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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)

ADOPTION OF LONG-TERM SHARE AWARD SCHEME

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The Board is pleased to announce that the Share Award Scheme was adopted with effect from the Adoption Date. The purposes and objectives of the Share Award Scheme are to recognize the contributions by certain employees of the Group and to provide them with incentives in order to (i) improve the corporate governance structure to achieve sustainable development of the Company; (ii) attract, retain and motivate outstanding talents and build a common interest among shareholders, the Company and employees; (iii) fully motivate the core employees and continue to stimulate high-quality growth of the team performance; and (iv) attract external talents for the Company. Pursuant to the Share Award Scheme, the Shares under the Awards will be comprised of Shares purchased by the Trustee on the market.

LISTING RULES IMPLICATIONS

The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and this announcement is made on a voluntary basis. No shareholders' approval is required for the adoption or implementation of the Share Award Scheme. As at the date of this announcement, no Award has been granted under the Share Award Scheme.

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The Board is pleased to announce that the Share Award Scheme was adopted with effect from the Adoption Date. Pursuant to the Share Award Scheme, the Shares under the Awards will be comprised of Shares purchased by the Trustee on the market. A summary of the principal terms of the Share Award Scheme is set out below:

Purposes

Considering the continual operation and further development of the Group, the purpose and objectives of the Share Award Scheme are to recognize the contributions

by certain employees of the Group and to provide them with incentives in order to (i) improve the corporate governance structure to achieve sustainable development of the Company; (ii) attract, retain and motivate outstanding talents and build a common interest among shareholders, the Company and employees; (iii) fully motivate the core employees and continue to stimulate high-quality growth of the team performance; and (iv) attract external talents for the Company.

Duration

Subject to any early termination as may be determined by the Authorised Representatives pursuant to the rules of the Share Award Scheme, The Share Award Scheme shall be effective from the Adoption Date and shall remain in full force and effect for a period of ten years from the Adoption Date.

Administration

The Share Award Scheme shall be subject to the administration of the Authorised Representatives and the Trustee in accordance with the rules of the Share Award Scheme and the Trust Deed. The decision of the Authorised Representatives with respect to the interpretation of the Share Award Scheme and any dispute relating to the Award or the Share Award Scheme shall be final and binding. The Trustee shall hold the Trust Fund in accordance with the terms of the Trust Deed.

Eligible Participants

Eligible Participants include employees in specified positions in any member company of the Group and, with the exception of Mr. ZHANG Jiawang (being the executive Director of the Company), none of the Eligible Participants is a connected person of the Company.

Unless otherwise decided by the Authorised Representatives, an Award may not be granted to any employee who has given or received notice of termination of employment on such Award Date.

Restrictions

No award shall be made by the Authorised Representatives and no instructions to acquire any Shares shall be given to the Trustee under the Share Award Scheme under the following circumstances:

- (1) during the period from which the Company has become aware of any inside information of the Company to the day on which those inside information has been publicly announced in accordance with the Listing Rules (both day inclusive); or

- (2) any circumstance under which the award of Shares is prohibited under the Listing Rules (including the Model Code), any securities trading rules, applicable laws, regulations or statutes in any relevant jurisdictions, applicable to the Company.

Operation

Source of funding

The Company may from time to time, in its sole discretion, transfer, pay or deposit a Contributed Amount to the Trust which shall constitute part of the Trust Fund, for the subscription and/or purchase of existing Shares on the Stock Exchange and other purposes set out in the rules of the Share Award Scheme and the Trust Deed. The Trustee shall administer the Shares and hold the capital and proceeds of the Trust Fund in trust for some or all of the Selected Eligible Participants in the same manner in accordance with the Trust Deed and Share Award Scheme.

