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## **CHINA SHENGMU ORGANIC MILK LIMITED**

**中國聖牧有機奶業有限公司**

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

**(Stock Code: 1432)**

### **CONTINUING CONNECTED TRANSACTIONS**

- (1) RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**
- (2) 2022 AIYANGNIU TECHNOLOGY MATERIALS SUPPLY FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAP**
- (3) 2022 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS**

#### **RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**

The Company announces that on 28 March 2022 (after trading hours), Shengmu High-tech (a wholly-owned subsidiary of the Company) (for itself and on behalf of the Group and its subsidiaries) entered into the Raw Fresh Milk Supply Framework Agreement with Yiyongmei Dairy in relation to the sale of raw fresh milk from Shengmu High-tech to Yiyongmei Dairy for a term of period commencing from 28 March 2022 and ending on 31 December 2024.

#### **LISTING RULES IMPLICATIONS**

Mr. Shao Genhuo was a non-executive Director of the Company in the preceding 12 months of the date of entering into the Raw Fresh Milk Supply Framework Agreement. Mr. Shao holds 24.49% equity interests in Dabeinong Group, which is interested in approximately 91.36% in Yiyongmei Dairy and hence Yiyongmei Dairy is a subsidiary of Dabeinong Group. Mr. Shao also holds the entire equity interests of Beijing Zhi Nong, which in turn holds the entire equity interests of Nong You, a substantial shareholder of the Company. Mr. Shao is therefore a connected person of the Company and Dabeinong Group and Yiyongmei Dairy are associates of Mr. Shao and therefore each also a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the 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 the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual caps under the Raw Fresh Milk Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **2022 AIYANGNIU TECHNOLOGY MATERIALS SUPPLY FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAP**

Reference is made to the 2020 Aiyangniu Announcement in relation to the 2020 Aiyangniu Technology Materials Supply Framework Agreement entered into between Aiyangniu Technology and Shengmu High-tech for a term of period commenced from 5 August 2020 and ending on 31 December 2022.

Pursuant to the 2020 Aiyangniu Technology Materials Supply Framework Agreement, Aiyangniu Technology shall sell materials (including but not limited to feed, veterinary medicines and dipping liquid for cows) which meet Shengmu High-tech's purchasing standard to Shengmu High-tech.

The Company expects that the annual transaction amount between Shengmu High-tech and Aiyangniu Technology for the year ending 31 December 2022 will exceed the annual cap as stated in the 2020 Aiyangniu Announcement. In this connection, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Aiyangniu Technology (for itself and on behalf of its subsidiaries) entered into the 2022 Aiyangniu Technology Materials Supply Framework Agreement on 28 March 2022 to (i) terminate the 2020 Aiyangniu Technology Materials Supply Framework Agreement; (ii) renew for a term of period commencing from 28 March 2022 and ending on 31 December 2024; (iii) revise the annual cap for the year ending 31 December 2022; and (iv) set annual caps for the years ending 31 December 2023 and 2024.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shengmu High-tech is an indirectly wholly-owned subsidiary of the Company; approximately 73.66% equity interest in Aiyangniu Technology is held by Inner Mongolia Mengniu, which in turn is a wholly-owned subsidiary of China Mengniu. As at the date of this announcement, China Mengniu indirectly holds approximately 29.99% equity interest in the Company and is a substantial shareholder of the Company. As a result, China Mengniu is a connected person of the Company, Aiyangniu Technology is an associate of China Mengniu and also a connected person of the Company. Accordingly, the entering into of the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios under the Listing Rules in respect of the revised annual cap for the year ending 31 December 2022 and the proposed annual caps for each of the two years ending 31 December 2023 and 2024 under the 2022 Aiyangniu Technology Materials Supply Framework Agreement exceed 0.1% but are below 5%, the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **2022 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS**

Reference is made to the 2020 Dabeinong Announcement in relation to the 2021 Dabeinong Group Materials Supply Framework Agreement entered into between Shengmu High-tech and Dabeinong Group for a term of three years commenced on 1 January 2021 and ending on 31 December 2023.

Pursuant to the 2021 Dabeinong Group Materials Supply Framework Agreement, Dabeinong Group shall sell to Shengmu High-tech materials (including but not limited to feed, additives and medicines) which meet the purchasing standards of Shengmu High-tech.

