and underlying Shares

Name	Capacity/Nature of interest	Number of Shares/underlying Shares	Percentage
Start Great Holdings Limited	Beneficial owner	2,513,178,555	29.99%
China Mengniu Dairy Company Limited	Interest of a controlled corporation	2,513,178,555	29.99%
Nong You Co., Ltd.	Beneficial owner	1,301,651,000	15.53%
Beijing Zhi Nong Investment Co., Ltd.	Interest of a controlled corporation	1,301,651,000	15.53%
Greenbelt Global Limited	Beneficial owner	536,097,305	6.40%
BPEA Private Equity Fund V, L.P.	Interest of a controlled corporation	536,097,305	6.40%
BPEA Private Equity GP V, L.P.	Interest of a controlled corporation	536,097,305	6.40%
BPEA Private Equity GP V Limited	Interest of a controlled corporation	536,097,305	6.40%
BPEA EQT Holdings AB	Interest of a controlled corporation	536,097,305	6.40%
EQT AB	Interest of a controlled corporation	536,097,305	6.40%

Save as disclosed above and so far as was known to the Directors, as at the Latest Practicable Date, no person (other than a Director) had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. LU Minfang, a non-executive Director and chairman of the Board, is also an executive director and chief executive officer of China Mengniu. Mr. ZHANG Ping, a non-executive Director, is also an executive director, vice president and chief financial officer of China Mengniu. Mr. ZHAO Jiejun, a non-executive Director, is also the vice president, head of milk sourcing and animal husbandry industry chain business unit of China Mengniu. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN THE COMPANY AND ITS SUBSIDIARIES' ASSETS OR CONTRACT

As at the Latest Practicable Date, save as disclosed in this circular, (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and (b) none of the Directors had any direct or indirect interest in any assets which since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) (i) have been acquired or disposed of by; (ii) have been leased to; (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to, any member of the Group:

- (1) On 28 March 2022, Shengmu High-tech (for itself and on behalf of its subsidiaries) entered into a raw fresh milk supply framework agreement with Yiyongmei Dairy in relation to the sale of raw fresh milk from the Group to Yiyongmei Dairy for a term of period from 28 March 2022 to 31 December 2024, details of which are set out in the announcements of the Company dated 28 March 2022 and 20 April 2022.
- (2) On 28 March 2022, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Aiyangniu Technology (for itself and on behalf of its subsidiaries) entered into the Aiyangniu Technology materials supply framework agreement in relation to the supply of materials (including but not limited to feed, veterinary medicines and dipping liquid for cows) by Aiyangniu Technology to the Group for a term of period from 28 March 2022 to 31 December 2024, details of which are set out in the announcement of the Company dated 28 March 2022.
- (3) On 28 March 2022, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Dabeinong Group (for itself and on behalf of its subsidiaries) entered into the 2022 Dabeinong Group Materials Supply Framework Agreement for a term of period from 28 March 2022 to 31 December 2024, details of which are set out in the announcement of the Company dated 28 March 2022.

- (4) On 24 November 2022, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Fuyuan International (for itself and on behalf of its subsidiaries) entered into a bulk raw materials supply framework agreement in relation to the supply of raw materials (including but not limited to maize, soybean meals, coarse fodder and feed additives, etc.) by Fuyuan International and its subsidiaries to the Group for a term of period from 1 January 2023 to 31 December 2025, details of which are set out in the announcement of the Company dated 24 November 2022.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the decrease of approximately 89.8% (as compared with the six months ended 30 June 2022) in profit attributable to the owners of the parent company primarily due to a downward trend in the market price of raw milk and increase in loss arising from changes in fair value less costs to sell of biological assets, details of are disclosed in the interim results announcement of the Company dated 30 August 2023, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

A civil judgement was issued by the Intermediate People's Court of Huhhot on 16 August 2021 in relation to a claim made against Shengmu High-tech and two former Directors concerning certain alleged payment obligations under an investment agreement. Provision amounting to RMB49.2 million was made for the probable losses in the audited consolidated financial statements of the Group for the year ended 31 December 2021, which may be suffered by the Group based on the management's reasonable estimation of the outcome of the lawsuits after taking into account legal advice. For further details, please refer to the announcements published by the Company on 16 September 2021 and 22 October 2021, the 2021 annual report and the 2022 interim report. Shengmu High-tech had applied to the High People's Court of Inner Mongolia Autonomous Region for a second trial and no adjudication had yet been made as at the Latest Practicable Date.

