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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) 2025 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT**
- (2) MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT AND TERMINATION OF THE FUYUAN INTERNATIONAL BULK RAW MATERIALS SUPPLY FRAMEWORK AGREEMENT**

2025 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT

Reference is made to announcement of the Company dated 28 March 2022, in relation to, among others, the 2022 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 (for itself and on behalf of its subsidiaries), 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.

On 30 December 2024, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into the 2025 Raw Fresh Milk Supply Framework Agreement with Yiyongmei Dairy (for itself and on behalf of its subsidiaries) in relation to the sale of raw fresh milk from Shengmu High-tech to Yiyongmei Dairy for a term of period commencing from 1 January 2025 and ending on 31 December 2027.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shengmu High-tech is an indirect wholly-owned subsidiary of the Company. Mr. Shao Genhuo holds 23.46% 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. Accordingly, each of Mr. Shao and Dabeinong Group is a connected person 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 of the 2025 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 cap under the 2025 Raw Fresh Milk Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the 2025 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.

MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT AND TERMINATION OF THE FUYUAN INTERNATIONAL BULK RAW MATERIALS SUPPLY FRAMEWORK AGREEMENT

Reference is made to announcement of the Company dated 28 March 2022, in relation to, among others, the 2022 Aiyangniu Technology Materials Supply Framework Agreement dated 28 March 2022 and entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Aiyangniu Technology (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Aiyangniu Technology to Shengmu High-tech from 28 March 2022 to 31 December 2024.

Reference is also made to the announcement of the Company dated 24 November 2022 in relation to the Fuyuan International Bulk Raw Materials Supply Framework Agreement dated 24 November 2022 and entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Fuyuan International (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Fuyuan International to Shengmu High-tech from 1 January 2023 to 31 December 2025.

Both Aiyangniu Technology and Fuyuan International are non-wholly owned subsidiaries of Modern Farming. Besides, Modern Farming also owns other subsidiaries which could provide materials that meet the Group's requirements in terms of variety, quality and safety of materials for dairy farming. As a result, the Company expects entering into a material supply framework agreement with Modern Farming can further enhance the flexibility and cost-effectiveness of the Group's purchase of materials.

In this connection and in view of the expiry of the 2022 Aiyangniu Technology Materials Supply Framework Agreement, on 30 December 2024, Shengmu High-tech (for itself and on behalf of its subsidiaries) entered into the Modern Farming Materials Supply Framework Agreement with Modern Farming (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Modern Farming to Shengmu High-tech commencing from 1 January 2025 to 31 December 2027. The Fuyuan International Bulk Raw Materials Supply Framework Agreement will be terminated immediately upon the Modern Farming Materials Supply Framework Agreement coming into effect.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shengmu High-tech is an indirect wholly-owned subsidiary of the Company. Modern Farming is indirectly owned as to approximately 1.64% by China Mengniu and approximately 98.36% by China Modern Dairy which in turn is indirectly owned as to approximately 56.36% by China Mengniu.

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 approximately 29.99% equity interest in the Company. Accordingly, each of Start Great, China Mengniu and Modern Farming is a connected person of the Company.

As the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap under the Modern Farming Materials Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the Modern Farming 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.

2025 RAW FRESH MILK SUPPLY FRAMEWORK AGREEMENT

Reference is made to announcement of the Company dated 28 March 2022, in relation to, among others, the 2022 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 (for itself and on behalf of its subsidiaries), 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.

On 30 December 2024, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into the 2025 Raw Fresh Milk Supply Framework Agreement with Yiyongmei Dairy (for itself and on behalf of its subsidiaries) in relation to the sale of raw fresh milk from Shengmu High-tech to Yiyongmei Dairy for a term of period commencing from 1 January 2025 and ending on 31 December 2027.

Principal Terms

The principal terms of the 2025 Raw Fresh Milk Supply Framework Agreement are as follows:

- Date: 30 December 2024
- Parties: (1) Yiyongmei Dairy (for itself and on behalf of its subsidiaries); and
(2) Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries)
- Term: From 1 January 2025 to 31 December 2027
- Nature of transaction: According to the monthly milk supply plan, Shengmu High-tech shall sell raw milk to Yiyongmei Dairy that meets Yiyongmei Dairy’s purchasing standards. The specific quantity of milk purchased is based on the quantity confirmed by Shengmu High-tech and Yiyongmei Dairy, and the daily delivery quantity shall be based on the weight measured by Yiyongmei Dairy.

