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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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)

### (1) RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO 2026 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT

### (2) CONTINUING CONNECTED TRANSACTION IN RELATION TO 2026 DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK AGREEMENT AND TERMINATION OF THE 2024 PROCESSING SERVICE FRAMEWORK AGREEMENT AND THE 2025 YIYINGMEI DAIRY MILK POWDER PURCHASE FRAMEWORK AGREEMENT

AND

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

**ALTUS CAPITAL LIMITED**

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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 5 to 31 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 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 34 to 60 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 30 December 2025 at 10:00 a.m. is set out on pages 68 to 70 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](http://www.hkexnews.hk)) and the Company (<http://www.shengmuorganicmilk.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 Finance 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.

12 December 2025

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## DEFINITIONS

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*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 Mengniu Group”	Inner Mongolia Mengniu and its subsidiaries from time to time
“China Modern Dairy”	China Modern Dairy Holdings Ltd. (中國現代牧業有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 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)
“Dabeinong Products”	has the meaning given to it in the section headed “(2) 2026 DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK AGREEMENT — Principal Terms” in the letter from the Board in this circular
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“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 30 December 2025 at 10:00 a.m. for the purpose of considering and, if thought fit, approving, among others, (i) the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement; and (ii) 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated under such agreement
“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 SFO, who is appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated under such agreement
“Independent Shareholder(s)”	Shareholders other than:  (i) in the case of the 2026 Raw Fresh Milk Supply Framework Agreement, Start Great and its associates;  (ii) in the case of the 2026 Dabeinong Products and Services Supply Framework Agreement, Nong You and its associates
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of China Mengniu

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## DEFINITIONS

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“Latest Practicable Date”	9 December 2025, 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
“MGO Announcement”	the announcement of China Modern Dairy dated 30 October 2025 in relation to, among other things, the possible mandatory general offer by CLSA Limited for and on behalf of China Modern Dairy to acquire all the Shares (other than those already owned or agreed to be acquired by China Modern Dairy and Start Great)
“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”	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
“Sales Team”	the sales team of the Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“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 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Start Great”	Start Great Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of China Mengniu 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

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## DEFINITIONS

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“Yiyongmei Dairy”	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 non-wholly owned subsidiary of Dabeinong Group as at the Latest Practicable Date
“Yiyongmei Processing Services”	has the meaning given to it in the section headed “(2) 2026 DABEINONG PRODUCTS, MILK POWDER AND SERVICES SUPPLY FRAMEWORK AGREEMENT — Principal Terms” in the letter from the Board in this circular
“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, details of which are set out in the announcement of the Company of the same date
“2024 Processing Service Framework Agreement”	the processing service framework agreement dated 28 March 2024, entered into between Shengmu High-tech and Yiyongmei Dairy, details of which are set out in the announcement of the Company of the same date
“2025 Yiyongmei Announcement”	the announcement of the Company dated 27 August 2025 in relation to the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement
“2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement”	the milk powder purchase framework agreement dated 27 August 2025, entered into between Shengmu High-tech and Yiyongmei Dairy, details of which are set out in the 2025 Yiyongmei Announcement
“2026 Dabeinong Products and Services Supply Framework Agreement”	the products and services supply framework agreement dated 19 November 2025, entered into between the Company (for itself and on behalf of its subsidiaries), Dabeinong Group (for itself and on behalf of its subsidiaries, but excluding Yiyongmei Dairy and its subsidiaries) and Yiyongmei Dairy (for itself and on behalf of its subsidiaries), in relation to the supply of the Dabeinong Products and the provision of the Yiyongmei Processing Services for a term from 1 January 2026 to 31 December 2028
“2026 Raw Fresh Milk Supply Framework Agreement”	the raw fresh milk supply framework agreement dated 24 November 2025, entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Inner Mongolia Mengniu (for itself and on behalf of its subsidiaries), in relation to the purchase of raw fresh milk by China Mengniu Group from the Group for a three-year term from 1 January 2026 to 31 December 2028

\* 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. CHEN Yiyi (*Chairman*)

Mr. ZHANG Ping

Mr. BAI Fengming

Mr. SUN Qian

Ms. SHAO Lijun

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

Mr. WANG Liyan

Mr. WU Liang

Mr. SUN Yansheng

***Registered Office:***

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

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

Food Industry Park

Deng Kou County

Bayannur City

Inner Mongolia Autonomous Region

PRC

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

Room A, 32nd Floor

COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

12 December 2025

*To the Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTION IN  
RELATION TO 2026 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**

**(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO 2026  
DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK AGREEMENT  
AND TERMINATION OF THE 2024 PROCESSING SERVICE FRAMEWORK  
AGREEMENT AND THE 2025 YIYINGMEI DAIRY MILK POWDER PURCHASE  
FRAMEWORK AGREEMENT**

**AND**

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### INTRODUCTION

References are made to the announcements of the Company dated 24 and 19 November 2025 in relation to, among other things, (i) the 2026 Raw Fresh Milk Supply Framework Agreement; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement respectively, each for a term commencing from 1 January 2026 and ending on 31 December 2028.

Reference is also made to the announcement of the Company dated 17 November 2022 and the circular of the Company dated 12 December 2022 in relation to, among other things, the raw fresh milk supply framework agreement dated 17 November 2022 and entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Inner Mongolia Mengniu (for itself and on behalf of its subsidiaries) in relation to the purchase of raw fresh milk by China Mengniu Group from the Group for a three-year term from 1 January 2023 to 31 December 2025.

References are also made to (1) the announcement of the Company dated 15 August 2023 and the circular of the Company dated 14 September 2023 in relation to, among other things, the 2023 Dabeinong Group Materials Supply Framework Agreement for a term ending 31 December 2025; (2) the announcement of the Company dated 28 March 2024 in relation to, among other things, the 2024 Processing Service Framework Agreement for a term from 28 March 2024 to 31 December 2026; and (3) the announcement of the Company dated 27 August 2025 in relation to the 2025 Yiyingmei Dairy Milk Powder Purchase Framework Agreement for a term from 28 August 2025 to 31 December 2026.

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

- (i) information necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM relating to (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028;
- (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders relating to (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028;
- (iii) the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders relating to (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028;

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- (iv) the notice of the EGM; and
- (v) other information as required to be disclosed under the Listing Rules.

The Company announces that on 24 November 2025, Shengmu High-tech (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, entered into the 2026 Raw Fresh Milk Supply Framework Agreement with Inner Mongolia Mengniu (for itself and on behalf of its subsidiaries) in relation to the purchase of raw fresh milk by China Mengniu Group from the Group for a term of three years commencing from 1 January 2026 to 31 December 2028. The 2026 Raw Fresh Milk Supply Framework Agreement is a renewal of the raw fresh milk supply framework agreement dated 17 November 2022 between the same parties.

In addition, the Company expects that entering into one overall products and services supply framework agreement with Dabeinong Group and Yiyongmei Dairy (a subsidiary of Dabeinong Group) will further enhance the flexibility and cost-effectiveness of the Group's purchase of products and services. In this connection and in view of the upcoming expiry of the 2023 Dabeinong Group Materials Supply Framework Agreement, on 19 November 2025, the Company (for itself and on behalf of its subsidiaries) entered into the 2026 Dabeinong Products and Services Supply Framework Agreement with Dabeinong Group (for itself and on behalf of its subsidiaries, but excluding Yiyongmei Dairy and its subsidiaries) and Yiyongmei Dairy (for itself and on behalf of its subsidiaries) in relation to (1) the sale of the Dabeinong Products by Dabeinong Group and Yiyongmei Dairy to the Group, including the procurement of products (including but not limited to feed, additives, medicines, rice, eggs, seafood products and milk powder) from Dabeinong Group and Yiyongmei Dairy for supply to the Group; and (2) the provision of processing services in respect of the production of milk powder by Yiyongmei Dairy to the Group, for a term commencing from 1 January 2026 and ending on 31 December 2028. The 2024 Processing Service Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement will be terminated immediately upon the 2026 Dabeinong Products and Services Supply Framework Agreement coming into effect.

### **(1) 2026 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**

#### ***Principal Terms***

The principal terms of the 2026 Raw Fresh Milk Supply Framework Agreement are summarised as follows:

Date:	24 November 2025
Parties:	(1) Shengmu High-tech (for itself and on behalf of its subsidiaries); and (2) Inner Mongolia Mengniu (for itself and on behalf of its subsidiaries)
Term:	From 1 January 2026 to 31 December 2028

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## LETTER FROM THE BOARD

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- Principal terms: The Group shall sell raw fresh milk which meets China Mengniu Group's purchasing standard and quality requirements to China Mengniu Group on a daily basis in accordance with the monthly milk supply plan to be agreed between the Group and China Mengniu Group, and the Group shall ensure that on average more than 80% of the raw fresh milk it produces in each year will be sold to China Mengniu Group. The specific amount to be purchased shall be the amount as confirmed by the Group and China Mengniu Group. The daily delivery amount is determined by the amount as weighted by China Mengniu Group.
- Delivery: The Group shall be responsible for delivering raw fresh milk to the locations designated by China Mengniu Group. If the Group is unable to deliver milk in a timely manner, the Group shall notify China Mengniu Group at least 24 hours prior to the scheduled delivery and the Group shall bear related losses suffered by China Mengniu Group.
- Payment terms: China Mengniu Group shall pay monthly in accordance with the purchase amount of raw fresh milk, and payment for raw fresh milk purchased in any month shall be settled by the end of the following month. The monthly payment date shall be before the 30th calendar day of each month (or the 28th calendar day for February). If the monthly payment date falls on a statutory holiday, the payment date will be postponed to the first working day after the statutory holiday.

### *Purchase Price and Pricing Mechanism*

The purchase price of raw fresh milk to be sold by the Group to China Mengniu Group under the 2026 Raw Fresh Milk Supply Framework Agreement shall be determined and adjusted in accordance with the following pricing mechanism:

- (a) the base price (the "**Base Price**") shall be determined based on market conditions, taking into account (i) the latest average price of raw fresh milk for 10 selected regions (including Inner Mongolia and Hebei) ("內蒙古、河北等10個主產省份生鮮乳平均價格") published on the website of the Ministry of Agriculture and Rural Affairs of the PRC (<http://www.xmsyj.moa.gov.cn/jcyj/>), and (ii) the prices charged by other suppliers to China Mengniu Group, together with seasonal factors and sales price of raw fresh milk in the region, as agreed between Shengmu High-tech and Inner Mongolia Mengniu;

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## LETTER FROM THE BOARD

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- (b) the logistics subsidy as agreed between Shengmu High-tech and Inner Mongolia Mengniu based on the prevailing logistics costs incurred by the dairy farming industry (taking into account (i) vehicle depreciation and maintenance, (ii) wages, (iii) fuel costs, based on refined oil prices announced by the National Development and Reform Commission of the PRC (<https://www.ndrc.gov.cn/xwdt/xwfb/?code=&state=123>) from time to time, (iv) toll rates, (v) insurance premium, and (vi) cargo-loading rate) and the distance between the customer's location and Shengmu High-tech's dairy farm(s); and
- (c) adjustments as agreed between Shengmu High-tech and Inner Mongolia Mengniu based on the quality and rating of raw fresh milk, taking into account various milk quality indicators, such as level of protein, fat content, somatic cell count, microorganism count and freezing point etc. (together with the logistics subsidy referred to in paragraph (b) above, the "Adjustments").

### *Internal Control Mechanism*

#### *Timely Delivery of Raw Fresh Milk*

The Group has established an internal control mechanism to ensure the timely delivery of raw fresh milk. The Group maintains a three-month rolling plan for the herd and milk production to ensure that the Group has sufficient milk production capacity to meet the monthly supply plans for raw fresh milk. In addition, the dairy farms of the Group and the dairy products manufacturing facilities of China Mengniu Group are located in the same regions, principally in the regions of Hohhot and Bayannur. Given the relatively short distance of generally less than approximately 80 km between such dairy farms of the Group and such dairy products manufacturing facilities of China Mengniu Group, the Group is able to coordinate additional resources to meet the monthly supply plans if there is any emergency situation or unforeseen circumstances.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the term in the 2026 Raw Fresh Milk Supply Framework Agreement that the Group shall bear the losses suffered by China Mengniu Group if the Group fails to deliver raw fresh milk in a timely manner is a common term in similar agreements between China Mengniu Group and its suppliers of raw fresh milk which are independent from China Mengniu Group. Therefore, the Board considers that such term is on normal commercial terms and in the interest of the Company. The Group endeavors to deliver its products in a timely manner, and as at the Latest Practicable Date, the Group has not historically incurred any penalty due to late delivery of raw fresh milk to China Mengniu Group.

#### *Referencing Market Prices*

The Group formulates an annual supply plan for raw fresh milk, which is then divided into monthly supply plans taking into account the volume required by China Mengniu Group. The unit price of raw fresh milk, which comprises the Base Price and the Adjustments, is determined on a monthly basis. The Sales Team will review on a monthly basis the actual volume of raw fresh milk supplied. The Sales Team will also evaluate the fairness of the unit price by examining and considering the quantitative data from the test results of the milk quality indicators and checking whether the unit price has correctly reflected the test results of the raw fresh milk.

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## LETTER FROM THE BOARD

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The Group's pricing mechanism with its customers (including China Mengniu Group and other independent third party customers) is generally the same and therefore the selling price of raw fresh milk to be sold by the Group to China Mengniu Group under the 2026 Raw Fresh Milk Supply Framework Agreement would be comparable to that of the other independent third party customers. The Group has established the following internal control measures to ensure that the purchase price and other terms of the sale of raw fresh milk by the Group to China Mengniu Group contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement are no less favourable to the Group than the terms offered to independent third party customers, where the Sales Team has been tasked with:

- (a) considering and comparing prices and terms of similar products offered by the Group to other purchasers every month;
- (b) conducting market research every month and comparing the selling price of similar products offered by three other raw fresh milk producers when determining the Base Price for each month;
- (c) reviewing other terms of orders received from China Mengniu Group and other independent third party customers to ensure that the other terms offered by the Group to China Mengniu Group are no less favourable to the Group than those offered to independent third party customers; and
- (d) ensuring that each sale is executed at a purchase price determined in accordance with the relevant pricing mechanism as set out above in this circular.

### *General*

The Company has also 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.

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 2026 Raw Fresh Milk 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 the Audit Committee of the Company.