The Company expects that the annual transaction amount between Shengmu High-tech and Dabeinong Group for the years ending 31 December 2022 and 2023 will exceed the annual caps as stated in the 2020 Dabeinong Announcement. In this connection, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Dabeinong Group (for itself and on behalf of its subsidiaries) entered into the 2022 Dabeinong Group Materials Supply Framework Agreement on 28 March 2022 to (i) terminate the 2021 Dabeinong Group Materials Supply Framework Agreement; (ii) renew for a term of period commencing from 28 March 2022 and ending on 31 December 2024; (iii) revise the annual caps for the years ending 31 December 2022 and 2023; and (iv) set annual cap for the year ending 31 December 2024.

#### **LISITNG RULES IMPLICATIONS**

As at the date of this announcement, Shengmu High-tech is an indirectly wholly-owned subsidiary of the Company. As stated above, Mr. Shao Genhuo is a connected person of the Company and Dabeinong Group is an associate of Mr. Shao and therefore also a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the 2022 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios under the Listing Rules in respect of the revised annual caps for the year ending 31 December 2022 and 2023 and the proposed annual cap for the year ending 31 December 2024 under the 2022 Dabeinong Group Materials Supply Framework Agreement exceed 0.1% but are below 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**

The Company announces that on 28 March 2022 (after trading hours), Shengmu High-tech (a wholly-owned subsidiary of the Company) (for itself and on behalf of the Group and its subsidiaries) entered into the Raw Fresh Milk Supply Framework Agreement with Yiyangmei Dairy in relation to the sale of raw fresh milk from Shengmu High-tech to Yiyangmei Dairy for a term of period commencing from 28 March 2022 and ending on 31 December 2024.

***Principal Terms***

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

- Date : 28 March 2022
- Parties : (1) Yiyangmei Dairy; and  
(2) Shengmu High-tech (for itself and on behalf of the Group and its subsidiaries)
- Term : From 28 March 2022 to 31 December 2024
- Principal terms : According to the monthly milk supply plan, Shengmu High-tech shall sell raw milk to Yiyangmei Dairy that meets Yiyangmei Dairy’s purchasing standards. The specific quantity of milk purchased is based on the quantity confirmed by Shengmu High-tech and Yiyangmei Dairy, and the daily delivery quantity is determined by volume weighted by Yiyangmei Dairy.
- Purchase price and other terms : The purchase price of raw fresh milk shall be determined and adjusted in accordance with market conditions, seasonal factors and quality of raw fresh milk. The final purchase price of raw fresh milk varies in accordance with the quality grade as agreed between Shengmu High-tech and Yiyangmei Dairy.
- Delivery : Shengmu High-tech shall be responsible for delivering the raw fresh milk to the places designated by Yiyangmei Dairy.

- Payment terms : Yiyongmei Dairy shall pay monthly in accordance with the purchase volume of raw fresh milk. Yiyongmei Dairy is required to make monthly payments based on the volume of raw fresh milk purchased during the month on or before the 20th of the following month. If Yiyongmei Dairy's payment is overdue, Yiyongmei Dairy shall pay Shengmu High-tech a penalty of 0.04% of the overdue portion for each overdue day. If the overdue payment exceeds 15 days, Shengmu High-tech shall have the right to suspend supplying raw fresh milk and Yiyongmei Dairy shall bear all losses and legal consequences caused by this. In the event that a new liquidated damages standard is agreed between Shengmu High-tech and Yiyongmei Dairy, the new standard shall prevail.
- Amendment and termination : Any amendment to or the termination of the Raw Fresh Milk Supply Framework Agreement shall be made in writing by the parties.

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

Dabeinong Group's industrial portfolio covers a wide range of areas, and in 2010, it became one of the highest market value agricultural high-tech enterprises among listed companies in China's agriculture and livestock industry, with strong capabilities. Its subsidiary, Yiyongmei Dairy is a company specialising in organic milk powder, dedicated to research and innovation in infant and adult nutrition, and is an important potential customer of Shengmu High-tech for organic milk. The Group considers that the cooperation with Yiyongmei Dairy can expand the market share of the Group's high quality organic milk sources. Therefore, the Board considers that this supply relationship has a beneficial impact on both the Group and Yiyongmei Dairy.

***Historical Transaction Amount***

Shengmu High-tech commenced the supply relationship with Yiyongmei Dairy in 2021. The raw fresh milk Yiyongmei Dairy purchased from Shengmu High-tech for the year ended 31 December 2021 amount to approximately RMB300,500.

