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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 TRANSACTION

NEW YIYINGMEI DAIRY MILK POWDER PURCHASE FRAMEWORK AGREEMENT

NEW YIYINGMEI DAIRY MILK POWDER PURCHASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 March 2024, in relation to, among others, the Existing Milk Powder Purchase Framework Agreement dated 28 March 2024, entered into between Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries), an indirect wholly-owned subsidiary of the Company, and Yiyongmei Dairy (for itself and on behalf of its subsidiaries), a non-wholly owned subsidiary of Dabeinong Group, in relation to the purchase of milk powder by the Group from Yiyongmei Dairy for a term commencing from 28 March 2024 and ending on 31 December 2026.

As the Company anticipates an increased demand for milk powder from Yiyongmei Dairy, on 27 August 2025, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement with Yiyongmei Dairy (for itself and on behalf of its subsidiaries), in relation to the purchase of milk powder by the Group from Yiyongmei Dairy from time to time during the term of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement, commencing from 28 August 2025 and ending on 31 December 2026.

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 22.73% 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. 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 New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the proposed annual caps under the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement exceeds 0.1% but is lower than 5%, the entering into of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the circular and independent Shareholders' approval requirements.

NEW YIYONGMEI DAIRY MILK POWDER PURCHASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 March 2024, in relation to, among others, the Existing Milk Powder Purchase Framework Agreement dated 28 March 2024, entered into between Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries), an indirect wholly-owned subsidiary of the Company, and Yiyongmei Dairy (for itself and on behalf of its subsidiaries), a non-wholly owned subsidiary of Dabeinong Group, in relation to the purchase of milk powder by the Group from Yiyongmei Dairy for a term commencing from 28 March 2024 and ending on 31 December 2026.

As the Company anticipates an increased demand for purchasing milk powder from Yiyongmei Dairy, on 27 August 2025, Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) entered into the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement with Yiyongmei Dairy (for itself and on behalf of its subsidiaries) in relation to the purchase of milk powder by the Group from Yiyongmei Dairy from time to time during the term of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement, commencing from 28 August 2025 and ending on 31 December 2026.

Principal Terms

The principal terms of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement are as follows:

- Date: 27 August 2025
- Parties: Shengmu High-tech (for itself and on behalf of the Company and its subsidiaries) and Yiyongmei Dairy (for itself and on behalf of its subsidiaries)
- Term: From 28 August 2025 to 31 December 2026
- Nature of transaction: Yiyongmei Dairy shall sell to Shengmu High-tech milk powder which meets the purchasing standards of Shengmu High-tech. Shengmu High-tech will place written orders based on its actual demand and determine the final details of the purchase, such as specifications, quantity, quality, delivery and other services. Yiyongmei Dairy will supply the milk powder to Shengmu High-tech in accordance with the terms of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the confirmed purchase orders.
- Purchase price and other terms: The price of milk powder purchased by Shengmu High-tech from Yiyongmei Dairy shall be determined from time to time by the parties on an arm's length basis, with reference to the prevailing market price for milk powder of comparable quality at the time of the submission of the relevant purchase order by Shengmu High-tech to Yiyongmei Dairy. Yiyongmei Dairy undertakes to sell at a price which is no higher than the market price of similar milk powder.

For the purpose of determining the prevailing market price, Shengmu High-tech shall request quotations from at least two independent suppliers (excluding Yiyongmei Dairy or any member of the Dabeinong Group) before making the relevant purchase order. If the price of the product supplied by Yiyongmei Dairy in the same period is higher than the market price of the product or the price supplied by Dabeinong Group to a third party, Shengmu High-tech shall have the right to adjust the price of an executed purchase order, and Yiyongmei Dairy agrees that Shengmu High-tech may deduct the difference from the payment due to Yiyongmei Dairy. Shengmu High-tech will review the price and quality of the milk powder from time to time to ensure that the milk powder is in line with the Group's quality standards, as well as to ensure that the transaction terms are fair and reasonable, and no less favourable than those available from independent third parties.

Delivery:

Shengmu High-tech shall pick up the agreed quantities of milk powder from warehouses designated by Yiyongmei Dairy. Shengmu High-tech shall bear the transportation costs.

Payment terms:

Shengmu High-tech shall make payments to Yiyongmei Dairy for each purchase order of milk powder. For each purchase order, both parties agree on a pick-up date for Shengmu High-tech to collect the milk powder from Yiyongmei Dairy's warehouse. After Shengmu High-tech picks up the goods, Yiyongmei Dairy shall issue a special value-added tax invoice to Shengmu High-tech. Shengmu High-tech shall pay to Yiyongmei Dairy the total purchase price under the relevant purchase order within five working days of the pick-up date.

Termination of Existing
Milk Powder Purchase
Framework Agreement

The Existing Milk Powder Purchase Framework Agreement will terminate from the date of the commencement of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement.

Reasons for and Benefits of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement

Dabeinong Group's industry portfolio covers a wide range of areas. In 2010, it became one of the agricultural high-tech enterprises with the highest market value among the listed companies in the agricultural and livestock industry in the PRC. As a subsidiary of Dabeinong Group, Yiyongmei Dairy specialises in the production of infant and toddler milk powder and is committed to creating world-class quality products. Its industry-leading production process, cutting-edge production equipment and CNAS laboratory established with the approval of the Certification and Accreditation Administration meet the Group's highest requirements for product quality.