Shengmu High-tech shall ensure the quality of its raw fresh milk meets the standards of PRC regulations and Yiyongmei Dairy. Shengmu High-tech must compensate Yiyongmei Dairy for any direct losses caused by its substandard products.

Selling price and pricing mechanism:

The selling price of raw fresh milk shall be determined and adjusted in accordance with market conditions, seasonal factors and quality of raw fresh milk (the “**Base Price**”). The final selling price of raw fresh milk (the “**Final Selling Price**”) varies in accordance with the quality grade as agreed between Shengmu High-tech and Yiyongmei Dairy.

Specific sale agreements will be entered into between Shengmu High-tech and Yiyongmei Dairy within the scope of the 2025 Raw Fresh Milk Supply Framework Agreement. Accordingly, it is contemplated that Shengmu High-tech and Yiyongmei Dairy will enter into a sale agreement each year during the term of the 2025 Raw Fresh Milk Supply Framework Agreement to agree on the Base Price for that year, whereby the Base Price would be determined based on the below various factors and as agreed after arm’s length negotiations between the parties:

- (a) the Company’s expected production costs — Shengmu High-tech has taken into account the expected production costs of cow feeding, feed market condition, packaging, cost of labour, fixed overheads, utilities, human resources and other operational and administrative affairs in respect of the sales of raw fresh milk;
- (b) the Company’s expected logistics costs — Shengmu High-tech has taken into account the oil price and the distance between the customer’s location and Shengmu High-tech’s ranch;
- (c) average gross profit margin — Shengmu High-tech makes reference to the gross profit margin for organic milk of other organic milk producers in the dairy farming industry, and the Company’s gross profit margin for organic milk from the previous year (e.g. approximately 32% for the year ended 31 December 2023); and

(d) reference to the market cycle and the sales price of raw fresh milk produced by other companies in the vicinity.

Yiyingmei 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 (each a “**Settlement Date**”). The Final Selling Price for each sale shall be determined at each Settlement Date in accordance with the following formula (the “**Final Selling Price Formula**”):

$$P = B +/- A$$

where:

P = the Final Selling Price;

B = the Base Price; and

A = Adjustments by taking into account various milk quality indicators, including the total bacterial count, somatic cell count, level of protein and fat content etc.

The adjustment factors are also applicable to other independent third party customers of Shengmu High-tech when determining the relevant final selling price of raw fresh milk.

Delivery:

Shengmu High-tech shall be responsible for delivering the raw fresh milk to the places designated by Yiyingmei Dairy.

Payment terms:	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 1% of the overdue portion for each overdue day. If the overdue payment exceeds 15 days, Shengmu High-tech shall have the right to suspend the supply of 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 2025 Raw Fresh Milk Supply Framework Agreement shall be made in writing by the parties.

Reasons for and Benefits of Entering into the 2025 Raw Fresh Milk Supply Framework Agreement

Dabeinong Group's industrial 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 agriculture and livestock industry in the PRC. As a subsidiary of Dabeinong Group, Yiyongmei Dairy specializes in organic milk powder, dedicated to research and innovation in infant and adult nutrition, and is an important customer of Shengmu High-tech for organic milk in the future.

The Company considers that the cooperation with Yiyongmei Dairy can expand the market share of the Group's high quality organic milk sources. Therefore, the Company considers that this supply relationship has a beneficial impact on both the Group and Yiyongmei Dairy.

In light of the factors mentioned above, the Directors (including the independent non-executive Directors but excluding Ms. Shao Lijun who has abstained from voting at the relevant Board meeting) are of the view that the 2025 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 its shareholders as a whole, and the terms of the 2025 Raw Fresh Milk Supply Framework Agreement (including the proposed annual caps) are fair and reasonable.

Historical Transaction Amount and Proposed Annual Caps

The amount of raw fresh milk Yiyongmei Dairy purchased from Shengmu High-tech for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024 are as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023	For the nine months ended 30 September 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical transaction amount	0.3	1.8	3.3	5.7

As at the date of this announcement, the annual cap for the year ending 31 December 2024 under the 2022 Raw Fresh Milk Supply Framework Agreement has not been exceeded.