***Proposed Annual Caps***

The Directors propose that the total annual sale amount by Shengmu High-tech to Yiyongmei Dairy under the Raw Fresh Milk Supply Framework Agreement shall not exceed RMB17 million, RMB84 million and RMB146 million for the three years ending 31 December 2022, 2023 and 2024, respectively.

In determining such annual caps, the Directors have considered the following factors:

- (a) the expected increase in sales volume of raw fresh milk to Yiyingmei Dairy;
- (b) the potential increase in price of dairy products in China;
- (c) Yiyingmei Dairy's prospective product launch plan and market sales forecast;  
and
- (d) the expected number of milkable cows of the Group for the three years ending 31 December 2022, 2023 and 2024.

### **2022 AIYANGNIU TECHNOLOGY MATERIALS SUPPLY FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAP**

Reference is made to the 2020 Aiyangniu Announcement in relation to the 2020 Aiyangniu Technology Materials Supply Framework Agreement entered into between Aiyangniu Technology and Shengmu High-tech for a term of period commenced from 5 August 2020 and ending on 31 December 2022.

Pursuant to the 2020 Aiyangniu Technology Materials Supply Framework Agreement, Aiyangniu Technology shall sell materials (including but not limited to feed, veterinary medicines and dipping liquid for cows) which meet Shengmu High-tech's purchasing standard to Shengmu High-tech.

Aiyangniu Technology has a transparent procurement quotation system and the ability to integrate the market resources of farm materials through using the Aiyangniu Platform. The Group has therefore decided to procure materials through the Aiyangniu Platform which allows the Group to purchase a variety of materials in small batches, and purchase volume is expected to increase. By increasing such purchases on Aiyangniu Platform, the Group can benefit from lower purchase prices and achieve lower purchasing costs. As a result, the Company expects that the annual transaction amount between Shengmu High-tech and Aiyangniu Technology for the year ending 31 December 2022 will exceed the annual cap as stated in the 2020 Aiyangniu Announcement. In this connection, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Aiyangniu Technology (for itself and on behalf of its subsidiaries) entered into the 2022 Aiyangniu Technology Materials Supply Framework Agreement on 28 March 2022 to (i) terminate the 2020 Aiyangniu Technology Materials Supply Framework Agreement; (ii) renew for a term of period commencing from 28 March 2022 and ending on 31 December 2024; (iii) revise the annual cap for the year ending 31 December 2022; and (iv) set annual caps for the years ending 31 December 2023 and 2024.

## *Principal Terms*

The principal terms of the 2022 Aiyangniu Technology Materials Supply Framework Agreement are as follows:

Date	:	28 March 2022
Parties	:	(1) Shengmu High-tech (for itself and on behalf of its subsidiaries); and (2) Aiyangniu Technology (for itself and on behalf of its subsidiaries)
Term	:	From 28 March 2022 to 31 December 2024
Principal terms	:	Aiyangniu Technology shall sell materials (including but not limited to feed, veterinary medicines and dipping liquid for cows) which meet Shengmu High-tech's purchasing standard to Shengmu High-tech. The purchase amount shall be specified by Shengmu High-tech based on its actual needs in each purchase order signed and confirmed by Shengmu High-tech.
Purchase price and other terms	:	The purchase price of the materials to be procured under the 2022 Aiyangniu Technology Materials Supply Framework Agreement shall be determined based on the current market price when Shengmu High-tech submits the purchase order to Aiyangniu Technology and after mutual agreement between Shengmu High-tech and Aiyangniu Technology. Shengmu High-tech will compare quotes of similar materials from at least two other third party suppliers to ascertain the market price and Aiyangniu Technology will ensure that the purchase price of the materials to be procured under the 2022 Aiyangniu Technology Materials Supply Framework Agreement will not be higher than the quotes provided by third party suppliers. If the price of the product supplied by Aiyangniu Technology in the same period is higher than the market price of the product or the price provided by Aiyangniu Technology to a third party, Shengmu High-tech has the right to change the price of the executed order, and Aiyangniu Technology agrees that Shengmu High-tech will directly deduct the difference from the payment due to Aiyangniu Technology.