To alleviate the pressure from the continuous downward cycle of the raw milk industry, the Company has proactively explored raw milk sales channels while also consolidating milk powder sales channels. In August 2025, the Company promoted its milk powder export trade business. Meanwhile, the quality of milk powder produced by Yiyongmei Dairy has been recognized by international customers, who have agreed to enter into milk powder purchase orders with the Company. Therefore, the Group will enter into the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement with Yiyongmei Dairy, pursuant to which the Group may purchase from Yiyongmei Dairy milk powder that meets the standards of the Company's export business. The Group will thereby be able to distribute high-quality milk powder to international customers, effectively meeting their needs, and by doing so, enhance customer satisfaction and strengthen customer loyalty to the products of the Group.

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 New Yiyongmei Dairy Milk Powder Purchase Framework Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole, and the terms of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement (including the proposed annual caps) are fair and reasonable.

Historical Transaction Amount and Proposed Annual Caps

The amount of milk powder Yiyingmei Dairy sold to Shengmu High-tech from 28 March 2024 to 31 December 2024 and for the seven months ended 31 July 2025 are as follows:

	From 28 March 2024 to 31 December 2024 <i>RMB million</i>	For the seven months ended 31 July 2025 <i>RMB million</i>
Historical transaction amount	1.5	8.1

As at the date of this announcement, the annual cap for the year ending 31 December 2025 under the Existing Milk Powder Purchase Framework Agreement has not been exceeded.

The Directors propose to set annual caps for the transactions contemplated under the New Yiyingmei Dairy Milk Powder Purchase Framework Agreement as follows:

	For the year ending 31 December 2025 <i>RMB million</i>	For the year ending 31 December 2026 <i>RMB million</i>
Proposed annual cap	115	115

In determining the proposed annual caps for the two years ending 31 December 2025 and 2026, the Directors have considered the following factors:

- (a) the Company expects that the demand for milk powder will significantly increase. The Company has expanded its milk powder export trade from August 2025, under which the Group distributes either milk powder sourced from Yiyingmei Dairy or milk powder processed by Yiyingmei Dairy (as the Group's service provider). More milk powder will therefore be needed from Yiyingmei Dairy in order for the Company to receive sufficient milk powder for the Company's export operations;
- (b) the pricing terms of the New Yiyingmei Dairy Milk Powder Purchase Framework Agreement;

- (c) the historical and current market prices of milk powder of similar quality, as well as the potential fluctuations in the market price for the milk powder in PRC in the future;
- (d) the Group's business plan, market sales forecast and internal projections of demand for milk powder for the two years ending 31 December 2025 and 2026; and
- (e) the possible future fluctuation in the PRC dairy farming industry.

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 the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement are expected 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 New Yiyongmei Dairy Milk Powder Purchase Framework Agreement under 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 will conduct an annual review and confirm whether the transactions have been entered into in accordance with the terms of the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and confirm, among others, whether the relevant annual caps have been exceeded, in the Company's annual report in accordance with the Listing Rules. In particular, the Group's raw milk despatch department will regularly monitor the market price of the milk powder supplied by Yiyongmei Dairy.

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 22.73% 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. 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 New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the proposed annual caps under the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement exceeds 0.1% but is lower than 5%, the entering into of the New Yiyongmei Dairy Milk Powder Purchase 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 New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the transactions contemplated thereunder. Other than Ms. Shao, no Director is materially interested in the transactions contemplated under the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement nor required to abstain from voting on the resolution(s) of the Directors to approve the New Yiyongmei Dairy Milk Powder Purchase Framework Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

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

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 22.73% 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.

Yiyongmei 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.

DEFINITIONS

Unless the contents otherwise requires, the following expressions shall have the following meanings in this announcement:

“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
“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

“Existing Milk Powder Purchase Framework Agreement”	the existing milk powder purchase framework agreement dated 28 March 2024, entered into between Shengmu High-tech and Yiyingmei Dairy, in relation to the purchase of milk powder by the Group from Yiyingmei Dairy for a term commencing from 28 March 2024 and ending on 31 December 2026
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Yiyingmei Dairy Milk Powder Purchase Framework Agreement”	the milk powder purchase framework agreement dated 27 August 2025, entered into between Shengmu High-tech and Yiyingmei Dairy in relation to the purchase of milk powder by the Group from Yiyingmei Dairy for a term commencing from 28 August 2025 and ending on 31 December 2026
“Nong You”	Nong You Co., Ltd., a company incorporated in the British Virgin Islands which holds 1,301,651,000 Shares, representing approximately 15.53% of the total number of issued Shares 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
“Shareholder(s)”	holder(s) of the shares of the Company
“Share(s)”	ordinary share(s) of par value HK\$0.00001 each in the issued share capital of the Company
“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 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
“Yiyingmei Dairy”	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 Dabeinong Group as at the date of this announcement
“%”	per cent

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

Hong Kong, 27 August 2025

As at the date of this announcement, the executive Director is Mr. Zhang Jiawang; the non-executive Directors are Mr. Chen Yiyi (Chairman), Mr. Zhang Ping, Mr. Zhao Jiejun, Mr. Sun Qian and Ms. Shao Lijun; and the independent non-executive Directors are Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng.

* *For identification purpose only*