The Directors propose to set annual caps for the transactions contemplated under the 2025 Raw Fresh Milk Supply Framework Agreement for the years ending 31 December 2025, 2026 and 2027 as follows:

	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed annual cap	44	53	63

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

- (a) The historical transaction amount of raw fresh milk for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024;
- (b) the expected increase in sales volume of raw fresh milk to Yiyongmei Dairy;
- (c) the potential increase in price of dairy products in China;

- (d) Yiyongmei Dairy's prospective milk powder product launch plan and market sales forecast; Yiyongmei Dairy obtained the registration of infant formula products in 2024, which grants it the qualification to produce infant formula milk powder, and it expects to commence production of the infant formula milk powder project in 2025. Compared to previous years where Yiyongmei Dairy's usage of fresh milk was solely for the production of adult milk powder, Yiyongmei Dairy expects that its future demand for raw milk will significantly increase; and
- (e) the expected number of milkable cows of the Group for the three years ending 31 December 2025, 2026 and 2027.

MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT AND TERMINATION OF THE FUYUAN INTERNATIONAL BULK RAW MATERIALS SUPPLY FRAMEWORK AGREEMENT

Reference is made to announcement of the Company dated 28 March 2022, in relation to, among others, the 2022 Aiyangniu Technology Materials Supply Framework Agreement dated 28 March 2022 and entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Aiyangniu Technology (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Aiyangniu Technology to Shengmu High-tech from 28 March 2022 to 31 December 2024.

Reference is also made to the announcement of the Company dated 24 November 2022 in relation to Fuyuan International Bulk Raw Materials Supply Framework Agreement dated 24 November 2022 and entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Fuyuan International (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Fuyuan International to Shengmu High-tech from 1 January 2023 to 31 December 2025.

Both Aiyangniu Technology and Fuyuan International are non-wholly owned subsidiaries of Modern Farming. Besides, Modern Farming also owns other subsidiaries which could provide materials that meet the Group's requirements in terms of variety, quality and safety of materials for dairy farming. As a result, the Company expects entering into a material supply framework agreement with Modern Farming can further enhance the flexibility and cost-effectiveness of the Group's purchase of materials.

In this connection and in view of the expiry of the 2022 Aiyangniu Technology Materials Supply Framework Agreement, on 30 December 2024, Shengmu High-tech (for itself and on behalf of its subsidiaries) entered into the Modern Farming Materials Supply Framework Agreement with Modern Farming (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Modern Farming to Shengmu High-tech commencing from 1 January 2025 to 31 December 2027. The Fuyuan International Bulk Raw Materials Supply Framework Agreement will be terminated immediately upon the Modern Farming Materials Supply Framework Agreement coming into effect.

Principal Terms

The principal terms of the Modern Farming Materials Supply Framework Agreement are summarised as follows:

- Date: 30 December 2024
- Parties: (1) Shengmu High-tech (for itself and on behalf of its subsidiaries); and
(2) Modern Farming (for itself and on behalf of its subsidiaries)
- Term: From 1 January 2025 to 31 December 2027
- Nature of transaction: Modern Farming shall sell materials (including but not limited to feed, veterinary medicine, dipping liquid for cows, and equipment, etc.) which meet the Group’s purchasing standard to Shengmu High-tech. The purchase amount shall be specified by the Group in each purchase order to be placed with Modern Farming based on the Group’s actual needs.

Modern Farming should ensure the products are in line with the Group’s stringent standards and comply with the relevant PRC regulations. Shengmu High-tech shall reject any products that do not meet its quality standards and Modern Farming must compensate Shengmu High-tech for any direct losses caused (if any).

Purchase price and pricing mechanism:

The purchase price of the materials to be procured under the Modern Farming Materials Supply Framework Agreement shall be determined based on the current market price. Shengmu High-tech will compare quotes of similar materials from at least three other independent third party suppliers to evaluate the fairness of the relevant market price and ensure that the purchase price of the materials to be procured under the Modern Farming Materials Supply Framework Agreement does not exceed the quotes provided by other independent third party suppliers. If the price of the product supplied by Modern Farming in the same period is higher than the market price of the product or the price quoted by Modern Farming to an independent third party, Shengmu High-tech shall have the right to adjust the price of an executed order, and Modern Farming agrees that Shengmu High-tech may deduct the difference from the payment due to Modern Farming.