- Delivery : Aiyangniu Technology shall be responsible for providing appropriate packaging to the materials and delivering the materials to the places designated by Shengmu High-tech. Aiyangniu Technology shall deliver the materials to Shengmu High-tech within five days after Shengmu High-tech sends Aiyangniu Technology the electronic purchase order.
- Payment terms : Aiyangniu Technology shall issue invoice to Shengmu High-tech within seven days after Shengmu High-tech confirms the quantity and quality of the materials supplied by Aiyangniu Technology. Shengmu High-tech shall confirm the amount stated in the invoice within seven days of receipt and arrange payment by bank transfer, bank acceptance draft, acceptance commercial draft etc. within 30 days after such confirmation. In the event that Shengmu High-tech fails to arrange for payment within 30 days, Aiyangniu Technology shall send a notice of overdue payment to Shengmu High-tech and if the payment is overdue for more than 15 days, such overdue payment shall be deducted from the raw milk payment due to Shengmu High-tech from Inner Mongolia Mengniu and other subsidiaries but not yet paid to Shengmu High-tech after negotiation between Shengmu High-tech and Aiyangniu Technology.

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

For the period from 5 August 2020 to 31 December 2020 and the year ended 31 December 2021, the total actual annual purchase amount under the 2020 Aiyangniu Technology Materials Supply Framework Agreement amounted to approximately RMB11.8 million and RMB29.3 million, respectively.

As at the date of this announcement, based on the Group's latest unaudited management accounts and operational data, the total actual annual purchase amount in relation to the 2020 Aiyangniu Technology Materials Supply Framework Agreement has not exceeded the original annual cap for the year ending 31 December 2022.

## *Revised Annual Cap and Proposed Annual Caps*

**For the year ending  
31 December 2022**  
*RMB million*

Original annual cap	30
Revised annual cap	120

**For each of the  
years ending  
31 December 2023  
and 2024**  
*RMB million*

Proposed annual caps	120
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In determining the revised annual cap for the year ending 31 December 2022 and proposed annual caps for each of the two years ending 31 December 2023 and 2024, the Directors have considered the following factors:

- (a) the expected number of cows for the Group for each of the three years ending 31 December 2022, 2023 and 2024;
- (b) the past purchase prices paid by the Group to Aiyangniu Technology and other suppliers for similar materials;
- (c) the past quantities of similar materials purchased by the Group from Aiyangniu Technology and other suppliers; and
- (d) in view of the Group's healthy and good cash flow, the Group is able to purchase similar materials from other suppliers at lower prices but with relatively shorter payment terms (as compared with those offered by Aiyangniu Technology); while the Group's objective is to diversify its choice of suppliers however, the Group will continue to purchase materials from Aiyangniu Technology as Aiyangniu Technology can provide materials at more competitive pricing than other suppliers.

## ***Reasons for and Benefit of Entering into the 2022 Aiyangniu Technology Materials Supply Framework Agreement***

The Aiyangniu Platform, operated by Aiyangniu Technology, integrates the resources of over 1,000 suppliers for China's leading dairy farming enterprises, centralized purchasing reduces the purchase price of several materials. The platform has a transparent materials price quotation system to facilitate dairy farms in their purchasing decisions. The platform also aggregates market information on materials commonly used on dairy farms and shares this information with its business partners. By partnering with Aiyangniu Technology, the Group will be able to closely monitor the market trends of its common materials and adjust the purchasing strategy in time.

The Aiyangniu Platform has developed a strict supplier selection and quality control mechanism. The Aiyangniu Platform oversees the entire transportation of materials from the supplier to the dairy farm to ensure that the materials meet the quality standards set by the dairy farm. The Aiyangniu Platform also regularly adjusts the supplier list based on the quality control performance of the suppliers. The Group believes that partnering with Aiyangniu Technology can ensure low cost and quality safety of the materials supplied to the Group, which is essential for the Group to produce high quality raw milk.

## **2022 DABEINONG GROUP MATERIALS SUPPLY FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS**

Reference is made to the 2020 Dabeinong Announcement in relation to the 2021 Dabeinong Group Materials Supply Framework Agreement entered into between Shengmu High-tech and Dabeinong Group for a term of three years commenced on 1 January 2021 and ending on 31 December 2023.

Pursuant to the 2021 Dabeinong Group Materials Supply Framework Agreement, Dabeinong Group shall sell to Shengmu High-tech materials (including but not limited to feed, additives and medicines) which meet the purchasing standards of Shengmu High-tech.