The Group's external auditors and independent non-executive Directors shall conduct an annual review and confirm whether the transactions have been entered into in accordance with the terms of the 2026 Raw Fresh Milk Supply Framework Agreement in the Company's annual report in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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### *Reasons for and Benefits of Entering into the 2026 Raw Fresh Milk Supply Framework Agreement*

As one of the leading dairy product manufacturers in the PRC, China Mengniu Group is equipped with a strong management team and a solid dairy product distribution network, offering diversified products including liquid milk products, ice cream, milk formula and cheese. The Company believes that a raw fresh milk supply relationship with China Mengniu Group (taking into account, among other things, the Group's commitment to supply on average more than 80% of the raw fresh milk it produces in each year to China Mengniu Group) will help to stabilise the price and sales volume of raw fresh milk and generate stable income and cash flow for the Group.

The dairy farms of the Group are mainly located in the regions of Hohhot and Bayannur, and China Mengniu Group has sufficient raw fresh milk processing capacity in these regions. The short transportation distance ensures the freshness of raw fresh milk supplied by the Group, which in turn contributes to the high quality of milk products manufactured by China Mengniu Group. It also lowers the Group's costs of transportation and preservation, which makes the price of raw fresh milk supplied by the Group more competitive as compared to other suppliers of raw fresh milk.

Whilst focusing on the production and sale of desert-based organic milk, the Group also endeavors to satisfy customers' diversified needs for quality raw milk and continues to develop a variety of functional raw milk to enhance the Group's product mix and profitability.

The collaboration between the Group and China Mengniu Group, which eventually leads to the growth of demand for desert-based organic milk through channels such as marketing and distribution, would enhance the awareness of the Group's milk products and in turn promote the Group's sales growth, thereby achieving a win-win outcome for both groups. So far as was known to the Company up to the Latest Practicable Date, desert-based organic milk is one of the product lines offered by China Mengniu Group and the Group is the largest desert-based organic raw milk producer in China. Accordingly, the supply relationship between the Group and China Mengniu Group is essential to the production and sales of China Mengniu Group's organic milk products, including but not limited to the desert-based organic milk product line. As China Mengniu Group continues to promote and sell its desert-based organic milk products, this would enhance market awareness of and demand for desert-based organic milk, which would in turn increase China Mengniu Group's demand for desert-based organic raw milk and benefit the Group's sales growth. As the supply relationship is beneficial to both the Group and China Mengniu Group, the Board expects the likelihood of a significant adverse change to the business relationship with China Mengniu Group to be relatively low. So far as was known to the Company up to the Latest Practicable Date, China Mengniu Group has not raised any material concern or complaint relating to the Group's supply of raw fresh milk in the past six years and the mutual intention to deepen the business relationship is evidenced by the entering into of the 2026 Raw Fresh Milk Supply Framework Agreement.

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## LETTER FROM THE BOARD

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In the unlikely event of any change to the business relationship between the Group and China Mengniu Group, the Board believes that the raw fresh milk produced by the Group can be sold to other major customers in the region, and such change will not have a material impact on the financial position of the Group. In particular,

- (a) the Group has been actively looking for new customers. The Sales Team regularly arranges meetings and dairy farm visits with target customers. The Sales Team also attends industry events to explore more diversified sales opportunities. The Group believes that its outstanding achievements in carbon neutrality and desert circulation agriculture system will attract customers;
- (b) the Group is constantly seeking to diversify its product portfolio and develop new products based on market needs as part of the Group's effort to enhance its sales and marketing;
- (c) as the environmental and industry regulations become increasingly stringent, some small farm operators have withdrawn from the market due to increased operating costs and non-compliance as a result of substandard supervision, and such changes are conducive to the healthy development of large-scale dairy farms in the future; and
- (d) the high quality of the Group's milk products (in terms of purity and freshness), in particular its organic raw milk, is well recognised both in the market and by relevant authorities (as evidenced by various product certifications). Apart from China Mengniu Group, the Group also supplies raw fresh milk to other independent third party dairy product manufacturers in the PRC. As at the Latest Practicable Date, the Group had established business relationships with a number of third party dairy product manufacturers in China, including New Hope Dairy Co., Ltd, Junlebao Dairy Group Co., Ltd. and Adopt A Cow Holding Group Co., Ltd. So far as was known to the Company up to the Latest Practicable Date, no third party had raised concern regarding their business relationship with the Group in connection with China Mengniu Group's substantial interest in the Company. Should there be any change to the business relationship between the Group and China Mengniu Group, the Board believes the raw fresh milk produced by the Group can be sold to other major customers in the region.

The Board is of the view that the transactions with China Mengniu Group (including the transactions contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement) would not result in the Group having material reliance on China Mengniu Group, after having considered the following reasons:

- (a) the business relationship between the Group and China Mengniu Group will unlikely be materially adversely changed or terminated given, among others, their longstanding and established business relationship. As at the Latest Practicable Date, the Group has sold raw fresh milk to China Mengniu Group for nearly six years. As disclosed in the announcement of the Company dated 30 December 2019 and the circular of the Company dated 6 March 2020, Shengmu High-tech (for itself and on behalf of the Group) and Inner Mongolia Mengniu (for itself and on behalf of the China Mengniu Group) entered into the raw fresh milk supply framework agreement dated 30 December 2019, in relation to the purchase of raw fresh milk by China Mengniu Group from the Group for a three-year term from 1

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## LETTER FROM THE BOARD

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January 2020 to 31 December 2022. Further, as disclosed in the announcement of the Company dated 17 November 2022 and the circular of the Company dated 12 December 2022, the same parties entered into the raw fresh milk supply framework agreement dated 17 November 2022 in relation to the purchase of raw fresh milk by China Mengniu Group from the Group for a three-year term from 1 January 2023 to 31 December 2025, in order to renew the raw fresh milk supply framework agreement dated 30 December 2019. Further, as mentioned above in this section headed “Reasons for and Benefits of Entering into the 2026 Raw Fresh Milk Supply Framework Agreement”, so far as was known to the Company up to the Latest Practicable Date, China Mengniu Group has not raised any material concern or complaint relating to the Group’s supply of raw fresh milk in the past six years. Further, the Group and China Mengniu Group intend to deepen their business relationship by entering into the 2026 Raw Fresh Milk Supply Framework Agreement, which will further renew the raw fresh milk supply framework agreement dated 17 November 2022 for another three-year term;

- (b) the supply relationship between the Group and China Mengniu Group is a mutually beneficial one. As mentioned above in this section headed “Reasons for and Benefits of Entering into the 2026 Raw Fresh Milk Supply Framework Agreement”, so far as was known to the Company up to the Latest Practicable Date, desert-based organic milk is one of the product lines offered by China Mengniu Group and the Group is the largest desert-based organic raw milk producer in China. Accordingly, the supply relationship between the Group and China Mengniu Group is essential to the production and sales of China Mengniu Group’s organic milk products, including but not limited to the desert-based organic milk product line. As China Mengniu Group continues to promote and sell its desert-based organic milk products, this would enhance market awareness of and demand for desert-based organic milk, which would in turn increase China Mengniu Group’s demand for desert-based organic raw milk and benefit the Group’s sales growth;
- (c) due to the geographical proximity of the dairy farms of the Group and the dairy products manufacturing facilities of China Mengniu Group (namely generally less than approximately 80 km between the dairy farms of the Group and the dairy products manufacturing facilities of China Mengniu Group), the Group is able to lower the Group’s costs of transportation and preservation and make the price of raw fresh milk supplied by the Group more competitive as compared to other suppliers of raw fresh milk. This cost advantage benefits both the Group and China Mengniu Group, creating a fundamental economic rationale for maintaining their business relationship, thereby reducing the risk of the business relationship between the Group and China Mengniu Group being materially adversely changed or terminated; and
- (d) the Group has taken, and will continue to take, measures to mitigate its exposure to any material adverse changes to or termination of the relationship with China Mengniu Group. As set out above in this section headed “Reasons for and Benefits of Entering into the 2026 Raw Fresh Milk Supply Framework Agreement”, the Group has been actively looking for new customers and diversifying its product portfolio. In terms of customers who are not a part of China Mengniu Group, over the years, the Group had established business relationship with a number of third party dairy product manufacturers in China, including

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## LETTER FROM THE BOARD

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New Hope Dairy Co., Ltd, Junlebao Dairy Group Co., Ltd., Adopt A Cow Holding Group Co., Ltd. and Baotou Knight Dairy Co., Ltd.\* (包頭騎士乳業有限責任公司). The sales volume to these third party dairy product manufacturers in China had been increasing from approximately 32,000 tonnes in the year ended 31 December 2023 to approximately 66,000 tonnes in the year ended 31 December 2024 (representing a year-on-year increase of approximately 106%). For the nine months ended 30 September 2025, the sales volume to third party dairy product manufacturers in China was approximately 95,000 tonnes. In terms of the Group's diversified product portfolio, the Group has developed a variety of functional raw milk to meet diversified demand for raw milk, such as DHA raw milk, A2 raw milk and organic A2 raw milk, which form a part of the raw milk products to be supplied to the third party dairy product manufacturers in China. The high quality of the Group's milk products, particularly its organic raw milk, in terms of purity and freshness, is well recognised by both the market and the relevant authorities. This greatly facilitates the Group's marketing efforts to establish relationships with third party dairy product manufacturers and broaden its customer base. In terms of the revenue trend, the proportion of revenue (in monetary term) generated from the sales of raw fresh milk by the Group to China Mengniu Group in the financial years ended 31 December 2023, 2024 and 2025 accounted for approximately 95.3%, 93.3% and 88.9% of the Group's total revenue for the respective periods, indicating a decreasing trend. Should there be any change to the business relationship between the Group and the China Mengniu Group, the Board believes that the raw fresh milk produced by the Group can be sold to other major customers in the region.

In light of the factors mentioned above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Advisor) are of the view that the 2026 Raw Fresh Milk 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 2026 Raw Fresh Milk Supply Framework Agreement (including the proposed annual caps) are fair and reasonable.

### ***Historical Transaction Amounts***

The raw fresh milk sold by the Group to China Mengniu Group for the years ended 31 December 2023, 2024 and the nine months ended 30 September 2025 amounted to RMB3,226,100,000, RMB2,917,700,000 and RMB1,921,100,000, respectively.

The annual caps for the supply of raw fresh milk by the Group to China Mengniu Group for the three years ending 31 December 2023, 2024 and 2025 are RMB3,400 million, RMB4,300 million and RMB5,000 million, respectively.

Based on information available to the Company as at the Latest Practicable Date, for the period commencing from 1 January 2025 to the date of the EGM, the transaction amount in respect of the raw fresh milk sold by the Group to China Mengniu Group will not exceed the annual cap of RMB5,000 million for the year ending 31 December 2025.

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## LETTER FROM THE BOARD

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### *Proposed Annual Caps*

The Directors propose that the total annual sales amount by the Group to China Mengniu Group under the 2026 Raw Fresh Milk Supply Framework Agreement shall not exceed RMB3,500 million, RMB4,000 million and RMB4,500 million for the three years ending 31 December 2026, 2027 and 2028, respectively.

The aforementioned proposed annual caps are generally determined with reference to the expected volume of raw fresh milk to be sold by the Group to China Mengniu Group (taking into account, among other things, the Group's commitment to supply on average more than 80% of the raw fresh milk it produces in each year to China Mengniu Group, pursuant to the 2026 Raw Fresh Milk Supply Framework Agreement) and the expected purchase price of such raw fresh milk. In particular, in determining such annual caps, the Directors have considered the following factors:

- (a) the expected number of milkable cows of the Group (taking into account anticipated purchases and dairy cow breeding capacity, etc.), which affects the volume of raw fresh milk to be sold by the Group to China Mengniu Group. On average for 2023, 2024 and the nine months ended 30 September 2025, the Group had 64,193, 62,842, and 67,239 heads of milkable cows for the production of raw fresh milk, respectively, representing slight decline of approximately 2.1% from 2023 to 2024 and growth of approximately 7.0% from 2024 to September 2025, and among these milkable cows, 43,913, 48,358, and 51,283 heads of milkable cows were used for the production of organic raw fresh milk for 2023, 2024 and the nine months ended 30 September 2025, respectively, representing growth of approximately 10.1% from 2023 to 2024 and approximately 6.0% from 2024 to September 2025. As disclosed in the interim report of the Company for the six months ended 30 June 2025, the Group has continued to optimise its herd structure by selecting high-quality cows, while providing scientific and precise farming support for milkable cows through iterative upgrades of its customised nutritional formula system. For the six months ended 30 June 2025, the annualised milk yield per milkable cow reached 12.27 tonnes, representing a steady increase from 12.07 tonnes for the six months ended 30 June 2024. Supported by the increase in milk yield, the Group achieved steady growth in raw milk sales and sold a total of 372,973 tonnes of raw milk in the six months ended 30 June 2025, representing an increase of 6.3% compared to the six months ended 30 June 2024. The potential growth in raw milk sales volume has been taken into account in determining the expected volume of raw fresh milk to be sold by the Group to China Mengniu Group over the three years ended 31 December 2026, 2027 and 2028, as part of the determining factor of the proposed annual caps;

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## LETTER FROM THE BOARD

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- (b) the expected overall sales volume of raw fresh milk by the Group for the three years ending 31 December 2026, 2027 and 2028, taking into account, among others and in addition to the factor mentioned in paragraph (a) above, (i) the price fluctuation of the market price of raw fresh milk; (ii) the balance between the supply and demand in the raw milk market; (iii) the historical sales volume of raw fresh milk by the Group; and (iv) the potential impact of the Group's implementation of the dairy cow genetic improvement system and precision feeding management measures, which may continue to affect the Group's annualised milk yield per milkable cow. The overall sales volume of raw milk increased from 635,451 tonnes for the year ended 31 December 2022 to 699,803 tonnes for the year ended 31 December 2024, representing an overall increase of 10.1% and demonstrating an upward trend in terms of the overall sales volume of raw milk;
- (c) the expected sales volume of raw fresh milk to China Mengniu Group taking into account, among other things, the Group's commitment to supply on average more than 80% of the raw fresh milk it produces in each year to China Mengniu Group;
- (d) the possible future fluctuation in price of dairy products in the PRC. The average selling price of the raw fresh milk of the Group decreased from approximately RMB4.998 per kg in 2022 to approximately RMB4.467 per kg in 2024 and further decreased to approximately RMB3.872 per kg for the six months ended 30 June 2025. The market prices of raw fresh milk have since August 2025 begun to increase at an average rate of approximately 6%. Such upward trend of the price of the raw fresh milk, together with the potential growth in raw milk sales volume as mentioned in paragraphs (a) and (b) above, are considered when determining the proposed annual caps;
- (e) the historical and prevailing purchase price for raw fresh milk paid by China Mengniu Group; and
- (f) the historical transaction amounts of raw fresh milk sold by the Group to China Mengniu Group for the years ended 31 December 2023, 2024 and the nine months ended 30 September 2025 respectively, as mentioned above.