The aforesaid adjustment mechanism is put in place to ensure that the price and terms of the provision of products by Modern Farming to the Group are no less favorable than those offered by other independent third party suppliers.

Shengmu High-tech 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 stringent standards and beneficial to the wellbeing of the Group's dairy cows, as well as to ensure that the transaction terms are fair and reasonable.

Delivery:

Modern Farming shall be responsible for providing appropriate packaging for the materials and delivering the materials to the places designated by Shengmu High-tech. Modern Farming shall deliver the materials to Shengmu High-tech within five days after Shengmu High-tech places the order.

Payment terms: Modern Farming shall issue invoice to Shengmu High-tech within seven days after delivery of the materials. Shengmu High-tech shall enter the invoice into its ledger within seven days of receipt and arrange payment within 30 days thereafter. Permitted payment methods include bank transfer, banker's acceptance bill and trade acceptance bill. Under the premise that Modern Farming has fully performed its obligations and obtained written consent from Shengmu High-tech, if Shengmu High-tech delays payment, it shall pay liquidated damages to Modern Farming on the overdue payment portion at the current deposit interest rate of the bank for the same period (unless both parties reach a written understanding, which must be stamped with the official seals of both parties to be effective). However, the cumulative amount of liquidated damages shall not exceed 1% of the overdue payment amount. If Modern Farming claims interest on the overdue payment from Shengmu High-tech, then Modern Farming shall not be entitled to claim any liquidated damages.

Reasons for and Benefits of Entering into the Modern Farming Materials Supply Framework Agreement

Through the Group's procurement agreements with Fuyuan International and Aiyangniu Technology, Modern Farming has consistently provided the Group with high-quality materials in the past and has always met the Group's requirements in terms of variety, high quality and safety of materials for dairy farming. Modern Farming has developed a strict supplier selection and quality control mechanism, and also regularly adjusts the supplier list based on the quality control performance of the suppliers. Furthermore, Modern Farming has established convenient transportation arrangements with the Group. The Group believes that such cooperation with Modern Farming can ensure the supply of high-quality, low cost and safe materials, which are essential to the production of high-quality and fresh raw milk by the Group. Therefore the Group considers that the continuation of the procurement relationship with Modern Farming has great strategic significance and practical value.

In light of the factors mentioned above, the Directors (including the independent non-executive Directors but excluding Mr. Chen Yiyi, Mr Zhang Ping and Mr. Zhao Jiejun who have abstained from voting at the relevant Board meeting) are of the view that the Modern Farming Materials Supply Framework Agreement is entered into on normal commercial terms and in the ordinary course of business of the Group, is in the interests of the Company and its shareholders as a whole, and the terms of the Modern Farming Materials Supply Framework Agreement (including the proposed annual caps) are fair and reasonable.

Historical Transaction Amounts and Proposed Annual Caps

The transaction amount in relation to the materials sold to the Group by Fuyuan International and Aiyangniu Technology, for the three years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024 are as follows:

	For the year ended 31 December 2021 <i>RMB million</i>	For the year ended 31 December 2022 <i>RMB million</i>	For the year ended 31 December 2023 <i>RMB million</i>	For the nine months ended 30 September 2024 <i>RMB million</i>
Historical transaction amount (Fuyuan International)	19.9	26.9	10.2	2.5
Historical transaction amount (Aiyangniu Technology)	29.3	3.3	1.7	0.3

As at the date of this announcement, none of the annual caps for the year ending 31 December 2024 under the Fuyuan International Bulk Raw Materials Supply Framework Agreement and the 2022 Aiyangniu Technology Materials Supply Framework Agreement have been exceeded.