Compared with the scope of supply under the original framework agreement, the Group decided to purchase finished feed from external producers after weighing the cost of procurement and the quality of the goods. The Group's own production capacity of finished feed was insufficient and the choice was between expanding production capacity and purchasing from external suppliers. As a leading supplier of dairy farming materials in China, Dabeinong Group's product technology, quality control and safety standards are at the forefront of the industry. In addition, Dabeinong Group's nationwide dairy farming materials production and sales system ensures that these materials and after-sales technical services are provided to the Group's farms in close proximity. As a result, the Company expects that the annual

transaction amount between Shengmu High-tech and Dabeinong Group for the year ending 31 December 2022 and 2023 will exceed the annual cap as stated in the 2020 Dabeinong Announcement. In this connection, Shengmu High-tech (for itself and on behalf of its subsidiaries) and Dabeinong Group (for itself and on behalf of its subsidiaries) entered into the 2022 Dabeinong Group Materials Supply Framework Agreement on 28 March 2022 to (i) terminate the 2021 Dabeinong Group Materials Supply Framework Agreement; (ii) renew for a term of period commencing from 28 March 2022 and ending on 31 December 2024; (iii) revise the annual caps for the years ending 31 December 2022 and 2023; and (iv) set annual cap for the year ending 31 December 2024.

***Principal Terms***

The principal terms of the 2022 Dabeinong Group Materials Supply Framework Agreement are as follows:

- Date : 28 March 2022
- Parties : (1) Shengmu High-tech (for itself and on behalf of its subsidiaries); and  
(2) Dabeinong Group (for itself and on behalf of its subsidiaries)
- Term : From 28 March 2022 to 31 December 2024
- Principal terms : Dabeinong Group shall sell to Shengmu High-tech materials (including but not limited to feed, additives and medicines) which meet the purchasing standards of Shengmu High-tech. Shengmu High-tech will purchase from Dabeinong Group in the form of written orders based on actual demand and Shengmu High-tech determines the final purchase of goods, specifications, quantity and related quality, delivery and other services. The above materials will be supplied to Shengmu High-tech from Dabeinong Group in accordance with 2022 Dabeinong Group Materials Supply Framework Agreement and the orders confirmed between Shengmu High-tech and Dabeinong Group.

Purchase price and other terms	:	The price of the materials purchased by Shengmu High-tech from Dabeinong Group shall be based on the prevailing market price at the time of each purchase order submitted by Shengmu High-tech to Dabeinong Group. Dabeinong Group undertakes to sell at a price no higher than the market price of similar materials. For the purpose of determining the prevailing market price, Shengmu High-tech shall request quotations from at least two third party suppliers.
Delivery	:	Dabeinong Group guarantees the delivery of purchased materials to Shengmu High-tech in accordance with the requirements of 2022 Dabeinong Group Materials Supply Framework Agreement and purchase orders.
Payment terms	:	Shengmu High-tech implements the settlement plan agreed under the order contract between Shengmu High-tech and Dabeinong Group.

***Historical Transaction Amount***

For the year ended 31 December 2021, the total actual annual purchase amount under the 2021 Dabeinong Group Materials Supply Framework Agreement amounted to approximately RMB49.4 million.

As at the date of this announcement, based on the Group's latest unaudited management accounts and operational data, the total actual annual purchase amount in relation to the 2021 Dabeinong Group Materials Supply Framework Agreement has not exceeded the original annual cap for the year ending 31 December 2022.

***Revised Annual Caps and Proposed Annual Cap***

	<b>For each of the years ending 31 December 2022 and 2023</b>
	<i>RMB million</i>
Original annual caps	50
Revised annual caps	146
	<b>For the year ending 31 December 2024</b>
	<i>RMB million</i>
Proposed annual cap	146

In determining the revised annual caps for the two years ending 31 December 2022 and 2023 and the proposed annual cap for the year ending 31 December 2024, the Directors have considered the following factors:

- (a) the Group's expected dairy cows for each of the three years ending 31 December 2022, 2023 and 2024;
- (b) the past and current market prices of similar materials supplied by the Dabeinong Group and its subsidiaries; and
- (c) the amount of past transactions of similar materials purchased by the Group from Dabeinong Group and its subsidiaries as well as other suppliers.