### **Listing Rules Implications**

As at the Latest Practicable Date, Shengmu High-tech is an indirect wholly-owned subsidiary of the Company and Inner Mongolia Mengniu is a wholly-owned subsidiary of China Mengniu.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Mengniu holds 100% equity interest in Start Great, which in turn holds 2,513,178,555 Shares, representing approximately 29.99% equity interest in the Company. Accordingly, each of Start Great, China Mengniu and Inner Mongolia Mengniu is a connected person of the Company.

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## LETTER FROM THE BOARD

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As one or more applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap under the 2026 Raw Fresh Milk Supply Framework Agreement exceed 5%, the entering into of the 2026 Raw Fresh Milk 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. Start Great which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save as disclosed in Note 1 to the section headed "2. DISCLOSURE OF INTERESTS — (iii) INTERESTS OF SUBSTANTIAL SHAREHOLDERS" in the appendix to this circular, controls the voting rights in respect of its Shares, will be required to abstain from voting at the EGM in relation to the 2026 Raw Fresh Milk 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 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement.

Mr. Chen Yiyi, a non-executive Director and chairman of the Board, is also a vice president and head of strategy management of China Mengniu. Mr. Bai Fengming, a non-executive Director, is also the general manager of the sales management center under the room-temperature products business unit of China Mengniu. Accordingly, Mr. Chen and Mr. Bai have abstained from voting on the resolution(s) of the Directors approving the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder. Other than Mr. Chen and Mr. Bai, no Director is materially interested in the transactions contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement and no Director is required to abstain from voting on the resolution(s) of the Directors to approve the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement.

### **Information on the Parties**

The Company is an investment holding company. The Group is principally engaged in dairy farming business.

Shengmu High-tech is an indirect wholly-owned subsidiary of the Company and is principally engaged in dairy farming and the sale of raw milk.

Inner Mongolia Mengniu is a wholly-owned subsidiary of China Mengniu and is principally engaged in the business of manufacture and sale of dairy products.

China Mengniu is a company listed on the Stock Exchange and is one of the leading dairy product manufacturers in the PRC. China Mengniu Group is principally engaged in manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

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## LETTER FROM THE BOARD

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### (2) 2026 DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK AGREEMENT

#### *Principal Terms*

The principal terms of the 2026 Dabeinong Products and Services Supply Framework Agreement are summarised as follows:

- Date: 19 November 2025
- Parties: (1) the Company (for itself and on behalf of its subsidiaries);  
(2) Dabeinong Group (for itself and on behalf of its subsidiaries, but excluding Yiyongmei Dairy and its subsidiaries); and  
(3) Yiyongmei Dairy (for itself and on behalf of its subsidiaries)
- Term: From 1 January 2026 to 31 December 2028
- Subject matter: **(a) Dabeinong Products**

Dabeinong Group and Yiyongmei Dairy shall sell to the Company products which meet the procurement standards of the Company, including the procurement of products (including but not limited to feed, additives, medicines, rice, eggs, seafood products and milk powder) (collectively, the “**Dabeinong Products**”) from Dabeinong Group and Yiyongmei Dairy for supply to the Group. For the avoidance of doubt, the Dabeinong Products include milk powder which meets the procurement standards of the Company to be procured from Yiyongmei Dairy for supply to the Group.

The Company will purchase by placing written orders based on the Group’s actual demand and the Company will determine the final purchase specifications, quantity, related quality, delivery and other services of the products. The products will be supplied to the Company by Dabeinong Group and Yiyongmei Dairy in accordance with the 2026 Dabeinong Products and Services Supply Framework Agreement and the orders confirmed between the Company, Dabeinong Group and Yiyongmei Dairy.

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## LETTER FROM THE BOARD

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### (b) Yiyingmei Processing Services

In addition, Yiyingmei Dairy shall provide processing services in respect of the production of milk powder for the Group from time to time (the “**Yiyingmei Processing Services**”).

Yiyingmei Dairy must inspect, supervise, and control the quality of the raw materials it uses for the processing services and ensure that the final products meet the Company’s quality standards. Yiyingmei Dairy is liable for any food safety and quality problems that arise from its processing services. The Company can reject any milk powder products that do not meet its quality standards and Yiyingmei Dairy must compensate the Company for any delivery delays caused by its substandard products. The Company can terminate the 2026 Dabeinong Products and Services Supply Framework Agreement at any time if the milk powder products processed by Yiyingmei Dairy do not comply with the relevant PRC regulations.

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## LETTER FROM THE BOARD

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Purchase price and other terms:

**(a) Dabeinong Products**

The prices of the Dabeinong Products purchased by the Company from Dabeinong Group and Yiyongmei Dairy shall be based on the prevailing market price at the time of the submission of the relevant purchase order by the Company to Dabeinong Group and/or Yiyongmei Dairy. Each of Dabeinong Group and Yiyongmei Dairy undertakes to sell the Dabeinong Products at a price which is no higher than the market price of similar products (in similar form) in the same period. For the purpose of determining the prevailing market price, the Company shall request quotations from at least two independent third-party suppliers (excluding Dabeinong Group and Yiyongmei Dairy). The Company will compare the price of products supplied by Dabeinong Group and Yiyongmei Dairy 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 any Dabeinong Product supplied by Dabeinong Group or Yiyongmei Dairy in the same period is higher than the market price of such product or the price offered by Dabeinong Group or Yiyongmei Dairy to a third party (which can be retrieved from the communication network where procurement related information is exchanged from time to time), the Company shall have the right to adjust the price of the relevant executed purchase order, during the validity period of the relevant executed purchase order (the duration of which depends on the market condition and business needs at the time of the execution of the relevant purchase order, which generally ranges from one to six months) or, as the parties may agree, after the expiry of the relevant purchase order, and Dabeinong Group or Yiyongmei Dairy agrees that the Company may deduct the difference from the payment due to Dabeinong Group or Yiyongmei Dairy (as the case may be). 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, including when the price of the Dabeinong Products supplied by Dabeinong Group or Yiyongmei Dairy is higher than the quotations obtained from the independent third-party suppliers.

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## LETTER FROM THE BOARD

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The Company will review the price, quality and safety of the products from time to time to ensure that the products are in line with the Group's standards, as well as to ensure that the transaction terms are fair and reasonable, and no less favourable than those available from independent third parties.

### **(b) Yiyongmei Processing Services**

The processing fee for the Yiyongmei Processing Services borne by the Group under the 2026 Dabeinong Products and Services Supply Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms. The processing fee shall be determined on a cost plus basis with reference to cost analysis, market research, quality requirements and profit margin setting, etc.. The processing fee is expected to be the aggregate amount of (i) the costs incurred by Yiyongmei Dairy in relation to the provision of the Yiyongmei Processing Services (including material costs, equipment costs, labour costs, operational costs and other expenses) and (ii) an additional amount such that the profit margin, calculated by reference to the processing fee, falls within an indicative range of 35% to 45%. Yiyongmei Dairy will also supply the packaging for the milk powder products, the cost of which will be borne by the Company.

Before procuring any Yiyongmei Processing Services, under the 2026 Dabeinong Products and Services Supply Framework Agreement, the Company will compare quotations for similar transactions with at least two independent third parties (excluding Yiyongmei Dairy and Dabeinong Group) for similar processing services. The Company will also review the price and quality of the processed milk powder from time to time to ensure that the milk powder is in line with the Group's quality standards, as well as to ensure that the transaction terms are fair and reasonable, and no less favourable than those available from independent third parties. For the avoidance of doubt, the framework agreement is on a non-exclusive basis and the Company may procure services from independent suppliers as it sees fits, including when the processing fee of the Yiyongmei Processing Services provided by Yiyongmei Dairy is higher than the quotations obtained from the independent third-party suppliers.

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## LETTER FROM THE BOARD

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Delivery:

**(a) Dabeinong Products**

Dabeinong Group and Yiyongmei Dairy guarantee the delivery of purchased products to the Company in accordance with the requirements of the 2026 Dabeinong Products and Services Supply Framework Agreement and purchase orders.

**(b) Yiyongmei Processing Services**

The Company shall collect the agreed quantities of processed milk powder from warehouses designated by Yiyongmei Dairy. The freight costs for transporting the milk powder from Yiyongmei Dairy to the Company shall be borne by the Company.

Payment terms:

**(a) Dabeinong Products**

The Company shall make payment according to the settlement plan agreed under the purchase order between the Company, Dabeinong Group or Yiyongmei Dairy (as the case may be).

**(b) Yiyongmei Processing Services**

At the beginning of each month, Yiyongmei Dairy and the Company shall agree on the processing fees for the prior month, after which Yiyongmei Dairy shall issue an invoice to the Company for the agreed fees. Within 15 working days of receiving the invoice, the Company shall settle the payment in full.

Termination of the 2024  
Processing Service  
Framework Agreement  
and the 2025 Yiyongmei  
Dairy Milk Powder  
Purchase Framework  
Agreement:

The 2024 Processing Service Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement will be terminated immediately upon the 2026 Dabeinong Products and Services Supply Framework Agreement coming into effect.

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## LETTER FROM THE BOARD

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### *Reasons for and Benefits of the 2026 Dabeinong Products and Services Supply Framework Agreement*

As a leading dairy farming materials provider in the PRC, Dabeinong Group is one of the largest enterprises of feed and premix in the PRC which also provides services and solutions in the areas of animal husbandry, plantation and agricultural Internet of Things (IoT). The products and services 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 products 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.

Further, Dabeinong Group's industry portfolio covers a wide range of areas. In 2010, it became one of the agricultural high-tech enterprises with the highest market value among listed companies in the agricultural and livestock industry in the PRC. As a subsidiary of Dabeinong Group, Yiyongmei Dairy specialises in the production of infant and toddler milk powder and is committed to creating world-class quality products. Its industry-leading production process, cutting-edge production equipment and CNAS laboratory established with the approval of the Certification and Accreditation Administration meet the Group's highest requirements for product quality. Its proximity to Shengmu High-tech in Inner Mongolia gives it an advantage in transportation and cost efficiency, thus preserving its products' freshness and quality.

In addition, the cooperation with Dabeinong Group and Yiyongmei Dairy allows the Group to take advantage of cost advantages and procurement efficiencies generated under Dabeinong Group's and Yiyongmei Dairy's centralized procurement platform. Leveraging on Dabeinong Group's and Yiyongmei Dairy's bulk procurement of products, which are in turn supplied to the Group with or without further processing, the Group is well positioned to efficiently source (through Dabeinong Group and/or Yiyongmei Dairy) products from a network of suppliers around the world and collect market information on raw material demand and supply in a timely fashion. This would help reduce the Group's administrative costs associated with procurement of products and services and allow the Group to benefit from any bulk purchase discounts offered by Dabeinong Group and Yiyongmei Dairy, which would in turn reduce the Group's overall operational cost level.

Since 2024, taking into account the challenging conditions, intense competition and other uncertainties in the raw milk market, the Group has adopted a cautious approach for and developed a business model to mitigate potential market risks. Under this business model, the selection of Dabeinong Group and Yiyongmei Dairy as co-operative partners is in line with the principle of maximizing the Group's benefits in terms of both cost-effectiveness and product quality.

As mentioned in the 2025 Yiyongmei Announcement, to alleviate the pressure from the continuous downward cycle of the raw milk industry, the Company has proactively explored raw milk sales channels while also consolidating milk powder sales channels. In August 2025, the Company promoted its milk powder export trade business. Meanwhile, the quality of milk powder produced by Yiyongmei Dairy has been recognized by international customers of the Company, who have in turn agreed to enter into milk powder purchase orders with the Company.

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## LETTER FROM THE BOARD

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Therefore, the Company seeks to consolidate the 2024 Processing Service Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement under the 2026 Dabeinong Products and Services Supply Framework Agreement, pursuant to which the Group may, among others, continue to purchase from Yiyongmei Dairy milk powder that meets the standards of the Company's export business and to obtain from Yiyongmei Dairy processing services in respect of the production of milk powder. The Group will thereby be able to distribute high-quality milk powder to international customers, meeting their needs effectively, and by doing so, enhance customer satisfaction and strengthen customer loyalty to the products of the Group.

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 2026 Dabeinong Products and Services 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 2026 Dabeinong Products and Services Supply Framework Agreement (including the proposed annual caps) are fair and reasonable.

### *Historical Transaction Amounts*

The total transaction amounts for the products and services paid by the Group to Dabeinong Group and Yiyongmei Dairy under the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2024 Processing Service Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement from their respective commencement dates for the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2025 are as follows:

	<b>For the year ended</b>		<b>For the nine</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2023</b>	<b>2024</b>	<b>30 September</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
2023 Dabeinong Group Materials Supply Framework Agreement	211.5	247.8	204.0
2024 Processing Service Framework Agreement	N/A	2.6	0.0
2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement (Note 1)	N/A	1.5	44.8

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## LETTER FROM THE BOARD

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The annual caps under the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2024 Processing Service Framework Agreement, the 2024 Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement and are as follows:

	<b>For the year ended 31 December</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
2023 Dabeinong Group Materials Supply Framework Agreement	300	300	300	N/A
2024 Processing Service Framework Agreement	N/A	21	17	11
2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement (Note 1)	N/A	N/A	115	115

*Note:*

- As disclosed in the 2025 Yiyongmei Announcement, the milk powder purchase framework agreement dated 28 March 2024 entered into between Shengmu High-tech and Yiyongmei Dairy, in relation to the purchase of milk powder by the Group from Yiyongmei Dairy for a term commencing from 28 March 2024 and ending on 31 December 2026 (the “**2024 Yiyongmei Dairy Milk Powder Purchase Framework Agreement**”) has been terminated from the date of the commencement of the term of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement, namely 28 August 2025. Under the 2024 Yiyongmei Dairy Milk Powder Purchase Framework Agreement, the annual cap for the transactions contemplated thereunder for the year ended 31 December 2024 was RMB30 million. The actual amount of milk powder Yiyongmei Dairy sold to Shengmu High-tech from 28 March 2024 to 31 December 2024 was RMB1.5 million. Given the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement has set out the new annual caps for the years ended 31 December 2025 and 2026, the historical annual caps for the years ended 31 December 2025 and 2026 as set out in the 2024 Yiyongmei Dairy Milk Powder Purchase Framework Agreement are no longer applicable.