Source of the Shares to satisfy any vested Awards

The Trust is required to purchase the existing shares on the Stock Exchange at the prevailing market price or at a price set by the Board with the Contributed Amount received in accordance with the terms of the Trust Agreement. The Shares so purchased shall constitute the Award to be granted to the Eligible Participants and the Shares are to be held by the Trustee for the benefit of the Eligible Participants under the Trust on and subject to the terms and conditions of the Share Award Scheme and the Trust Deed.

Vesting of Awards

Subject to the terms and condition of the Share Award Scheme and the fulfillment of all vesting conditions to the vesting of the Awards on such Eligible Participants as specified in the Share Award Scheme and the grant letter, within 120 days of the Authorised Representatives completing the calculation of the vesting percentage for a particular Award, the Company will arrange for the issuance or transfer to the Eligible Participants (after deduction of any applicable taxes, social security contributions and other levies), such number of Shares in respect of which the Award has vested. The relevant number of Shares will be determined in accordance with the basis set out in the grant letter.

Cash equivalents

In case of any restrictions under the Listing Rules (including the Model Code), any securities trading rules, applicable laws, regulations or statutes in any relevant jurisdictions applicable to the Company, or if the Authorised Representatives so decide in their absolute discretion, any vested Awards may be satisfied in cash by:

- (i) an equivalent cash payment to the Eligible Participants; or
- (ii) the Company procuring the disposal of an equivalent number of Shares attributable to the vested Awards and the transfer of such sale proceeds in cash to the Eligible Participants,

in each case, subject to the terms and condition of the Share Award Scheme.

Voting Rights

Unless otherwise specified in the Share Award Scheme or the grant letter, a Eligible Participant is not entitled to exercise voting rights, receive dividends or dividend equivalents, and will not have any other rights of a shareholder until the Shares are issued or transferred to him or her. The Trustee shall not exercise any voting rights in respect of the Shares held under the Trust.

Termination

The Share Award Scheme shall terminate on the tenth anniversary of the Adoption Date or such earlier date as determined by the Authorised Representatives' sole discretion. No further Awards shall be granted after the termination of the Share Award Scheme but such termination shall not affect any Awards previously granted.

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DEFINITIONS

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

“Adoption Date”	19 April 2022, being the date on which the Company adopts the Share Award Scheme
“Authorised Representatives”	the Board or any persons authorised by the Board with powers to administer the Share Award Scheme under the rules of the Share Award Scheme (including senior management personnel of the Company or the Group)

“Award”	a conditional entitlement to acquire Shares pursuant to the rules of the Share Award Scheme and the grant letter issued thereunder
“Award Date”	the date on which an Award is granted
“Board”	the board of Directors of the Company
“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)
“Contributed Amount”	cash paid or made available to the Trust by the Company pursuant to the Share Award Scheme and as determined by the Board for the purpose of subscription for and/or purchase existing Shares for the benefit of the Eligible Participants
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	employee(s) selected by the Authorised Representatives for participation in the Share Award Scheme
“Group”	the Company and its subsidiaries
“Group Compan(ies)”	the Company, its subsidiaries and/or other companies which are associated with the Company as designated by the Authorised Representatives the purposes of the Share Award Scheme
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, set out in Appendix 10 of the Listing Rules
“Share Award Scheme”	the Shengmu Long Term Share Award Scheme of the Company adopted on 19 April 2022, constitute by the rules of the Share Award Scheme, in its present form or as amended from time to time
“Shares”	ordinary share(s) of par value HK\$0.00001 each in the issued share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee as restated, supplemented and amended from time to time
“Trust Fund”	the funds, investments and properties paid or transferred by the Company to the Trustee and controlled by the Trustee (including the Shares subscribed for or purchased by the Trustees with the Contributed Amount from time to time) and all accrued income (if any) payable to the Trust, including all cash or non-cash income or distributions arising out of or derived from the Shares held as part of the Trust
“Trustee”	a professional trustee to be appointed by the Company to assist with the administration of the Share Award Scheme and the vesting of Awards granted

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

Hong Kong, 19 April 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. Zhang Ping, Mr. Zhao Jiejun, 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.