### ***Reasons for and Benefit of the Revised Annual Caps***

As a leading supplier of dairy farming materials in China, the technical, quality and safety standards of Dabeinong Group products are high. The Group's nationwide production and distribution system of dairy farming materials also ensures the proximity of products and after-sales technical service support to our farms. The Group believes that partnering with the Dabeinong Group will ensure that the Group is supplied with high quality and safe materials, which is essential for the Group to produce high quality raw milk.

## **LISITNG RULES IMPLICATIONS**

### ***Raw Fresh Milk Supply Framework Agreement***

Mr. Shao Genhuo was a non-executive Director of the Company in the preceding 12 months of the date of entering into the Raw Fresh Milk Supply Framework Agreement. Mr. Shao holds 24.49% equity interests in Dabeinong Group, which is interested in approximately 91.36% in Yiyongmei Dairy and hence Yiyongmei Dairy is a subsidiary of Dabeinong Group. Mr. Shao also holds the entire equity interests of Beijing Zhi Nong, which in turn holds the entire equity interests of Nong You, a substantial shareholder of the Company. Mr. Shao is therefore a connected person of the Company and Dabeinong Group and Yiyongmei Dairy are associates of Mr. Shao and therefore each also a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the 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 the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual caps under the Raw Fresh Milk Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

### ***2022 Aiyangniu Technology Materials Supply Framework Agreement***

As at the date of this announcement, Shengmu High-tech is an indirectly wholly-owned subsidiary of the Company; and approximately 73.66% equity interest in Aiyangniu Technology is held by Inner Mongolia Mengniu, which in turn is a wholly-owned subsidiary of China Mengniu. As at the date of this announcement, China Mengniu indirectly holds approximately 29.99% equity interest in the Company and hence is a substantial shareholder of the Company. As a result, China Mengniu is a connected person of the Company, Aiyangniu Technology is an associate of China Mengniu and therefore also a connected person of the Company. Accordingly, the entering into of the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios under the Listing Rules in respect of the revised annual cap for the year ending 31 December 2022 and the proposed annual caps for each of the two years ending 31 December 2023 and 2024 under the 2022 Aiyangniu Technology Materials Supply Framework Agreement exceed 0.1% but are below 5%, the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Lu Minfang, a non-executive Director, is also an executive director of China Mengniu. Mr. Zhang Ping, a non-executive Director, is also an executive director of China Mengniu. Mr. Zhao Jiejun, a non-executive Director, is also a vice president and the general manager of milk sources and group supply chain of Inner Mongolia Mengniu and the chairman of the board of directors of Aiyangniu Technology. Mr. Lu, Mr. Zhang and Mr. Zhao abstained from voting on the resolution(s) of the Directors approving the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the transactions contemplated thereunder. Other than Mr. Lu, Mr. Zhang and Mr. Zhao, no Director is materially interested in the transactions

contemplated under the 2022 Aiyangniu Technology Materials Supply Framework Agreement and is required to abstain from voting on the resolution(s) of the Directors to approve the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the transactions contemplated thereunder.

### ***2022 Dabeinong Group Materials Supply Framework Agreement***

As at the date of this announcement, Shengmu High-tech is an indirectly wholly-owned subsidiary of the Company. As stated above, Mr. Shao Genhuo is a connected person of the Company and Dabeinong Group is an associate of Mr. Shao and therefore also a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the 2022 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios under the Listing Rules in respect of the revised annual caps for the years ending 31 December 2022 and 2023 and the proposed annual cap for the year ending 31 December 2024 under the 2022 Dabeinong Group Materials Supply Framework Agreement exceed 0.1% but are below 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang Liyan, an independent non-executive Director, is also an independent non-executive director of Dabeinong Group. Ms. Shao Lijun, a non-executive Director, is also a director of Nong You and general manager of Beijing Zhi Nong. Mr. Wang and Ms. Shao abstained from voting on the resolution(s) of the Directors approving the 2022 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder. Other than Mr. Wang and Ms. Shao, no Director is materially interested in the transactions contemplated under the 2022 Dabeinong Group Materials Supply Framework Agreement and is required to abstain from voting on the resolution(s) of the Directors to approve the 2022 Dabeinong Group Materials Supply Framework Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) are of the view that the Raw Fresh Milk Supply Framework Agreement, the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the 2022 Dabeinong Group Materials Supply Framework Agreement are entered into on normal commercial terms in the ordinary course of business, and are in the interests of the Company and its shareholders as a whole, and that the terms of the Raw Fresh Milk Supply Framework Agreement, the 2022 Aiyangniu Technology Materials Supply Framework Agreement and the 2022 Dabeinong Group Materials Supply Framework Agreement and the respective revised and proposed annual caps are fair and reasonable.

