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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)**

### INSIDE INFORMATION UPDATE ON LITIGATION

This announcement is made by China Shengmu Organic Milk Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 16 September 2021 and 22 October 2021 in relation to the Judgment issued by the PRC Court with respect to a claim made against Shengmu High-tech and the Ex-Directors by a plaintiff who allegedly acquired shares in the Company pursuant to the Investment Agreement (the “**Announcement(s)**”). Unless otherwise defined, capitalised terms defined in the Announcements shall have the same respective meanings in this announcement.

The Board wishes to provide an update on the litigation in respect of the Investment Agreement (the “**Litigation**”).

As disclosed in the Announcements, on 10 September 2021, the Company lodged an appeal against the first-instance judgment with the High People’s Court of Inner Mongolia Autonomous Region (the “**Appeal Court**”). On 28 July 2025, the Board received a copy of the final judgment issued by the Appeal Court dated 23 July 2025 (the “**Final Judgment**”). In the Final Judgment, the Appeal Court significantly reduced the sum awarded to the plaintiff (as compared to the initial award under the first-instance judgment) and decided against other claims made by the plaintiff. The Company is of the view that the Final Judgment is more favourable to Shengmu High-tech as compared to the first-instance judgment.

Pursuant to the Final Judgment, Shengmu High-tech and the Ex-Directors were held jointly liable to pay:

- (1) to the plaintiff a sum of RMB20,272,362, representing the difference between the initial investment cost and the market value of the investment amount as of 17 July 2017;
- (2) to the plaintiff the interest for the period from 15 July 2014 to 14 July 2017 calculated based on the initial investment cost of RMB59,207,432 at the People's Bank of China (the “**PBOC**”) interest rate for loans of the same type and term;
- (3) to the plaintiff the interest on the sums referred to in (1) and (2) above, calculated at (i) the PBOC's interest rate for loans of the same type and term for the period from 15 July 2017 to 19 August 2019; and (ii) the one-year loan prime rate published by the National Interbank Funding Center as authorised by the PBOC for the period from 20 August 2019 to the actual settlement date; and
- (4) the case acceptance fee and litigation preservation fee for the first-instance and second-instance proceedings of aggregate RMB353,442.45.

As at the date of this announcement, the Frozen Balance (comprising certain bank accounts of Shengmu High-tech with an aggregate balance of approximately RMB85.7 million and its 65% shareholding in Bayannur Shengmu Liuhe Farming Co., Ltd., a subsidiary of Shengmu High-tech), has not yet been released by the PRC Court. As advised by the PRC legal advisers to the Company, the Frozen Balance will be released as soon as amounts payable under the Final Judgment have been settled in full.

As disclosed in the annual report of the Company for the year ended 31 December 2024, the Company made a provision of RMB85 million in respect of probable losses in connection with the Litigation.

Having considered (i) the expected amounts payable under the Final Judgment, which is expected to be less than RMB40 million; (ii) the Litigation being a one-off incident, separate and distinct from the Company's ordinary business operations; and (iii) the provisions made in prior years in connection with the Litigation, the Board is of the view that the Final Judgment does not have a material impact on the Company's operations and financial position.

The Company is currently working with its legal counsel to assess the impact of the Final Judgment on the Company. In order to protect and defend the Company's rights and interests (whether related to its liabilities under the Final Judgment or other rights and interests), the Company does not rule out taking appropriate legal action against the Ex-Directors concerned. The Company will keep the shareholders and potential investors of the Company informed of material developments in relation to the Litigation (if any) by way of further announcement(s) as and when appropriate.

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

Hong Kong, 1 August 2025

*As at the date of this announcement, the Board comprises Mr. Zhang Jiawang, as executive Director; Mr. Chen Yiyi, Mr. Zhang Ping, Mr. Zhao Jiejun, Mr. Sun Qian and Ms. Shao Lijun, as non-executive Directors; Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng, as independent non-executive Directors.*