At the Latest Practicable Date, the historical transaction amounts from the respective commencement dates of the terms of each of (i) the 2023 Dabeinong Group Materials Supply Framework Agreement, (ii) the 2024 Processing Service Framework Agreement, and (iii) the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement are within the respective existing annual caps.

Based on information available to the Company as at the Latest Practicable Date, for the period commencing from 1 January 2025 to the date of the EGM, the transaction amount for the products and services paid by the Group to Dabeinong Group and Yiyongmei Dairy under the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2024 Processing Service Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement will not exceed their respective annual caps for the year ended 31 December 2025.

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## LETTER FROM THE BOARD

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### *Proposed Annual Caps*

The Directors propose to set annual caps for the transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement as follows:

	For the year ending 31 December		
	2026	2027	2028
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Dabeinong Products	415	430	445
Yiyongmei Processing Services	17	11	11

In determining the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028, the Directors have considered the following factors:

- (a) the expected number of cows of the Group for the three years ending 31 December 2026, 2027 and 2028, respectively. As at 30 June 2023, 2024 and 2025, the Group has 148,029, 156,481 and 146,516 cows in stock respectively. The expected number of cows owned by the Group for the three years ending 31 December 2026, 2027 and 2028 and its upward trend have been considered in determining the expected demand for the Dabeinong Products, which are used for raising and feeding the cows owned by the Group;
- (b) the expected demand for products and services by the Group based on the Group's strategic plans for the years ending 31 December 2026, 2027 and 2028, including the expected demand for the materials and feed for maintaining the herd of cows, as well as milk powder (including any expected demand for milk powder, both within and outside of the PRC), which affects the expected transaction value of the Dabeinong Products (which include feed, additives, medicines, and milk powder to be supplied by Dabeinong Group and/or Yiyongmei Dairy to the Group) and the Yiyongmei Processing Services (through which Yiyongmei Dairy provides processing services for the production of milk powder for the Group);
- (c) the historical purchase price, existing annual caps and volume of similar products and services procured by the Group from Dabeinong Group, Yiyongmei Dairy, and other suppliers taking into account temporary circumstances such as economic environment changes, supply chain disruptions, or strategic inventory adjustments during the two years ended 31 December 2023 and 2024 and the nine months ended 30 September 2025. In particular, the historical transaction amounts under the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2024 Processing Service Framework Agreement, the 2024 Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement, each of which is set out in the section headed "Historical Transaction Amounts" above, form the reference for determining the proposed annual caps;

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## LETTER FROM THE BOARD

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- (d) the scope of the products and services to be provided by Dabeinong Group and Yiyongmei Dairy to the Group under the 2026 Dabeinong Products and Services Supply Framework Agreement. While the scope of the Dabeinong Products and the Yiyongmei Process Services under the 2026 Dabeinong Products and Services Supply Framework Agreement principally encompasses the scope of the products and services under the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2024 Processing Service Framework Agreement, the 2024 Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement, compared to the transactions under the four aforementioned agreements, the Group intends to also purchase from Daibeinong Group and Yiyongmei Dairy certain additional products pursuant to the 2026 Dabeinong Products and Services Supply Framework Agreement, including rice, eggs and seafood products (which, for the avoidance of doubt, were not provided by Dabeinong Group under the 2023 Dabeinong Group Materials Supply Framework Agreement). Therefore, when determining the proposed annual caps with reference to the existing annual caps, the Directors have also taken into account the additional transaction amounts arising out of these additional products;
- (e) the Group plans to further its feeding strategy and maintain 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, which affect the type and quantity of the Dabeinong Products, as well as the transaction value. Noting Dabeinong Products refers to products which meet the procurement standards of the Company and may covers different types of products (including feed, additives, medicines, rice, eggs and seafood products), the Directors have considered the expected composition of the products, the relevant quantity and the expected pricing of the relevant Dabeinong Products in the context of the Group's feeding strategy when determining the proposed annual caps;
- (f) the historical and current market prices of similar products and services supplied and provided by Dabeinong Group and its subsidiaries (including Yiyongmei Dairy), as well as the possible future fluctuation of the market prices of the products similar to the Dabeinong Products and services similar to the Yiyongmei Processing Services, considering that the prices of the Dabeinong Products shall be based on the relevant prevailing market price at the time of the submission of the relevant purchase order and the Company will compare quotations for similar processing services with at least two independent third parties before procuring any Yiyongmei Processing Services, from time to time; and
- (g) the Group's business plan, sales forecast and internal projections of milk powder processing volume for the three years (which will in turn have an impact on both Dabeinong Products and Yiyongmei Processing Services) ending 31 December 2026, 2027 and 2028. As disclosed in the 2025 Yiyongmei Announcement, the Company expects that the demand for milk powder will significantly increase. The Company has expanded its milk powder export trade from August 2025, under which the Group distributes either milk powder sourced from Yiyongmei Dairy or milk powder processed by Yiyongmei Dairy (as the Group's service provider). More milk powder will therefore be needed from Yiyongmei Dairy in order for the Company to receive sufficient milk powder for the Company's export operations.

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## LETTER FROM THE BOARD

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### *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.

In the event that the annual caps of the 2026 Dabeinong Products and Services Supply Framework Agreement are expected to be exceeded, the Company will revise the annual caps in accordance with the relevant Listing Rules requirements.

Further, the Group's procurement and supply center will regularly monitor the market price of products and services procured from Dabeinong Group and Yiyongmei Dairy. We note that the Group's procurement and supply center has internal control procedures to obtain quotation(s) from independent materials supplier(s) and service provider(s) prior to placing purchase orders with, or procuring services from, Dabeinong Group or Yiyongmei Dairy, through the Company's quotation system. In this regard, as discussed in the paragraph headed "(2) 2026 DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK AGREEMENT — Principal Terms" above, we understand that the Company will obtain quotations from at least two independent suppliers. We will obtain the quotations on similar products or services obtained by the Group to ensure that the purchase price offered by Dabeinong Group or Yiyongmei Dairy is no less favourable to the Group than those offered by independent third party suppliers or service providers. 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 2026 Dabeinong Products and Services 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 2026 Dabeinong Products and Services Supply Framework Agreement and confirm, among others, whether the relevant annual caps have been exceeded, 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 approximately 22.73% 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. Yiyongmei Dairy is a non-wholly owned subsidiary of Dabeinong Group. Accordingly, each of Mr. Shao, Dabeinong Group and Yiyongmei Dairy is a connected person of the Company.

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## LETTER FROM THE BOARD

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As one or more applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap under the 2026 Dabeinong Products and Services Supply Framework Agreement exceed 5%, the entering into of the 2026 Dabeinong Products and Services 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), holding 1,301,651,000 Shares, representing approximately 15.53% of the total number of issued Shares as at the Latest Practicable Date, will be required to abstain from voting at the EGM in relation to the 2026 Dabeinong Products and Services 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 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated under such agreement.

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 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated thereunder. Other than Ms. Shao, no Director is materially interested in the transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement and accordingly no Director is required to abstain from voting on the resolution(s) of the Directors to approve the 2026 Dabeinong Products and Services 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 approximately 22.73% 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.

Yiyongmei Dairy is held as to approximately 91.36% and 8.64% by Dabeinong Group and Shengmu High-tech, respectively. It is principally engaged in the manufacturing and sale of dairy products, including organic infant and other formula milk powder.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee has been established to advise the Independent Shareholders in respect of (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028.

The Board has appointed Altus Capital as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028. A letter from Altus Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 60 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, Tumotezuoqi, Hohhot, Inner Mongolia Autonomous Region, PRC on 30 December 2025 at 10:00 a.m. is set out on pages 68 to 70 of this circular. At the EGM, ordinary resolutions will be proposed to approve (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028.

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 resolutions 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](http://www.hkexnews.hk)) and the Company (<http://www.shengmuorganicmilk.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 Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and 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.

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## LETTER FROM THE BOARD

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### 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 Tuesday, 23 December 2025 to Tuesday, 30 December 2025 (both days inclusive), during which period no transfer of Shares will be effected. The record date for the EGM will be Tuesday, 30 December 2025. 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 Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 22 December 2025.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 32 to 33 of this circular and (ii) the letter from Altus Capital as set out on pages 34 to 60 of this circular.

Having taken into account the aforementioned reasons and benefits, the Board considers that (i) the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement; and (ii) the 2026 Dabeinong Products and Services 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 Shareholders as a whole, and the terms of (i) the 2026 Raw Fresh Milk Supply Framework Agreement; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, and each of their proposed annual caps are fair and reasonable. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028, as detailed in the EGM notice.

### ADDITIONAL INFORMATION

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

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



**CHINA SHENGMU ORGANIC MILK LIMITED**

**中國聖牧有機奶業有限公司**

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

**(Stock Code: 1432)**

12 December 2025

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTION IN  
RELATION TO 2026 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**

**(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO 2026  
DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK AGREEMENT  
AND TERMINATION OF THE 2024 PROCESSING SERVICE FRAMEWORK  
AGREEMENT AND THE 2025 YIYINGMEI DAIRY MILK POWDER PURCHASE  
FRAMEWORK AGREEMENT**

We have been appointed by the Board to advise the Independent Shareholders in connection with (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 12 December 2025 (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 (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028. We wish to draw your attention to the letter from the Board as set out on pages 5 to 31 of the Circular, and the letter from Altus Capital to us and the Independent Shareholders as set out on pages 34 to 60 of the Circular, which contains its advice and recommendation in respect of (i) the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, inter alia, the factors and reasons considered by, and the opinion of, Altus Capital, as stated in its aforementioned letter, we consider (i) the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement; and (ii) the 2026 Dabeinong Products and Services 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 (i) the 2026 Raw Fresh Milk Supply Framework Agreement; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, and each of their proposed annual caps are fair and reasonable.

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions to be proposed at the EGM and thereby approve (i) the 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the years ending 31 December 2026, 2027 and 2028; and (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028.

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*

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk 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

12 December 2025

*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 TRANSACTIONS:  
(1) 2026 DABEINONG PRODUCTS AND SERVICES SUPPLY FRAMEWORK  
AGREEMENT;  
AND  
(2) 2026 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement, and the transactions contemplated thereunder (including the proposed annual caps) (the “**Transactions**”), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 12 December 2025 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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## LETTER FROM ALTUS CAPITAL

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### The 2026 Dabeinong Products and Services Supply Framework Agreement

On 19 November 2025, the Company (for itself and on behalf of its subsidiaries) has entered into the 2026 Dabeinong Products and Services Supply Framework Agreement with:

- (i) Dabeinong Group (for itself and on behalf of its subsidiaries, but excluding Yiyongmei Dairy and its subsidiaries) in relation to the procurement of products (including but not limited to feed, additives, medicines, rice, eggs and seafood products) by the Group from Dabeinong Group (“**Purchase of Materials**”) for a term commencing on 1 January 2026 to 31 December 2028;
- (ii) Yiyongmei Dairy, a non wholly-owned subsidiary of Dabeinong Group (for itself and on behalf of its subsidiaries) in relation to the procurement of milk powder by the Group from Yiyongmei Dairy (“**Purchase of Milk Powder**”, together with Purchase of Materials collectively defined as “**Purchase of Dabeinong Products**”) for a term commencing on 1 January 2026 to 31 December 2028; and
- (iii) Yiyongmei Dairy, pursuant to which Yiyongmei Dairy agreed to provide processing services in relation to the production of milk powder for the Group from time to time (“**Yiyongmei Processing Services**”) for a term commencing on 1 January 2026 to 31 December 2028.

### The 2026 Raw Fresh Milk Supply Framework Agreement

On 24 November 2025, Shengmu High-tech (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, has entered into the 2026 Raw Fresh Milk Supply Framework Agreement with Inner Mongolia Mengniu (for itself and on behalf of its subsidiaries) in relation to the purchase of raw fresh milk by China Mengniu Group from the Group (“**Supply of Raw Fresh Milk**”) commencing on 1 January 2026 to 31 December 2028.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Shao Genhuo (“**Mr. Shao**”) holds 22.73% 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. Yiyongmei Dairy is a non wholly-owned subsidiary of Dabeinong Group. Accordingly, each of Mr. Shao, Dabeinong Group and Yiyongmei Dairy is a connected person of the Company. The entering into the 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM ALTUS CAPITAL

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As one or more applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap under the 2026 Dabeinong Products and Services Supply Framework Agreement exceed 5%, the entering into the 2026 Dabeinong Products and Services 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), holding 1,301,651,000 Shares, representing approximately 15.53% of the total number of issued Shares as at the Latest Practicable Date, will be required to abstain from voting at the EGM in relation to the 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated under such agreement.

Ms. Shao Lijun ("**Ms. Shao**"), 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 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated thereunder. Other than Ms. Shao, no Director is materially interested in the transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement and accordingly no Director is required to abstain from voting on the resolution(s) of the Directors to approve the 2026 Dabeinong Products and Services Supply Framework Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Inner Mongolia Mengniu is a wholly-owned subsidiary of China Mengniu. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Mengniu holds 100% equity interest in Start Great, which in turn directly holds 2,513,178,555 Shares, representing approximately 29.99% equity interest in the Company. Accordingly, each of Start Great, China Mengniu and Inner Mongolia Mengniu is a connected person of the Company. The entering into the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios under the Listing Rules in respect of the highest proposed annual caps under the 2026 Raw Fresh Milk Supply Framework Agreement exceed 5%, the entering into the 2026 Raw Fresh Milk 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. Start Great which, to the the best of the Directors' knowledge, information and belief having made all reasonable enquiry, controls the voting rights in respect of its Shares, will be required to abstain from voting at the EGM in relation to the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreement.

Mr. Chen Yiyi ("**Mr. Chen**"), a non-executive Director and chairman of the Board, is also a vice president and head of strategy management of China Mengniu. Mr. Bai Fengming ("**Mr. Bai**"), a non-executive Director, is also the general manager of the sales management center under the room-temperature products business unit of China Mengniu. Accordingly, Mr. Chen and Mr. Bai have abstained from voting on the resolution(s) of the Directors approving the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder. Other than Mr. Chen and Mr.

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## LETTER FROM ALTUS CAPITAL

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Bai, no Director is materially interested in the transactions contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement and no Director is required to abstain from voting on the resolution(s) of the Directors to approve the 2026 Raw Fresh Milk 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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated under such agreements.