## INFORMAITON ABOUT THE PARTIES

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

Shengmu High-tech is principally engaged in dairy farming and the sale of raw milk.

Yiyangmei Dairy is principally engaged in the manufacturing and sale of dairy products, including organic infant and other formula milk powder.

Aiyangniu Technology is principally engaged in the operation of the Aiyangniu Platform.

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

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. Dabeinong Group is ultimately controlled and held by Mr. Shao Genhuo as to 24.49% and each of the remaining top ten shareholders of Dabeinong Group holds less than 10% equity interest.

## DEFINITIONS

*In this announcement, unless the context otherwise requires, the following expressions have the following respective meanings:*

“2020 Aiyangniu Announcement”	the announcement of the Company dated 5 August 2020 in relation to the continuing connected transaction between Shengmu High-tech and Aiyangniu Technology under the 2020 Aiyangniu Technology Materials Supply Framework Agreement
“2020 Aiyangniu Technology Materials Supply Framework Agreement”	the materials supply framework agreement dated 5 August 2020, entered into between Shengmu High-tech and Aiyangniu Technology, in relation to the supply of materials (including but not limited to feed, veterinary medicines and dipping liquid for cows) by Aiyangniu Technology to Shengmu High-tech for a term of period from 5 August 2020 to 31 December 2022

“2022 Aiyangniu Technology Materials Supply Framework Agreement”	the materials supply framework agreement dated 28 March 2022, entered into between Shengmu High-tech and Aiyangniu Technology, in relation to the supply of materials (including but not limited to feed, veterinary medicines and dipping liquid for cows) by Aiyangniu Technology to Shengmu High-tech for a term of period from 28 March 2022 to 31 December 2024
“2020 Dabeinong Announcement”	the announcement of the Company dated 30 December 2020 in relation to the continuing connected transaction between Shengmu High-tech and Dabeinong Group under the 2021 Dabeinong Group Materials Supply Framework Agreement
“2021 Dabeinong Group Materials Supply Framework Agreement”	the materials supply framework agreement dated 30 December 2020, entered into between Shengmu High-tech and Dabeinong Group, 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 three-year term from 1 January 2021 to 31 December 2023
“2022 Dabeinong Group Materials Supply Framework Agreement”	the materials supply framework agreement dated 28 March 2022, entered into between Shengmu High-tech and Dabeinong Group, in relation to the supply of materials (including but not limited to feed, additives and medicines) by Daibeinong Group to Shengmu High-tech from 28 March 2022 to 31 December 2024
“Aiyangniu Platform”	the Aiyangniu online procurement platform of materials for the dairy farming industry operated by Aiyangniu Technology
“Aiyangniu Technology”	Inner Mongolia Aiyangniu Technology Co., Ltd.* (內蒙古愛養牛科技有限公司), a company established in the PRC with limited liability
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Zhi Nong”	Beijing Zhi Nong Investment Co., Ltd.* (北京智農投資有限責任公司), a company established in the PRC
“Board”	the board of Directors of the Company

“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)
“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: 01432)
“connected person”	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 whose shares are listed on the Shenzhen Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nong You”	Nong You Co., Ltd., a company incorporated in the British Virgin Islands which holds approximately 15.53% of the total issued shares of the Company as at the date of this announcement
“PRC”	the People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan

“Raw Fresh Milk Supply Framework Agreement”	the raw fresh milk supply framework agreement dated 28 March 2022, entered into between Shengmu High-tech (for itself and on behalf of the Group and its subsidiaries) and Yiyongmei Dairy, in relation to the sale of raw fresh milk from Shengmu High-tech to Yiyongmei Dairy for a term of period commencing from 28 March 2022 and ending on 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC
“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 incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Yiyongmei Dairy”	Inner Mongolia Yiyongmei Dairy Co., Ltd.* (內蒙古益嬰美乳業有限公司), a company established in the PRC, which is a subsidiary of the Dabeinong Group as at the date of this announcement
“%”	per cent. or percentage

By Order of the Board of  
**China Shengmu Organic Milk Limited**  
**Lu Minfang**  
*Chairman*

Hong Kong, 28 March 2022

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

*\* For identification purpose only*