The Directors propose to set annual caps for the transactions contemplated under the Modern Farming Materials Supply Framework Agreement as follows:

	For the year ending 31 December 2025 RMB million	For the year ending 31 December 2026 RMB million	For the year ending 31 December 2027 RMB million
Proposed annual cap	33	33	33

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

- (a) the expected number of cows of the Group for the three years ending 31 December 2025, 2026 and 2027, respectively;
- (b) the expected demand for materials based on the Group's strategic plans for the years ending 31 December 2025, 2026 and 2027;
- (c) the historical purchase price and volume of similar materials paid by the Group to Aiyangniu Technology, Fuyuan International, and other suppliers taking into account temporary circumstances such as economic environment changes, supply chain disruptions, or strategic inventory adjustments during the three years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024;
- (d) the Fuyuan International Bulk Raw Materials Supply Framework Agreement will be terminated upon the Modern Farming Materials Supply Framework Agreement coming into effect and the 2022 Aiyangniu Technology Materials Supply Framework Agreement will expire on 31 December 2024.

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 either the 2025 Raw Fresh Milk Supply Framework Agreement or the Modern Farming Materials Supply Framework Agreement are about to be exceeded, the Company will revise the annual caps in accordance with the relevant Listing Rules requirements.

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 2025 Raw Fresh Milk Supply Framework Agreement, the Modern Farming Materials Supply Framework Agreement and Chapter 14A of the Listing Rules. The compliance team will prepare and submit a report of its findings to the management and Audit Committee of the Company.

The Group's external auditors and independent non-executive Directors shall conduct an annual review and confirm whether the transactions have been entered into in accordance with the terms of the 2025 Raw Fresh Milk Supply Framework Agreement and the Modern Farming Materials Supply Framework Agreement in the Company's annual report in accordance with the Listing Rules.

In addition, in relation to the 2025 Raw Fresh Milk Supply Framework Agreement, the Group has established internal control measures to ensure that the Final Selling Price and other terms of the sale of raw fresh milk by Shengmu High-tech to Yiyingmei Dairy contemplated under the 2025 Raw Fresh Milk Supply Framework Agreement are no less favourable than the terms offered to independent third party customers, in which the sales department has been designated to:

- (a) consider and compare prices and terms of similar products offered by Shengmu High-tech to all other third party purchasers every month;
- (b) conduct market research every month and compare the selling price of similar products offered by three other raw fresh milk producers when determining the Base Price for each year;
- (c) review other terms of orders received from Yiyingmei Dairy and other independent third party customers to ensure that the other terms offered by Shengmu High-tech to Yiyingmei Dairy are no less favourable to that offered to independent third party customers;
- (d) ensure that each sale shall be executed at a Final Selling Price as determined in accordance with the Base Price and the Final Selling Price Formula; and
- (e) the Group's external auditors shall conduct an annual review on the pricing mechanism of the continuing connected transactions under the 2025 Raw Fresh Milk Supply Framework Agreement in accordance with the Listing Rules.

In relation to the Modern Farming Materials Supply Framework Agreement, the Group's material procurement department will regularly monitor the market price of the materials provided by Modern Farming. The Group will compare quotes of similar materials from at least three other independent third party suppliers to

evaluate the fairness of the relevant market price and ensure that the purchase price of the materials to be procured under the Modern Farming Materials Supply Framework Agreement does not exceed the quotes provided by other independent third party suppliers.

LISTING RULES IMPLICATIONS

2025 Raw Fresh Milk Supply Framework Agreement

Mr. Shao Genhuo holds 23.46% 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. Accordingly, each of Mr. Shao and Dabeinong Group is a connected person 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 of the 2025 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 2025 Raw Fresh Milk Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the 2025 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.

Ms. Shao Lijun, a non-executive Director, is also a director of Nong You and general manager of Beijing Zhi Nong. Ms. Shao abstained from voting on the resolution(s) of the Directors approving the 2025 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder. Other than Ms. Shao, no Director is materially interested in the transactions contemplated under the 2025 Raw Fresh Milk Supply Framework Agreement and is required to abstain from voting on the resolution(s) of the Directors to approve the 2025 Raw Fresh Milk Supply Framework Agreement and the transactions contemplated thereunder.

Modern Farming Materials Supply Framework Agreement

Modern Farming is indirectly owned as to approximately 1.64% by China Mengniu and approximately 98.36% by China Modern Dairy which in turn is indirectly owned as to approximately 56.36% by China Mengniu.

As at the date of this announcement, 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 approximately 29.99% equity interest in the Company. Accordingly, each of Start Great, China Mengniu and Modern Farming is a connected person of the Company.