### 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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the Transactions 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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the proposed annual caps for the Transactions are fair and reasonable; and (iv) how to vote in respect of the ordinary resolutions to be proposed at the EGM approving the 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement, the Transactions and the proposed annual caps (the "**Resolutions**"), taking into account the recommendations of the Independent Financial Adviser.

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser 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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the Transactions 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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the proposed annual caps for the Transactions are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the Resolutions.

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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement, the Transactions and the proposed annual caps are at market level and not conditional upon successful passing of the Resolutions at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

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## LETTER FROM ALTUS CAPITAL

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### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the 2026 Dabeinong Products and Services Supply Framework Agreement; (ii) the 2026 Raw Fresh Milk Supply Framework Agreement; (iii) the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”); 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 the Circular. 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.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background information

##### *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. It has also expanded to the milk powder export trade business since August 2025. **Shengmu High-tech** 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 (stock code: 002385.SZ) 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).

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## LETTER FROM ALTUS CAPITAL

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- **Yiyongmei Dairy**, a non wholly-owned subsidiary of Dabeinong Group, principally engaged in the manufacturing and sale of dairy products, including organic infant and other formula milk powder.
- **Inner Mongolia Mengniu** is a wholly-owned subsidiary of China Mengniu and is principally engaged in the business of manufacture and sale of dairy products.
- **China Mengniu** is a company listed on the Stock Exchange (stock code: 2319.HK) and is one of the leading dairy product manufacturers in the PRC. **China Mengniu Group** is principally engaged in manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

Given that (i) the Purchase of Materials by the Group are essential to the production of raw milk by the Group; (ii) the Purchase of Milk Powder by the Group are essential to the Group's milk powder export trade business; (iii) the Yiyongmei Processing Services provided by Yiyongmei Dairy to the Group provide flexibility to the Group's expanding milk powder export trade business; and (iv) the sale of raw milk to Inner Mongolia Mengniu by the Group is under the principal business of the Group, the Transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement and the 2026 Raw Fresh Milk Supply Framework Agreement are within the ordinary and usual course of business of the Group.

### *1.2 Key historical data of the Group*

Set out below are the key historical data of the Group which are relevant to the Transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement and the 2026 Raw Fresh Milk Supply Framework Agreement.

**Table 1**

	For the year ended		For the six months	
	31 December		ended 30 June	
	2023	2024	2024	2025
Revenue (RMB)	3,383,629,000	3,126,184,000	1,490,702,000	1,444,274,000
Sales volume (tonnes)	711,465	699,803	350,848	372,923
Average selling price (RMB/tonne)	4,756	4,467	4,249	3,872
Cost of sales (RMB)	2,358,609,000	2,200,294,000	1,096,193,000	1,079,408,000

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**LETTER FROM ALTUS CAPITAL**

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	<b>As at 31 December</b>	<b>As at</b>
	<b>2023</b>	<b>30 June</b>
		<b>2025</b>
Number of farms	34	34
Dairy cows in stock (head)	136,566	143,553
Milkable cows (heads)	64,193	64,477
Calves and heifers (heads)	72,373	79,076
Fattening cows <sup>1</sup> (heads)	<u>11,463</u>	<u>2,963</u>
Total (heads)	<u>148,029</u>	<u>146,516</u>

*Note:*

- Fattening cows refer to a type of cow that mainly produces beef, the main purpose of which is for selling.

***For the six months ended 30 June 2025 (“1H2025”) vs for the six months ended 30 June 2024 (“1H2024”)***

The Group’s sales revenue decreased from approximately RMB1,490.7 million in 1H2024 to approximately RMB1,444.3 million in 1H2025, representing a slight year-on-year decrease of approximately 3.1%. Such decrease was mainly due to the continuous decline in the selling price of raw milk as a result of the imbalance between supply and demand in the raw milk market. During 1H2025, the average selling price of raw milk decreased by approximately 8.9% from RMB4,249 per tonne in 1H2024 to approximately RMB3,872 per tonne in 1H2025.

Benefiting from the declining prices in the forage market, the Group continued to optimise feed nutrition formulas and implemented precision feeding based on the different growth stages and production needs of dairy cows. As a result, the Group’s cost of sales decreased from approximately RMB1,096.2 million in 1H2024 to approximately RMB1,079.4 million in 1H2025, representing a slight year-on-year decrease of approximately 1.5%.

As at 30 June 2025, the Group was operating 34 farms with 143,553 heads of dairy cows and 2,963 fattening cows, which was about 6.5% less than the total number of cows recorded as at 31 December 2024. The decrease was mainly relating to the number of fattening cows.

***For the year ended 31 December 2024 (“FY2024”) vs for the year ended 31 December 2023 (“FY2023”)***

The Group’s sales revenue decreased from approximately RMB3,383.6 million in FY2023 to approximately RMB3,126.2 million in FY2024, representing a year-on-year decrease of approximately 7.6%. Such decrease was mainly due to the continuous decline in the selling price of raw milk. During FY2024, the average selling price of raw milk dropped by approximately 6.1% from RMB4,756 per tonne in FY2023 to approximately RMB4,467 per tonne in FY2024.

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## LETTER FROM ALTUS CAPITAL

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In 2024, the Group was deeply committed to refined farming and focusing on operational efficiency improvement. The Group actively expanded the direct sourcing of high-quality feedstuffs and obtained high-quality raw materials at competitive prices to ensure the stability and quality of nutritional supply for dairy cows, and at the same time continuously optimized the nutritional formula of feedstuffs and accurately adjusted it according to the different stages of growth and production needs of dairy cows, thus achieving a steady decrease in feed costs. As a result, the Group's cost of sales decreased from approximately RMB2,358.6 million in FY2023 to approximately RMB2,200.3 million in FY2024, representing a year-on-year decrease of approximately 6.7%.

As at 31 December 2024, the Group was operating 34 farms with 144,448 heads of dairy cows and 12,033 fattening cows, which was about 5.7% more than the total number of cows as at 31 December 2023.

### ***Outlook***

In 2025, government support through key policy documents and industry guidance is driving the recovery and high-quality development of China's dairy and beef cow sectors. Strategic measures include financial aid, farm efficiency upgrades, improved cow breeds, and better integration of farming and processing. By 2030, the industry aims to boost milk production to 45 million tonnes, maintain over 70% self-sufficiency, and achieve high standards in farm scale, milk yield, product quality, and consumption. The Group is confident in its growth, leveraging unique resources from the Ulan Buh Desert and aligning with national policies. It plans to enhance milk quality, control costs, stabilize supply chains, and support Mengniu Group's premium organic milk business. Additionally, it will pursue a milk-meat linkage strategy to optimize asset value and build a dual-growth model, while investing in infrastructure such as breeding farms, water security, environmental upgrades, and smart farm systems to strengthen operational efficiency and industry influence.

## **2. Reasons for and benefits of the 2026 Dabeinong Products and Services Supply Framework Agreement and the 2026 Raw Fresh Milk Supply Framework Agreement**

### ***2.1 Historical background relating to the 2026 Dabeinong Products and Services Supply Framework Agreement and the 2026 Raw Fresh Milk Supply Framework Agreement***

#### ***2.1.1 The 2026 Dabeinong Products and Services Supply Framework Agreement***

- Purchase of Materials — the 2023 Dabeinong Group Materials Supply Framework Agreement

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.

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## LETTER FROM ALTUS CAPITAL

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In anticipation of the annual transaction amount between the Group and Dabeinong Group for the two years ended 31 December 2023 and 2024 would exceed the annual caps pre-determined under the 2022 Dabeinong Group Materials Supply Framework Agreement<sup>1</sup>, the 2023 Dabeinong Group Materials Supply Framework Agreement was entered into between Shengmu High-tech and Dabeinong Group in respect of the Group's purchase of materials from Dabeinong Group for a term commencing from 1 January 2023 and ending on 31 December 2025. Details of which were set out in a circular of the Company dated 14 September 2023 and the transactions contemplated under the 2023 Dabeinong Group Materials Supply Framework Agreement were approved by the then independent Shareholders at an extraordinary general meeting of the Company held on 29 September 2023.

- Purchase of Milk Powder — 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement

The 2024 Yiyongmei Dairy milk powder purchase framework agreement dated 28 March 2024 was entered into between Shengmu High-tech and Yiyongmei Dairy, in relation to the sale of milk powder by Yiyongmei Dairy to Shengmu High-tech, for a term commencing from 28 March 2024 and ending on 31 December 2025. Details of which were set out in an announcement of the Company dated 28 March 2024.

As the Company anticipates an increased demand for milk powder from Yiyongmei Dairy, on 27 August 2025, Shengmu High-tech and Yiyongmei Dairy entered into the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement, in relation to the sale of milk powder by Yiyongmei Dairy to Shengmu High-tech, for a term commencing from 28 August 2025 and ending on 31 December 2026. Details of which were set out in an announcement of the Company dated 27 August 2025.

- Processing Services — 2024 Processing Service Framework Agreement

On 28 March 2024, Shengmu High-tech entered into the 2024 Processing Service Framework Agreement with Yiyongmei Dairy, in relation to the provision of processing services by Yiyongmei Dairy in respect of the production of milk powder, for the Group for a term commencing from 28 March 2024 and ending on 31 December 2026. Details of which were set out in an announcement of the Company dated 28 March 2024.

- Section conclusion

As the 2023 Dabeinong Group Materials Supply Framework Agreement will expire on 31 December 2025, in order to enable the Group to secure quality and safety of materials supply for its normal business operations, there is a need for the Company to renew such agreement before 31 December 2025.

<sup>1</sup> The materials supply framework agreement dated 28 March 2022, 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. Details were set out in an announcement of the Company dated 23 March 2022.

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## LETTER FROM ALTUS CAPITAL

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Although the existing framework agreements to manage the Purchase of Milk Powder and the Yiyongmei Processing Services will expire by 31 December 2026, the Management believes and we concur that by consolidating the framework agreements under a single framework agreement (i.e. the 2026 Dabeinong Products and Services Supply Framework Agreement) is easier to manage going forward and a practical approach.

Accordingly, on 19 November 2025, for the purpose of replacing the 2023 Dabeinong Group Materials Supply Framework Agreement and for the purpose of efficient management of Purchase of Milk Powder and Yiyongmei Processing Services, the Company, Dabeinong Group and Yiyongmei Dairy entered into the 2026 Dabeinong Products and Services Supply Framework Agreement.

Shareholders should note that the 2024 Processing Service Framework Agreement and the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement will be terminated immediately upon the 2026 Dabeinong Products and Services Supply Framework Agreement coming into effect.

### *2.1.2 The 2026 Raw Fresh Milk Supply Framework Agreement*

The 2023 Raw Fresh Milk Supply Framework Agreement dated 17 November 2022 was entered into between Shengmu High-tech and Inner Mongolia Mengniu for a term commencing from 1 January 2023 and ending on 31 December 2025.

As the 2023 Raw Fresh Milk Supply Framework Agreement will expire on 31 December 2025, in order to enable the Group to secure sales volume of raw fresh milk and generate stable income and cash flow for the Group, it is natural and essential for Shengmu High-tech to renew such agreement before 31 December 2025.

Accordingly, on 24 November 2025, for the purpose of replacing the 2023 Raw Fresh Milk Supply Framework Agreement, Shengmu High-tech and Inner Mongolia Mengniu entered into the 2026 Raw Fresh Milk Supply Framework Agreement.

### *2.2 The 2026 Dabeinong Products and Services Supply Framework Agreement*

As described in the paragraph headed “1.1 Principal businesses of the Group and connected persons” above, (i) the Group is principally engaged in dairy farming and the sale of raw milk as well as trading milk powder for export; (ii) Dabeinong Group is a leading dairy farming materials provider and one of the largest feed pre-mix enterprises in the PRC; and (iii) Yiyongmei Dairy specialises in the production of organic infant and other formula milk powder. The close co-operation between the Group and Dabeinong Group (including Yiyongmei Dairy) enables the Group to secure stable supply of quality Dabeinong Products for its normal business operations at a fair, reasonable and competitive price, which is essential for the Group’s operations (i.e. the production of high quality raw milk and the sale of milk powder).

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## LETTER FROM ALTUS CAPITAL

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As Dabeinong Group allows the Group to take advantage of cost advantages and procurement efficiencies generated under Dabeinong Group's and Yiyongmei Dairy's centralized procurement platform, the Group will be able to efficiently source (through Dabeinong Group and Yiyongmei Dairy) to Purchase of Dabeinong Products 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 products and services. Further, by procuring Dabeinong Products via Dabeinong Group's and Yiyongmei Dairy's centralized procurement platform, the Group may be able to enjoy the benefit from any bulk purchase discounts available to Dabeinong Group and Yiyongmei Dairy, which would in turn reduce the Group's overall operational cost level.

As mentioned in the 2024 Annual Report, due to the challenging conditions, intense competition and other uncertainties in the raw milk market, the Group has adopted a cautious approach for and developed a business model to mitigate potential market risks. Under this business model, the Management believes and we concur that the selection of Dabeinong Group and Yiyongmei Dairy as co-operative partners is in line with the principle of maximizing the Group's benefits in terms of both cost-effectiveness and product quality.

In addition, in order to alleviate the pressure from the continuous downward cycle of the raw milk industry, the Company has proactively explored raw milk sales channels and also consolidating milk powder sales channel. Since August 2025, the Company promoted its milk powder export trade business and has been successful in distributing high-quality milk powder to international customers.

Given Yiyongmei Dairy is in close proximity to Shengmu High-tech in Inner Mongolia, which gives it an advantage in transportation and cost efficiency, thus preserving the products' freshness and quality. Thus, the Management believes and we concur that by procuring Yiyongmei Processing Services from Yiyongmei Dairy, the Group will be able to preserve its products' freshness and quality for the safety of the Milk Powder in a cost-efficient manner, which aligns with the Group's strategy to expand product line and distribute high-quality milk powder to international customers.

In view of the above, we concur with the Management's view that the entering into of the 2026 Dabeinong Products and Services Supply Framework Agreement is in the interests of the Company and the Shareholders as a whole.

### ***2.3 The 2026 Raw Fresh Milk Supply Framework Agreement***

The Company believes that a raw fresh milk supply relationship with China Mengniu Group (taking into account, among other things, the Group's commitment to supply on average more than 80% of the raw fresh milk it produces in each year to China Mengniu Group) will help to stabilise the price and sales volume of raw fresh milk and generate stable income and cash flow for the Group.