6. COMPETING INTERESTS

As at the Latest Practicable Date, each of the following Directors had an interest in a competing business:

Mr. LU Minfang, a non-executive Director and the chairman of the Board, is currently an executive director and chief executive officer of China Mengniu. Mr. LU is the chairman and a non-executive director of Yashili International Holdings Ltd (雅士利國際控股有限公司) ("Yashili"), a company incorporated in the Cayman Islands with limited liability, whose shares were delisted from

the Stock Exchange on 5 July 2023 (prior stock code: 1230), and the chairman and a non-independent director of Shanghai Milkground Food Technology Co., Ltd (上海妙可藍多食品科技股份有限公司) (“Milkground”), a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange (stock code: 600882). Mr. LU was the chairman and a non-executive director of China Modern Dairy until 1 February 2023. Mr. LU is also a director of International Dairy Federation.

Mr. ZHANG Ping, a non-executive Director, is currently an executive director, vice president and chief financial officer of China Mengniu. Mr. ZHANG is also a non-executive director of each of Yashili and China Modern Dairy and a non-independent director of Milkground.

Mr. ZHAO Jiejun, a non-executive Director, is currently the vice president, head of milk sourcing and animal husbandry industry chain business unit of China Mengniu. He is also a non-executive director of China Modern Dairy.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or, so far as was known to them, any of their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus Capital did not have any shareholding, direct or indirect, in any member of the 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 Group.

As at the Latest Practicable Date, Altus Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Altus Capital has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letter and reference to its name and opinion in the form and context in which they appear in this circular.

8. MISCELLANEOUS

- (1) The company secretary of the Company is Mr. Li Kwok Fat.
- (2) The registered address of the Company is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (3) The principal place of business of the Company in Hong Kong is Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (4) The Company's Hong Kong branch share registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.youjimilk.com>) for a period of 14 days from the date of this circular (inclusive):

- (1) the 2023 Dabeinong Group Materials Supply Framework Agreement;
- (2) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (3) the letter from Altus Capital, being the Independent Financial Advisor, the text of which is set out in this circular; and
- (4) the written consent letter from Altus Capital as referred to in paragraph headed "7. Expert and Consent" in this appendix.

NOTICE OF THE EGM



CHINA SHENGMU ORGANIC MILK LIMITED

中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at the Conference Room, 2/F, Shengmu Building, Shaerqin Industrial Park, Southern District of Ruyi Development New Zone, Tumotezuqi, Hohhot, Inner Mongolia Autonomous Region, PRC on 29 September 2023 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the materials supply framework agreement dated 15 August 2023 (the “**2023 Dabeinong Group Materials Supply Framework Agreement**”) entered into by Inner Mongolia Shengmu High-tech Farming Co., Ltd. (內蒙古聖牧高科牧業有限公司) (“**Shengmu High-tech**”) (for itself and on behalf of its subsidiaries) and Beijing Dabeinong Technology Group Co., Ltd (北京大北農科技集團股份有限公司) (“**Dabeinong Group**”) (for itself and on behalf of its subsidiaries) in relation to the purchase of materials (including but not limited to feed, additives and medicines) by the Group from Dabeinong Group for a term commencing from the date of approval at the EGM to 31 December 2025, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025 be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors of the Company be and is/are hereby authorised to do all such acts or things and sign all documents which he or she considers necessary, desirable or expedient for the purposes of or in connection with the 2023 Dabeinong Group Materials Supply Framework Agreement, the transactions contemplated under such agreement and the revised/proposed annual caps for such transactions for the three years ending 31 December 2023, 2024 and 2025.”

For and on behalf of the Board
China Shengmu Organic Milk Limited
Lu Minfang
Chairman

Hong Kong, 14 September 2023

As at the date of this notice, the executive Director of the Company is Mr. Zhang Jiawang; the non-executive Directors of the Company are Mr. Lu Minfang (Chairman), Mr. Sun Qian, Mr. Zhang Ping, Mr. Zhao Jiejun and Ms. Shao Lijun; and the independent non-executive Directors of the Company are Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng.

NOTICE OF THE EGM

Notes:

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company (the “**Share(s)**”) may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. In order to be valid, the instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the EGM or any adjourned meeting thereof, in which event the proxy form shall be deemed to be revoked.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned EGM or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
5. Where there are joint holders of any Shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. For the purpose of determining shareholders’ entitlements to attend and vote at the EGM, the register of members of the Company will be closed from 27 September 2023 to 29 September 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Financial Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 26 September 2023.
7. A form of proxy for use at the EGM is enclosed.