As the applicable percentage ratios under the Listing Rules in respect of the highest proposed annual cap under the Modern Farming Materials Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the Modern Farming 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. Chen Yiyi, a non-executive Director and chairman of the Board, Mr. Zhang Ping and Mr. Zhao Jiejun, each a non-executive Director, are also non-executive directors of China Modern Dairy. Accordingly, Mr. Chen, Mr. Zhang and Mr. Zhao abstained from voting on the resolutions of the Directors approving the Modern Farming Materials Supply Framework Agreement and the transactions contemplated thereunder. Other than Mr. Chen, Mr. Zhang and Mr. Zhao, no Director is materially interested in the transactions contemplated under the Modern Farming Materials Supply Framework Agreement and no Director is required to abstain from voting on the resolutions of the Directors to approve the Modern Farming Materials Supply Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

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

Modern Farming is indirectly owned as to approximately 1.64% by China Mengniu, a substantial shareholder of the Company, and 98.36% by China Modern Dairy which in turn is indirectly owned as to approximately 56.36% by 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. Modern Farming is principally engaged in operating dairy farms, production and sale of raw milk in the PRC. China Mengniu is a company listed on Main Board of the Stock Exchange (stock code: 2319) and is one of the leading dairy product manufacturers in the PRC. China Mengniu is principally engaged in manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

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.

Yiyangmei Dairy is held as to 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 and cheese. 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 date of this announcement, Mr. Shao Genhuo holds 23.46% equity interest in, and is the de facto controller of, Dabeinong Group. Based on public information available to the Company as at the date of this announcement, each of the remaining top ten shareholders of Dabeinong Group holds less than 10% equity interest in Dabeinong Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Aiyangniu Technology”	Inner Mongolia Aiyangniu Technology Co., Ltd. * (內蒙古愛養牛科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of China Modern Dairy
“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Zhi Nong”	Beijing Zhi Nong Investment Co., Ltd.* (北京智農投資有限責任公司), 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 Main Board of the Stock Exchange (stock code: 2319)

“China Modern Dairy”	China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1117)
“Company”	China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1432)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dabeinong Group”	Beijing Dabeinong Technology Group Co., Ltd.* (北京大北農科技集團股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002385)
“Director(s)”	the director(s) of the Company
“Fuyuan International”	Inner Mongolia Fuyuan International Industrial (Group) Co., Limited* (內蒙古富源國際實業(集團)有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of China Modern Dairy
“Fuyuan International Bulk Raw Materials Supply Framework Agreement”	the bulk raw materials supply framework agreement dated 24 November 2022, entered into between Shengmu High-tech and Fuyuan International, in relation to the supply of raw materials by Fuyuan International to the Group from 1 January 2023 to 31 December 2025
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Modern Farming”	Modern Farming (Group) Co., Ltd.* (現代牧業(集團)有限公司), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of China Modern Dairy
“Modern Farming Materials Supply Framework Agreement”	the materials supply framework agreement dated 30 December 2024, entered into between Shengmu High-tech and Modern Farming, in relation to the supply of materials by Modern Farming to the Group from 1 January 2025 to 31 December 2027
“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
“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 established in the PRC and an indirect wholly-owned subsidiary of the Company
“Start Great”	Start Great Holdings Limited, a company established in the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, which is a direct wholly-owned subsidiary of China Mengniu
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yiyingmei Dairy”	Inner Mongolia Yiyingmei Dairy Co., Ltd.* (內蒙古益嬰美乳業有限公司), a company established in the PRC, which is a non wholly-owned subsidiary of the Dabeinong Group

“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 from 28 March 2022 to 31 December 2024
“2022 Raw Fresh Milk Supply Framework Agreement”	the raw fresh milk supply framework agreement dated 22 March 2022, entered into between Shengmu High-tech 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 22 March 2022 and ending on 31 December 2024
“2025 Raw Fresh Milk Supply Framework Agreement”	the raw fresh milk supply framework agreement dated 30 December 2024, entered into between Shengmu High-tech 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 1 January 2025 and ending on 31 December 2027
“%”	per cent. or percentage

By Order of the Board
China Shengmu Organic Milk Limited
Chen Yiyi
Chairman

Hong Kong, 30 December 2024

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. Chen Yiyi (Chairman), 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.

** For identification purpose only*