The Group's dairy farms are primarily located in Hohhot and Bayannur, enabling short transportation distances (generally less than approximately 80 km between the dairy farms of the Group and the dairy products manufacturing facilities of China Mengniu Group) that help preserve the freshness of raw fresh milk. This proximity not only enhances the quality of milk products manufactured by China Mengniu Group but also reduces transportation and preservation costs, making the Group's raw fresh milk more competitively priced compared to other suppliers.

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## LETTER FROM ALTUS CAPITAL

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While maintaining its focus on the production and sale of desert-based organic milk, the Group is also committed to meeting the diverse needs of its customers by developing a range of functional raw milk products. Through its collaboration with China Mengniu Group — particularly in marketing and distribution — the Group anticipates increased demand for desert-based organic milk. This partnership is expected to raise brand awareness and drive sales growth for the Group’s milk products.

We noted that the revenue generated from the sales of raw fresh milk by the Group to China Mengniu Group had been substantial and had accounted for a significant majority of the revenue of the Group in FY2023 (approximately RMB3,226.1 million, representing approximately 95.3% of the Group’s total revenue in FY2023), FY2024 (approximately RMB2,917.7 million, representing approximately 93.3% of the Group’s total revenue in FY2024) and 1H2025 (approximately RMB1,284.5 million, representing approximately 88.9% of the Group’s total revenue in 1H2025). We also noted that such arrangement (i) secured a continuing demand for the raw fresh milk produced by the Group; (ii) provided a regular revenue stream to the Group; and (iii) the price of raw fresh milk sold to China Mengniu Group was no less favourable to the Group than the price offered from independent third party customers (as described in the section headed “4.1 Key terms of the 2026 Raw Fresh Milk Supply Framework Agreement” below).

In addition, over the years, the Group had successfully established business relationship with a number of third party dairy product manufacturers in China, including New Hope Dairy Co., Ltd, Junlebao Dairy Group Co., Ltd. and Adopt A Cow Holding Group Co., Ltd and the sales volume to third party dairy product manufacturers in China had been increasing from approximately 32,000 tonnes in FY2023 to approximately 66,000 tonnes in FY2024 (representing a year-on-year increase of approximately 106%). For the nine months ended 30 September 2025, the sales volume to third party dairy product manufacturers in China already achieved approximately 95,000 tonnes. In short, should there be any change to the business relationship between the Group and China Mengniu Group, the Board believes the raw fresh milk produced by the Group can be sold to other major customers in the region.

Taking into account the above, we concur with the Management’s view that the entering into of the 2026 Raw Fresh Milk Supply Framework Agreement is in the interests of the Company and the Shareholders as a whole.

In evaluating whether the transactions contemplated under the 2026 Raw Fresh Milk Supply Agreement would result in material reliance on the China Mengniu Group, we have considered the following factors:

1. **Revenue trend** — The proportion of revenue (in monetary term) generated from the sales of raw fresh milk by the Group to China Mengniu Group in FY2023, FY2024 and 1H2025 accounted for approximately 95.3%, 93.3% and 88.9% of the Group’s total revenue for the respective periods, indicating a decreasing trend.
2. **Customer diversification** — The Group has successfully broadened its customer base by establishing relationships with third party dairy product manufacturers in China. Sales volume to these customers have grown significantly from 32,000 tonnes in FY2023 to 66,000 tonnes in FY2024 and further to 95,000 tonnes in the nine months ended 30 September 2025.

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## LETTER FROM ALTUS CAPITAL

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3. **Product diversification** — In terms of the Group’s diversified product portfolio, the Group has developed a variety of functional raw milk to meet diversified demand for raw milk, such as DHA raw milk, A2 raw milk and organic A2 raw milk, which form a part of the raw milk products to be supplied to the third party dairy product manufacturers in China.
4. **Industry concentration** — China’s liquid milk market remains highly concentrated and dominated by major players, such as, China Mengniu Group. Given China Mengniu Group’s leading position, it is expected that China Mengniu Group will continue to be a key customer for the Group’s raw milk supply.
5. **Mutually benefit** — so far as was known to the Company up to the Latest Practicable Date, desert-based organic milk is one of the product lines offered by China Mengniu Group and the Group is the largest desert-based organic raw milk producer in China. Accordingly, the supply relationship between the Group and China Mengniu Group is essential to the production and sales of China Mengniu Group’s organic milk products, including but not limited to the desert-based organic milk product line. As China Mengniu Group continues to promote and sell its desert-based organic milk products, this would enhance market awareness of and demand for desert-based organic milk, which would in turn increase China Mengniu Group’s demand for desert-based organic raw milk and benefit the Group’s sales growth.
6. **Strategical advantageous** — due to the geographical proximity of the dairy farms of the Group and the dairy products manufacturing facilities of China Mengniu Group, the Group is able to lower the Group’s costs of transportation and preservation and make the price of raw fresh milk supplied by the Group more competitive as compared to other suppliers of raw fresh milk. This cost advantage benefits both the Group and China Mengniu Group, creating a fundamental economic rationale for maintaining the relationship, thereby reducing the risk of the business relationship between the Group and China Mengniu Group being materially adversely changed or terminated; and

While the Group does maintain high level of business with China Mengniu Group, we are of the view that this business relationship is both mutual and strategically advantageous. It is noted that the Group has supplied raw fresh milk to China Mengniu Group consecutively in the past six years, it has not raised any material concern or complaint relating to the Group’s supply of raw fresh milk in the past six years and the mutual intention to deepen the business relationship as evidenced by the entering into of the 2026 Raw Fresh Milk Supply Framework Agreement. Hence, we concur with the Management that the likelihood of a significant adverse change to the business relationship with China Mengniu Group to be relatively low. In addition, with the effective internal control measures put in place and the disclosure of relevant information from time to time, we are of the view that the interests of the Company and the Shareholders are safeguarded, even in light of the high level of business associated with this strategic relationships.

### 3. Analysis of the 2026 Dabeinong Products and Services Supply Framework Agreement

To assess the fairness and reasonableness of the terms of the 2026 Dabeinong Products and Services Supply Framework Agreement, we have considered the followings.

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## LETTER FROM ALTUS CAPITAL

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### **3.1 Key terms of the 2026 Dabeinong Products and Services Supply Framework Agreement**

For details of the terms of the 2026 Dabeinong Products and Services Supply Framework Agreement, please refer to the “Letter from the Board” of the Circular. In particular, we have reviewed the following principal terms:

- (i) The amount of products purchased and services required 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 and Yiyongmei Dairy.

We have performed random sample checks as further elaborated in the paragraph headed “3.2 Internal control measures” below and noted that the amount of products and services purchased are being charged according to the written orders placed by the Group with Dabeinong Group and Yiyongmei Dairy.

We also noted that there is no minimum order requirement set by Dabeinong Group and Yiyongmei Dairy and there is no obligation for the Group to purchase up the maximum amount (i.e. the proposed annual caps) as described in the 2026 Dabeinong Products and Services Supply Framework Agreement.

- (ii) Purchase price of the products and services shall be based on the prevailing market price at the time of each purchase order submitted by the Company to Dabeinong Group or Yiyongmei Dairy. Dabeinong Group and Yiyongmei Dairy undertake to sell at a price which is no higher than the market price of similar products and services. For the purpose of determining the prevailing market price, the Company shall request quotations from at least two independent suppliers (excluding Dabeinong Group and Yiyongmei Dairy). If the price of the product supplied by Dabeinong Group and Yiyongmei Dairy in the same period is higher than the market price of the product or the price supplied by Dabeinong Group and Yiyongmei Dairy to a third party, Shengmu High-tech shall have the right to adjust the price of an executed order, and Dabeinong Group and Yiyongmei Dairy agree that the Company may deduct the difference from the payment due to Dabeinong Group and Yiyongmei Dairy.

The Company will review the price, quality and safety of the products and services from time to time to ensure that the products and services 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 have performed random sample checks as further elaborated in the paragraph headed “3.2 Internal control measures” below and noted that the Company had obtained quotations from two independent suppliers for materials and services or by reference to publicly available source data prior to placing the orders. We have compared such quotations/prices with the purchase price offered by Dabeinong Group and Yiyongmei Dairy and noted that such purchase price is no less favourable to the Group than those offered by independent third parties or by reference to publicly available source data.

Taking into account the above, in particular, (i) the Company will obtain at least two quotations or by reference to publicly available source data for its purchases and keep track of the market prices of its required products and services 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.

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## LETTER FROM ALTUS CAPITAL

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- (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 “3.2 Internal control measures” below and noted that the payment was made according to the written orders placed by the Company with Dabeinong Group and Yiyongmei Dairy 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 and Yiyongmei Dairy provide an assurance to the Company on the continued supply of products and services, which is essential for its operation; (iii) there is no obligation for the Company to order the maximum quantity of products and services; (iv) the purchase price offered by Dabeinong Group and Yiyongmei Dairy is no less favourable to the Group than those offered by independent third suppliers; and (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, we consider the terms of the 2026 Dabeinong Products and Services 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.

### ***3.2 Internal control measures***

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 “3.1 Key terms of the 2026 Dabeinong Products and Services Supply Framework Agreement” above, we have checked:

- the top five purchase orders and an additional five randomly selected purchase orders placed for the Purchase of Materials for the two years ended 31 December 2024 and for the nine months ended 30 September 2025 (i.e. a total of 30 purchase orders) and cross-checked the pricing against the same materials from independent third party suppliers obtained through the Company’s quotation system;
- all seven purchase orders placed for the Purchase of Milk Powder for the year ended 31 December 2024 and for the six months ended 30 June 2025 and cross-checked the pricing against the same products as quoted from publicly available source data (<https://www.dairyonline.cn/>); and
- the one and only purchase order placed for the Yiyongmei Processing Services during the year ended 31 December 2024 and cross-checked the pricing against the same services from independent third party suppliers obtained through the Company’s quotation system.

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## LETTER FROM ALTUS CAPITAL

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Considering that the transaction samples obtained and reviewed (i) cover the period of the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the 2024 Processing Service Framework Agreement; and (ii) include various types of materials and services provided by the Group under the aforesaid agreements, we believe that the sample size of the transaction samples is fair and representative and sufficient to illustrate that the Group's internal control policies and procedures have been adhered to and comply with the pricing mechanism as prescribed in the aforesaid agreements.

We noted that the pricing mechanism had been adhered to with and the prices of the products and services offered by Dabeinong Group and Yiyongmei Dairy were either the same or better than those offered by the independent third party suppliers.

We also noted that the Group has internal control procedures to obtain quotation(s) from independent materials supplier(s) or by reference to publicly available source data prior to placing purchase orders with Dabeinong Group and Yiyongmei Dairy. In this regard, as discussed in the paragraph headed "3.1 Key terms of the 2026 Dabeinong Products and Services Supply Framework Agreement" above, we understand that the Company has obtained quotations from at least two independent suppliers or cross-checked by reference to publicly available source data. We have sighted quotations on similar products obtained by the Group or market prices based on the publicly available source data and noted that the purchase prices offered by Dabeinong Group and Yiyongmei Dairy are no less favourable to the Group than those offered by independent third party suppliers.

In addition, the audit committee of the Board will conduct annual review of the transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement to ensure completeness and effectiveness of the internal control measures relating to the continuing connected transactions of the Group. In this regard, we note from the 2024 Annual Report that the external auditors of the Company and the independent non-executive Directors had conducted annual review of the continuing connected transactions contemplated under the 2023 Dabeinong Group Materials Supply Framework Agreement and there were no adverse findings under such annual review.

In view of the above, we concur with the Management's view that the Group's internal control measures in relation to the transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement and the monitoring of the annual caps is effective and sufficient.

### ***3.3 The proposed annual caps***

To assess the fairness and reasonableness of the proposed annual caps relating to the Transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement, we have considered the followings:

#### ***3.3.1 Historical annual caps***

Below is a table setting out (i) the historical transaction amounts; (ii) the historical annual caps as prescribed in the 2023 Dabeinong Group Materials Supply Framework Agreement, the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the 2024 Processing Service Framework Agreement; and (iii) the actual transaction amount for the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2025 respectively.

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**LETTER FROM ALTUS CAPITAL**

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**Table 2**

	For the year ended 31 December		For the year ending 31 December	
	2023	2024	2025	2026
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
<b>Purchase of Materials</b>				
Historical annual caps under the 2023 Dabeinong Group Materials Supply Framework Agreement	300	300	300	NA
Actual purchased	211.5	247.8	204.0 <i>(Note 1)</i>	NA
Utilisation rate	70.5%	82.6%	68.0% <i>(Note 2)</i>	NA
<b>Purchase of Milk Powder</b>				
Historical annual caps under the 2025 Yiyongmei Dairy Milk Powder Purchase Framework Agreement	NA	30	115	115
Actual purchased	NA	1.5	44.8 <i>(Note 1)</i>	NA
Utilisation rate	NA	5.0%	39.0% <i>(Note 2)</i>	NA
Total Purchase of Dabeinong Products annual caps	NA	330	415	NA
<b>Yiyongmei Processing Services</b>				
Historical annual caps under the 2024 Processing Service Framework Agreement	NA	21	17	11
Actual purchased	NA	2.6	0.0 <i>(Note 1)</i>	NA
Utilisation rate	NA	12.4%	0.0% <i>(Note 2)</i>	NA
<b>Total historical annual caps</b>	<b>NA</b>	<b>351</b>	<b>432</b>	<b>NA</b>

*Notes:*

1. The actual purchased amount is for the nine months ended 30 September 2025.
2. The utilisation rate for the year ending 31 December 2025 is calculated based on the actual transaction amount for the nine months ended 30 September 2025 and divided by the annual cap for the year ending 31 December 2025.

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## LETTER FROM ALTUS CAPITAL

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As shown in Table 2 above, the utilisation rates of historical annual caps for Purchase of Materials were relatively high at approximately 70.5%, 82.6% and 68.0% for the years ended 31 December 2023 and 2024 respectively and for the nine months ended 30 September 2025. The increase between FY2023 and FY2024 was due mainly to the number of cows raised by the Group as shown in Table 1 above. The actual amount of purchase for the nine months ended 30 September 2025 was about the same as the amount purchased for the year ended 31 December 2023 due to similar number of cows raised by the Group. Assuming the number of cows raised by the Group are steady during the year ending 31 December 2025, the annualized utilisation rate of Purchase Materials for the year ending 31 December 2025 would be approximately 90.7%.

