

China Shengmu Organic Milk Co.,Tax Strategy and Governance

Our Approach

China Shengmu Organic Milk Co., Ltd. (hereinafter referred to as "the Company," "Shengmu," or "we") strives to comply with all applicable laws and regulations of the countries in which we operate, acting fairly and as responsible corporate citizens.

We adhere to the applicable tax laws and regulations. This tax strategy applies to all entities within China Shengmu Organic Dairy Co., Ltd. and its subsidiaries. This tax strategy is approved by the Board of Directors and becomes effective upon approval.

The entities of the Company in China are generally subject to a corporate income tax rate of 25%. The Company and its subsidiaries incorporated in the Cayman Islands are not subject to any income tax under local rules and regulations. No provision for Hong Kong profits tax has been made. According to the "Enterprise Income Tax Law of the People's Republic of China," income derived from agricultural activities (such as dairy farming and the processing of primary agricultural products) is exempt from income tax. According to the announcement by the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on the continuation of the enterprise income tax policy for the development of the western region, the Group's taxable income from forage processing from 2021 to 2030 is subject to a preferential tax rate of 15%.

Tax Risk Management

The overall responsibility for tax risk management ultimately rests with the Chief Financial Officer (CFO). Discussions on tax-related matters occur regularly between the tax director and the CFO. Each year, the tax department submits the tax strategy and key developments to the Audit Committee.

Tax Planning

Shengmu does not engage in aggressive tax planning or support the use of artificial structures or tax havens that lack commercial purpose or economic substance solely for tax avoidance. Shengmu does not support transferring created value to low-tax jurisdictions.

Shengmu may take advantage of tax incentives and plan its business operations to achieve economic and tax efficiency, provided these incentives are offered by the laws and regulations of the operating country and are consistent with its business or operational activities.

For cross-border transactions, the pricing must reflect fair value, depending on the activities conducted and the value created in each country.

Shengmu supports national initiatives on tax issues and submits tax reports to relevant tax authorities annually.

Tax Risk

We believe that compliance with tax laws is key to managing tax risks. Shengmu employs regional and functional tax professionals experienced in identifying and managing tax risks. The internal tax team will seek advice from external advisors when appropriate. This approach ensures that the Company complies with tax laws and understands its tax responsibilities.