As shown in Table 2 above, the utilisation rate of historical annual cap for Purchase of Milk Powder was relatively low at approximately 5.0% for the year ended 31 December 2024. This phenomenon was due to the price for milk powder in China was under intensive competition in the past few years, the need to source milk powder from Yiyongmei Dairy or milk powder processed by Yiyongmei Dairy (as the Group's service provider) was low. As the Group expanded its milk powder export trade since August 2025, the utilisation rate of historical annual cap for Purchase of Milk Powder for the nine months ended 30 September 2025 rose to approximately 39.0%.

As shown in Table 2 above, the utilisation rate of historical annual cap for Process Service was relatively low at approximately 12.4% for the year ended 31 December 2024. This phenomenon was due to the price for milk powder in China was under intensive competition in the past few years, the need to procure Yiyongmei Processing Services to process milk powder from Yiyongmei Dairy (as the Group's service provider) was low. In addition, as there were demand for the Group's raw fresh milk, the Group would opt to sell raw fresh milk to satisfy their customers' demand rather than procuring Yiyongmei Processing Services to produce milk powder. In other words, the Group would procure Yiyongmei Processing Services to produce milk powder due to having excess raw fresh milk. Since there were no excess raw fresh milk for the nine-months ended 30 September 2025, the utilisation rate of historical annual cap for Yiyongmei Processing Services for such period was 0.0%.

### 3.3.2 The Proposed Annual Caps

The table below sets out the Proposed Annual Caps in relation to the Transactions contemplated under the 2026 Dabeinong Products and Services Supply Framework Agreement.

**Table 3**

	<b>For the year ending 31 December</b>		
	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Proposed annual caps for Purchase of Dabeinong Products:			
— relating to Purchase of Materials	415	430	445
— relating to Purchase of Milk Powder	300	300	300
Proposed annual caps for Yiyongmei Processing Services	115	130	145
	17	11	11
<b>Total proposed annual caps</b>	<b>432</b>	<b>441</b>	<b>456</b>

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## LETTER FROM ALTUS CAPITAL

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In determining the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028 in relation to the Purchase of Dabeinong Products and Yiyongmei Processing Services by the Group from Dabeinong Group and Yiyongmei Dairy, we noted that the Directors have considered:

### 3.3.2.1 Purchase of Materials

In short, the proposed annual caps are derived by multiplying the number of cows to be raised by the Group with the types of materials required for raising the herd and the expected prices of the materials. In particular, we have considered and observed the following factors:

- (i) the amount of past transactions for similar materials purchased by the Group from Dabeinong Group;

We have reviewed the historical actual transaction amount and the relatively high utilisation rate of the historical annual caps as described in the section headed “3.3.1 Historical annual caps” above. We considered the historical amount to be a fair and reasonable reference for determining the proposed annual caps for the Purchase of Materials.

- (ii) the Group’s expected number of cows for the three years ending 31 December 2026, 2027 and 2028 respectively;

As described in the section headed “1.2 Key historical data of the Group” above, we noted the number of cows raised by the Group remained steady in FY2023, FY2024 and 1H2025 (on average 150,000 heads). In addition, we understand from the Management that the number of cows raised and to be raised by the Group will remain steady going forward. Hence, we considered the Management using the historical number of cows raised by the Group to derive the expected demand for materials for the three years ending 31 December 2026, 2027 and 2028 respectively as fair and reasonable.

- (iii) the expected demand for materials based on the Group’s strategic plans for the three years ending 31 December 2026, 2027 and 2028 respectively; and

As described in the section headed “1.2 Key historical data of the Group” above, we noted that the Group would continue to optimise feed nutrition formulas and implemented precision feeding based on the different growth stages and production needs of dairy cows. We have reviewed the historical breakdown of the Purchase of Materials (in terms of the types of feeds, additives, their quantity) and considered the Management using such historical data and with reference to the expected number of cows to be raised by the Group to derive the expected demand for materials for the three years ending 31 December 2026, 2027 and 2028 respectively as fair and reasonable.

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- (iv) the historical and current market prices of similar materials supplied by Dabeinong Group and other independent suppliers; and the possible future fluctuation in the PRC dairy farming industry.

As described in the section headed “1.2 Key historical data of the Group” above, the Group’s cost of sales had been successfully controlled with slight reduction due to the herd size and lower cost of the feeds and related products. We noted that in order to further enhance milk yield based on the existing herd size, the composition of various materials will be adjusted for efficiency and effectiveness. We have reviewed the historical and current market prices of the materials and the expected composition of materials and considered the Management using such data and with reference to the expected number of cows to be raised by the Group to derive the expected demand for materials for the three years ending 31 December 2026, 2027 and 2028 respectively as fair and reasonable.

Based on the actual purchase amount of approximately RMB204 million for the nine months ended 30 September 2025, the projected annual amount of Purchase of Materials for the year ending 31 December 2025 is estimated at around RMB271 million. We considered that it is fair and reasonable for the Management to accommodate potential fluctuations inherent in the PRC farming industry with a headroom of approximately 10% on the proposed amount relating to Purchase of Materials so as to cater for the anticipated growth in herd size as described in the “Letter from the Board” (supported by the Group’s historical annual birth rate of the herd of about 7%), as well as the expected increases in material costs, aligned with a 5.3% year-on-year GDP growth for the first half of 2025 reported by China’s National Bureau of Statistics.

### 3.3.2.2 Purchase of Milk Powder

In short, the proposed annual caps are derived by multiplying the projected demand for milk powder and the expected prices of the milk powder. In particular, we have considered and observed the following factors:

- (i) the amount of past transactions for milk powder purchased by the Group (from Yiyongmei Dairy as well as other suppliers);

We have reviewed the historical actual transaction amount and the reason for the low utilisation rate of the historical annual caps as described in the section headed “3.3.1 Historical annual caps” above. Notwithstanding the small historical amount in FY2024, such amount represents the domestic sale of milk powder by the Group. With the Group commenced to conduct export trade milk powder business in August 2025, the utilisation rate of the historical annual cap rose to approximately 39%. We considered such historical data to be a fair and reasonable reference when determining the proposed annual caps for the Purchase of Milk Powder.

- (ii) the Group’s business plan, sales forecast and internal projections of the demand for export trade milk powder for the three years ending 31 December 2026, 2027 and 2028 respectively; and

We have reviewed the Group’s business plan, in particular, in relation to the sales forecast and internal projections of the demand for export trade milk powder for the three years ending 31 December 2026, 2027 and 2028 respectively. Taking into account the actual transactions amount of export trade milk powder for the two months ended 30 September 2025 and the Company has proactively explored export trade milk powder sales channel

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with different overseas customers to derive their internal projections, we considered such data to be a fair and reasonable reference when determining the proposed annual caps for the Purchase of Milk Powder.

- (iii) the historical and current market prices of milk powder of similar quality, as well as the potential fluctuation in the market price for milk powder in the future; and the possible future fluctuation in the PRC dairy farming industry.

We have reviewed the historical and current market prices of milk powder of similar quality and noted that the prices were relatively stable with a gradual increasing trend. Accordingly, we are of the view that the Management uses such historical data and with reference to the sales forecast to derive the expected demand for milk powder for the three years ending 31 December 2026, 2027 and 2028 respectively as fair and reasonable.

Based on the actual purchase amount of approximately RMB44.8 million for milk powder export during the two months ended 30 September 2025, the annualised amount of Purchase of Milk Powder may exceed RMB260 million. This reflects the strong momentum following the Group's successful entry into the export trade milk powder business in August 2025 and its proactive efforts to establish sales channel with different overseas customers. In light of this growth trajectory, we concur with the Management's proposal to set an expected amount of Purchase of Milk Powder of RMB115 million for the three years ending 31 December 2026, 2027 and 2028. This expected amount representing less than half of the annualised amount of Purchase of Milk Powder, provides a fair and reasonable framework that balances anticipated expansion with effective management.

### 3.3.2.3 Yiyongmei Processing Services

In short, the proposed annual caps are derived by multiplying the projected demand for processing service and the expected price of the processing service. In particular, we have considered and observed the following factors:

- (i) the Group's business plan, sales forecast and internal projections of the demand for export trade milk powder for the three years ending 31 December 2026, 2027 and 2028 respectively;

We have reviewed the Group's business plan, in particular, in relation to the sales forecast and internal projections of the demand for export trade milk powder for the three years ending 31 December 2026, 2027 and 2028 respectively. Based on such data, the Management estimates the amount of milk powder to be purchased from external suppliers and the amount of raw fresh milk produced by the Group that may be available and require to procure Yiyongmei Processing Services to produce milk powder.

- (ii) the amount of past transactions for processing service required by the Group (from Yiyongmei Dairy as well as other suppliers); and

We have reviewed the historical transaction amounts and the reasons behind the low utilisation rates of the annual caps, as described in section "3.3.1 Historical annual caps" above. Although the utilisation rates in FY2024 and the nine months ended 30 September 2025 were relatively low, primarily due to the limited volume of excess raw fresh milk produced by the Group that required Yiyongmei Processing Services from Yiyongmei Dairy,

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we considered that it is fair and reasonable for the Group to maintain certain capacity for such Yiyongmei Processing Services. This ensures flexibility in situations where excess raw fresh milk produced by the Group cannot be promptly absorbed by the Group's dairy product manufacturers.

Based on the historical average annual output volume of raw fresh milk produced during the past two years ended 31 December 2024 and the nine months ended 30 September 2025 of approximately 750,000 tonnes, the estimated amount of raw fresh milk produced by the Group which may require to procure Yiyongmei Processing Services during each of the three years ending 31 December 2028 is less than 0.5% (3,400 tonnes in 2026, 2,200 tonnes in 2027 and 2,200 tonnes in 2028) of the expected average annual production output volume of raw fresh milk of the Group. As a contingency measure and the Yiyongmei Processing Services provide the Group with flexibility to convert its excess raw fresh milk produced by the Group that cannot be promptly absorbed by the Group's dairy product manufacturers to milk powder, we are of the view that by adopting such estimated amount of raw fresh milk which may require processing services as fair and reasonable.

- (iii) the historical and current market prices for processing service, as well as the potential fluctuation in the future; and the possible future fluctuation in the PRC dairy farming industry.

We have reviewed the historical and current market prices of Yiyongmei Processing Services (about RMB4,700 per tonne). Accordingly, we are of the view that the Management uses such historical data and with reference to the sales forecast to derive the expected demand for Yiyongmei Processing Services for the three years ending 31 December 2026, 2027 and 2028 respectively as fair and reasonable.

Taking into account above, we are of the view that the proposed annual caps for Purchase of Dabeinong Products and Yiyongmei Processing Services are fair and reasonable.

#### **4. Analysis of the 2026 Raw Fresh Milk Supply Framework Agreement**

To assess the fairness and reasonableness of the terms of the 2026 Raw Fresh Milk Supply Framework Agreement, we have considered the followings.

##### ***4.1 Key terms of the 2026 Raw Fresh Milk Supply Framework Agreement***

For details of the terms of the 2026 Raw Fresh Milk Supply Framework Agreement, please refer to the "Letter from the Board" of the Circular. In particular, we have reviewed the following principal terms:

- (i) The amount of raw fresh milk to be supplied by the Group to China Mengniu Group shall be agreed in advance based on a monthly milk supply plan and the daily delivery amount is determined by the amount as weighted by China Mengniu Group.

We have performed random sample checks as further elaborated in the paragraph headed "4.2 Internal control measures" below and noted that the amount of raw fresh milk was supplied according to the agreed monthly milk supply plan.

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We also noted that there is a commitment made by the Group to China Mengniu Group, whereby the Group will ensure that on average more than 80% of the raw fresh milk it produces in each year will be sold to China Mengniu Group. We have reviewed the sales volume and the amount supplied China Mengniu and noted that it had fulfilled this requirement.

- (ii) Payment shall be settled in cash on a monthly basis in accordance with the purchase amount of raw fresh milk.

We have performed random sample checks as further elaborated in the paragraph headed “4.2 Internal control measures” below and noted that the payment was made according to the purchased amount of raw fresh milk and similar to the payment terms made by the Group with independent third party customers.

- (iii) Purchase price and pricing mechanism

The purchase price of raw fresh milk to be sold by the Group to China Mengniu Group under the Raw Fresh Milk Supply Framework Agreement shall be determined by aggregating the Base Price (as defined in the “Letter from the Board”) and the logistic subsidy (as detailed in the “Letter from the Board”) and adjusted by the Adjustments (as defined in the “Letter from the Board”).

We have performed random sample checks as further elaborated in the paragraph headed “4.2 Internal control measures” below and noted that the purchase price was determined by reference to the Base Price at the relevant time and adjusted by logistical subsidy and the quality and rating of raw fresh milk (by reference to the level of protein, fat contents, somatic cell count, microorganism count and freezing point).

In light of the above, (i) the amount supplied is based on the pre-agreed monthly milk supply plan; (ii) the purchase price and the pricing mechanism offered by China Mengniu Group is no less favourable to the Group than those offered by independent third customers; and (iii) the payments are settled in cash on a monthly basis and similar to the payment terms made by other independent third party customers with the Group, we consider the terms of the 2026 Raw Fresh Milk 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.

### **4.2 Internal control measures**

In view of the general monitoring measures as described in the section headed “3.2 Internal control measures” above, and as mentioned in the paragraph headed “4.1 Key terms of the 2026 Raw Fresh Milk Supply Framework Agreement” above, we have checked:

- the top five orders and an additional five randomly selected orders placed under the 2023 Raw Fresh Milk Supply Framework Agreement for each of the year ended 31 December 2023, 2024 and for the nine months ended 30 September 2025 (i.e. a total of 30 transaction samples) and cross-checked the pricing against the same types of raw fresh milk supplied for independent third party customers obtained through the Company’s quotation system.

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Considering that the transaction samples obtained and reviewed (i) cover the period of the 2023 Raw Fresh Milk Supply Framework Agreement; and (ii) include various types of raw fresh milk by the Group under the aforesaid agreement, we believe that the sample size of the transaction samples is fair and representative and sufficient to illustrate that the Group's internal control policies and procedures have been adhered to and comply with the pricing mechanism as prescribed in the aforesaid agreement.

We noted that the pricing mechanism had been adhered to with and the prices of the raw fresh milk offered by the Group to China Mengniu Group was either the same or no more favourable than those offered by the independent third party customers.

In addition, the audit committee of the Board will conduct annual review of the transactions contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement to ensure completeness and effectiveness of the internal control measures relating to the continuing connected transactions of the Group. In this regard, we note from the 2024 Annual Report that the external auditors of the Company and the independent non-executive Directors had conducted annual review of the continuing connected transactions contemplated under the 2023 Raw Fresh Milk Supply Framework Agreement and there were no adverse findings under such annual review.

In view of the above, we concur with the Management's view that the Group's internal control measures in relation to the transactions contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement and the monitoring of the annual caps are effective and sufficient.

### **4.3 The proposed annual caps**

To assess the fairness and reasonableness of the proposed annual caps relating to the Transactions contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement, we have considered the followings.

#### **4.3.1 Historical annual caps**

Below is a table setting out (i) the historical transaction amounts; (ii) the historical annual caps; and (iii) the actual transaction amount for the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2025 respectively.

**Table 4**

	<b>For the year ended/ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Historical annual caps for Supply of Raw Fresh Milk	3,400	4,300	5,000
Actual transaction amount	3,226.1	2,917.7	1,921.1
			<i>(Note 1)</i>
Utilisation rate	94.9%	67.9%	38.4%
			<i>(Note 2)</i>

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Notes:

1. The actual purchased amount is for the nine months ended 30 September 2025.
2. The utilisation rate for the year ending 31 December 2025 is calculated based on the actual transaction amount for the nine months ended 30 September 2025 and divided by the annual cap for the year ending 31 December 2025.

As shown in the table above, the utilisation rates of historical annual caps for Supply of Raw Fresh Milk were relatively high at approximately 94.9%, 67.9% and 38.4% for the years ended 31 December 2023 and 2024 respectively and for the nine months ended 30 September 2025. The decrease in monetary term between FY2023 and FY2024 was due mainly to the continuous decline in the selling prices of raw milk as described in the section headed “1.2 Key historical data of the Group” above. This decreasing trend in monetary term continued in the nine months ended 30 September 2025. However, we noted that the volume of raw fresh milk supplied to China Mengniu Group during the two years ended 31 December 2024 and the nine months ended 30 September 2025 remained steady on average at about 650,000 tonnes per year.

### 4.3.2 The Proposed Annual Caps

Table 5 below sets out the Proposed Annual Caps in relation to the Supply of Raw Fresh Milk contemplated under the 2026 Raw Fresh Milk Supply Framework Agreement.

**Table 5**

	<b>For the year ending 31 December</b>		
	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Proposed annual caps for Supply of Raw Fresh Milk	3,500	4,000	4,500

In short, the proposed annual caps are derived by estimating the overall raw fresh milk output based on the number of milkable cows of the Group, then multiplying 80% as the Group's commitment with the expected purchase price for raw fresh milk. In particular, we have considered and observed the following factors:

- (i) the historical transaction amounts of raw fresh milk sold by the Group to China Mengniu Group for the two years ended 31 December 2023, 2024 and the nine months ended 30 September 2025 respectively, as mentioned above.

We have reviewed the historical actual transaction amount and the utilisation rate of the historical annual caps as described in the section headed “4.3.1 Historical annual caps” above. We considered the historical amount to be a fair and reasonable reference for determining the proposed annual caps for the Supply of Raw Fresh Milk.

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- (ii) the expected number of milkable cows of the Group and the expected overall sales volume of raw fresh milk by the Group for the three years ending 31 December 2026, 2027 and 2028;

As described in the section headed “1.2 Key historical data of the Group” above, we noted the number of milkable cows raised by the Group remained steady in FY2023, FY2024 and 1H2025 (on average about 64,000 heads). As disclosed in the 2024 Annual Report, the milk yield per milkable cow reached 12.05 tonnes (i.e. about 0.8 million tonnes in 2024), representing a year-on-year increase of 0.67 tonnes (approximately 6%). Accordingly, we believe such data is a fair and reasonable reference to derive the estimated overall raw fresh milk output to increase from 0.8 million tonnes at the rate of 6% per year, and in turn, will form the basis to derive the expected sales volume as discussed in (iii) below. In addition, by efficiently and effectively managing the use of feeds, the milk yield is expected to be further enhanced year-on-year.

- (iii) the expected sales volume of raw fresh milk to China Mengniu Group taking into account, among other things, the Group’s commitment to supply on average more than 80% of the raw fresh milk it produces in each year to China Mengniu Group; For illustration, by applying 88% of the raw fresh milk produced will supply China Mengniu Group (i.e. the proportion of revenue generated from the sales of raw fresh milk by the Group to China Mengniu Group in 1H2025), the expected sales volume will be about 0.7 million tonnes, 0.8 million tonnes and 0.8 million tonnes in 2026, 2027 and 2028 respectively; and
- (iv) the historical and prevailing purchase price for raw fresh milk paid by China Mengniu Group and the possible future fluctuation in price of dairy products in the PRC.

We have reviewed the historical and prevailing market prices of raw fresh milk of similar quality. In particular, we noted the market prices of raw fresh milk has since August 2025 begun to increase at an average rate of approximately 6%. Considering this upward shift and the historical price patterns, we believe it is fair and reasonable to project raw milk prices for the three years ending 31 December 2026, 2027 and 2028 using the average purchase prices for the years ended 31 December 2023 and 2024 and for the nine months ended 30 September 2025 of RMB4,460 per tonne as the base and applying an annual growth rate of 6% to reflect the recent upward trend. Accordingly, we are of the view that the Management using the historical data, the expected market prices and the expected sales volume (with an enhanced yield increase at 6% per year) to derive the expected sales of raw fresh milk for the three years ending 31 December 2026, 2027 and 2028 respectively as fair and reasonable.

Taking into account above, we are of the view that the proposed annual caps for Supply of Raw Fresh Milk are fair and reasonable.

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### RECOMMENDATIONS

Having considered the above principal factors, we are of the view that (i) the 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the Transactions 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 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement and the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the proposed annual caps for the Transactions 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 Resolutions relating to the 2026 Dabeinong Products and Services Supply Framework Agreement, the 2026 Raw Fresh Milk Supply Framework Agreement, the Transactions 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 advisory 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 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 C3 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	173,328,580	2.07%

Mr. Zhang has a beneficial interest in a total of 173,328,580 Shares, including 5,396,000 outstanding unvested Shares and 29,802,580 vested Shares under the Company's share award scheme.

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	Beneficial owner	2,513,178,555	29.99%
China Mengniu Dairy	Interest of a controlled corporation	2,513,178,555	29.99%
China Modern Dairy <sup>(1)</sup>	Beneficial owner	2,194,142,512	26.18%
Nong You	Beneficial owner	1,301,651,000	15.53%
Beijing Zhi Nong	Interest of a controlled corporation	1,301,651,000	15.53%
Shao Genhuo	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%

*Notes:*

1. On 30 October 2025, China Modern Dairy entered into (i) conditional share purchase agreements to acquire a total of 107,200,000 Shares and (ii) a voting rights agreement under which China Modern Dairy was irrevocably granted proxy to exercise voting rights in respect of 2,086,942,512 Shares held by Start Great (the “**Proxy Shares**”).

As disclosed in the MGO Announcement, China Modern Dairy, Start Great and China Mengniu entered into the voting rights agreement, pursuant to which Start Great has irrevocably granted a proxy in favour of China Modern Dairy in relation to the Proxy Shares, representing approximately 24.90% of the total issued share capital of the Company as at the Latest Practicable Date.

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

As disclosed in the MGO Announcement, pursuant to the terms of the voting rights agreement, China Modern Dairy has agreed not to exercise the voting rights attached to the Proxy Shares without the prior written consent of China Mengniu during the period between the date of the voting rights agreement and the date of the Relevant Determination (as defined in the MGO Announcement) (or the date of termination of the voting rights).

In light of the above, all Shares held by Start Great and its associates (including the Proxy Shares) will not be allowed to vote on resolution(s) relating to the 2026 Raw Fresh Milk Supply Framework Agreement at the EGM.

2. Greenbelt Global Limited is held as to approximately 99.35% by BPEA Private Equity Fund V, L.P. BPEA Private Equity GP V, L.P., is the general partner of BPEA Private Equity Fund V, L.P. BPEA EQT Holdings AB is the sole shareholder of BPEA Private Equity GP V Limited, which is also the general partner of BPEA Private Equity GP V, L.P.. BPEA EQT Holdings AB is wholly-owned by EQT AB, which is listed on Nasdaq Stockholm.

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. CHEN Yiyi, a non-executive Director and chairman of the Board, is currently a vice president and head of strategy management of China Mengniu. Mr. Chen is also the non-executive director of China Modern Dairy. Mr. ZHANG Ping, a non-executive Director, is also a non-executive director of China Modern Dairy. Mr. BAI Fengming, a non-executive Director, is also the general manager of the sales management center under the room-temperature products business unit of China Mengniu. Ms. Shao Lijun, a non-executive Director, is also a director of Nong You and general manager of Beijing Zhi Nong. 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 CONTRACTS

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 2024 (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:

- (i) on 15 August 2023, Shengmu High-tech entered into a materials supply framework agreement with Dabeinong Group in relation to the purchase of materials by the Group from Dabeinong Group for a term of period up to 31 December 2025, details of which are set out in the announcement of the Company dated 15 August 2023;
- (ii) on 28 March 2024, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into a processing service framework agreement with Yiyongmei Dairy for a term up to 31 December 2026, details of which are set out in the announcement of the Company dated 28 March 2024;
- (iii) on 30 December 2024, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into a raw fresh milk supply framework agreement with Modern Farming (Group) Co., Ltd.\* (現代牧業(集團)有限公司) for a term up to 31 December 2027, details of which are set out in the announcement of the Company dated 30 December 2024;
- (iv) on 30 December 2024, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into a materials supply framework agreement for a term up to 31 December 2027, details of which are set out in the announcement of the Company dated 30 December 2024; and
- (v) on 27 August 2025, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into a milk powder purchase framework agreement with Yiyongmei Dairy in relation to the purchase of milk powder by the Group from Yiyongmei Dairy for a term of period from 28 August 2025 to 31 December 2026, details of which are set out in the 2025 Yiyongmei Announcement.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the loss attributable to owners of the parent company during the six months ended 30 June 2025 of approximately RMB51.3 million, details of which are disclosed in the interim results announcement of the Company dated 27 August 2025, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2024, 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. Shengmu High-tech had lodged an appeal against the first-instance judgment with the High People's Court of Inner Mongolia Autonomous Region (the "**Appeal Court**"). On 28 July 2025, the Board received a copy of the final judgment issued by the Appeal Court dated 23 July 2025, which significantly reduced the sum awarded to the plaintiff and decided against other claims made by the plaintiff. After taking into account the legal advice by the Group, the Group had adjusted the provision for litigations and claims amounting to RMB39.4 million in the unaudited consolidated financial statements of the Group for the six months ended 30 June 2025. For further details, please refer to the announcement published by the Company on 1 August 2025, and the Company's 2024 annual report and 2025 interim report.

## 6. COMPETING INTERESTS

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

Mr. CHEN Yiyi, a non-executive Director and the Chairman of the Board, is currently a vice president and head of strategy management of China Mengniu and is responsible for its strategic and investment management. Mr. CHEN is also the non-executive director of China Modern Dairy and assumed the role of the chairman of the board of China Modern Dairy with effect from 1 September 2025, and a director and the chairman of the board of directors of Shanghai Milkground Food Tech Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600882).

Mr. ZHANG Ping is a non-executive director of China Modern Dairy.

Mr. BAI Fengming, a non-executive Director, is also the general manager of the sales management center under the room-temperature products business unit of China Mengniu.

Ms. Shao Lijun, a non-executive Director, is also a director of Nong You and general manager of Beijing Zhi Nong.

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:

<b>Name</b>	<b>Qualification</b>
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 2024, 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

- (i) The company secretary of the Company is Mr. Li Kwok Fat.
- (ii) The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (iii) 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.
- (iv) 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](http://www.hkexnews.hk)) and the Company (<http://www.shengmuorganicmilk.com>) for a period of 14 days from the date of this circular (inclusive):

- (i) the 2026 Raw Fresh Milk Supply Framework Agreement;
- (ii) the 2026 Dabeinong Products and Services Supply Framework Agreement;
- (iii) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (iv) the letter from Altus Capital, being the Independent Financial Advisor, the text of which is set out in this circular; and
- (v) the written consent letter from Altus Capital as referred to in the paragraph headed “7. Expert and Consent” in this appendix.



**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 30 December 2025 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. “**THAT**

- (a) the raw fresh milk supply framework agreement dated 24 November 2025 (the “**2026 Raw Fresh Milk Supply Framework Agreement**”) entered into between 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 Inner Mongolia Mengniu Dairy (Group) Company Limited (內蒙古蒙牛乳業(集團)股份有限公司) (“**Inner Mongolia Mengniu**”) (for itself and on behalf of its subsidiaries), in relation to the purchase of raw fresh milk by Inner Mongolia Mengniu and its subsidiaries from the Group for a three-year term from 1 January 2026 to 31 December 2028, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028 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 2026 Raw Fresh Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the years ending 31 December 2026, 2027 and 2028.”

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## NOTICE OF THE EGM

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### 2. “THAT

- (a) the products and services supply framework agreement dated 19 November 2025 (the “**2026 Dabeinong Products and Services Supply Framework Agreement**”) entered into between the Company, 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, but excluding Yiyongmei Dairy and its subsidiaries) and Yiyongmei Dairy Co., Ltd. (內蒙古益嬰美乳業有限公司) (“**Yiyongmei Dairy**”) (for itself and on behalf of its subsidiaries) in relation to (1) the supply of the products which meet the procurement standards of the Company, including the procurement of products (including but not limited to feed, additives, medicines, rice, eggs, seafood products and milk powder) from Dabeinong Group and Yiyongmei Dairy for supply to the Group, (2) the provision of the processing services in respect of the production of milk powder by Yiyongmei Dairy to the Group from time to time, for a term from 1 January 2026 to 31 December 2028, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028 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 2026 Dabeinong Products and Services Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for the three years ending 31 December 2026, 2027 and 2028.”

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

Hong Kong, 12 December 2025

*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. Chen Yiyi (Chairman), Mr. Zhang Ping, Mr. Bai Fengming, Mr. Sun Qian and Ms. Shao Lijun; and the independent non-executive Directors of the Company are Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng.*

*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.

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## NOTICE OF THE EGM

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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 Finance 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 Tuesday, 23 December 2025 to Tuesday, 30 December 2025 (both days inclusive), during which period no transfer of Shares will be effected. The record date for the EGM will be Tuesday, 30 December 2025. 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 Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 22 December 2025.
7. A form of proxy for use at the EGM is enclosed.