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*China Shengmu Organic Milk Limited is regarded as having a Significant Public Float Shortfall under Rule 13.32F of the Listing Rules. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company (the "**Shares**"), because: (a) the Company has failed to maintain the minimum public float required under Rule 13.32B of the Listing Rules, resulting in a shortfall that constitutes a Significant Public Float Shortfall as defined under Rule 13.32F of the Listing Rules; and (b) the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with Rule 13.32B of the Listing Rules within the prescribed period under Rule 13.32G(3) of the Listing Rules (i.e. by 2 February 2028).*



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

2026-2027 MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT AND TERMINATION OF THE EXISTING MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT

2026-2027 MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT AND TERMINATION OF THE EXISTING MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2024 in relation to, among other things, the Existing Modern Farming Materials Supply Framework Agreement entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Modern Farming (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Modern Farming to Shengmu High-tech for a three-year term from 1 January 2025 to 31 December 2027.

Due to anticipated changes in the Group's material needs and consumption, including increased use of flaked corn, and its efforts to improve procurement cost efficiency after the Company became a subsidiary of China Modern Dairy, the Board resolved to replace the Existing Modern Farming Materials Supply Framework Agreement with the 2026-2027 Modern Farming Materials Supply Framework Agreement and revise the Existing Annual Caps.

On 13 November 2026, Shengmu High-tech (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, entered into the 2026-2027 Modern Farming Materials Supply Framework Agreement with Modern Farming (for itself and on behalf of its subsidiaries) to terminate and replace the Existing Modern Farming Materials Supply Framework Agreement and revise the Existing Annual Caps thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Modern Farming is a 98.36%-owned subsidiary of China Modern Dairy. China Modern Dairy directly holds approximately 53.53% of the issued Shares and is a substantial shareholder and connected person of the Company. Accordingly, each of China Modern Dairy and Modern Farming is a connected person of the Company.

As the applicable percentage ratios under the Listing Rules in respect of the highest Revised Annual Cap under the 2026-2027 Modern Farming Materials Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the 2026-2027 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.

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PRINCIPAL TERMS OF THE 2026-2027 MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT

Save for the revision of the Existing Annual Caps, the terms and conditions of the 2026-2027 Modern Farming Materials Supply Framework Agreement are the same as those of the Existing Modern Farming Materials Supply Framework Agreement, including its expiry date of 31 December 2027.

The principal terms of the 2026-2027 Modern Farming Materials Supply Framework Agreement are summarised as follows:

Date:	13 November 2026
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 13 November 2026 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 standards 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 shall 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 2026-2027 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 two 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 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 favourable 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 an 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 2026-2027 MODERN FARMING MATERIALS SUPPLY FRAMEWORK AGREEMENT

Modern Farming has consistently provided the Group with high-quality materials that meet the Group's requirements as to variety, quality and safety for dairy farming. Modern Farming has developed a strict supplier selection and quality control mechanism and regularly adjusts its supplier list based on suppliers' quality control performance. Its strong supply chain management and quality control mechanism are considered by the Group to be well suited to its feed procurement needs. The Group believes that cooperation with Modern Farming can ensure the supply of high-quality, low-cost and safe materials, which are essential to the Group's production of high-quality and fresh raw milk. Building on this established relationship, the 2026-2027 Modern Farming Materials Supply Framework Agreement continues to support a stable procurement arrangement that mitigates the risks arising from volatile prices in the feed commodity market and the potentially unstable supply capacity of small and medium-sized suppliers. It also reduces the administrative burden and inefficiencies associated with repeated single transactions with different suppliers.

The Group has increased its use of flaked corn in place of corn flour because flaked corn is easier to digest and enhances milk production and quality. Modern Farming's subsidiary, Bayannur Honghao Farming and Animal Husbandry Co., Ltd.* (巴彥淖爾市鴻皓農牧業有限公司), supplies organic flaked corn that meets the Group's quality and organic certification requirements. The proximity and reliability of its supply, together with volume-based pricing arrangements, are expected to help the Group control procurement costs and improve procurement efficiency.

Furthermore, the 2026-2027 Modern Farming Materials Supply Framework Agreement is expected to provide the Group with a more secure supply of materials, including priority supply during peak seasons or when market supply is tight. The Group is also expected to benefit from economies of scale and lower premiums on emergency purchases. Other expected benefits include standardised inspections and traceability, clearer responsibility for product quality and more reliable performance by the supplier. 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. Shen Xinwen, Mr. Sun Yugang, Mr. Zhu Xiaohui and Mr. Li Shengli who have abstained from voting at the relevant Board meeting) are of the view that the 2026-2027 Modern Farming Materials Supply Framework Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, is in the interests of the Company and its shareholders as a whole, and the terms of the 2026-2027 Modern Farming Materials Supply Framework Agreement (including the Revised Annual Caps) are fair and reasonable.

HISTORICAL TRANSACTION AMOUNTS AND THE REVISED ANNUAL CAPS

Historical Transaction Amounts

The transaction amount in relation to the materials sold to the Group by Modern Farming for the year ended 31 December 2025 and the ten months ended 31 October 2026 amounted to approximately RMB2.6 million and RMB32.6 million, respectively. As at the date of this announcement, the Existing Annual Caps have not been exceeded.

Revised Annual Caps

The Existing Annual Caps under the Existing Modern Farming Materials Supply Framework Agreement and the Revised Annual Caps under the 2026-2027 Modern Farming Materials Supply Framework Agreement are as follows:

	For the year ending 31 December 2026 *(RMB million)*	**For the year ending 31 December 2027** *(RMB million)*
Existing Annual Cap	33	33
Revised Annual Cap	60	80

The Revised Annual Cap of RMB60 million for the year ending 31 December 2026 applies to the aggregate purchases under the Existing Modern Farming Materials Supply Framework Agreement before its termination and under the 2026-2027 Modern Farming Materials Supply Framework Agreement from its commencement to 31 December 2026.

In determining the Revised Annual Caps, the Directors have also considered the following factors:

(a) the Group's increased use of flaked corn in place of corn flour in its feed formulations, given its superior digestibility and contribution to maintaining stable milk production and quality. Flaked corn was introduced progressively from April 2026, and reached its full usage level from August 2026 onwards. As the Group did not procure flaked corn prior to April 2026, flaked corn represents an additional type of materials supplied by Modern Farming under this arrangement;

(b) the historical purchase prices and volume of the materials procured by the Group from Modern Farming for the year ended 31 December 2025 and the ten months ended 31 October 2026;

(c) the integration of the supply chain and procurement resources of the Group and Modern Farming, following the completion of the mandatory conditional cash offer that resulted in the Company becoming a subsidiary of China Modern Dairy. The integration allows the Group to benefit from centralised procurement synergies, including shared procurement channels, more favourable terms, enhanced supply chain stability, and improved overall operating efficiency;

(d) certain seasonal feed materials, such as wheatgrass and wheat straw, become available on the market from October. Accordingly, the Group concentrates its procurement of these materials from October to December, and this seasonal procurement pattern is expected to result in higher transaction amounts during the fourth quarter; and

(e) following the Group's supplier selection and qualification procedures, certain subsidiaries of Modern Farming were selected as qualified suppliers of specific materials. For example, Bayannur Honghao Farming and Animal Husbandry Co., Ltd.* (巴彥淖爾市鴻皓農牧業有限公司), a subsidiary of Modern Farming, is currently among the qualified suppliers of flaked corn on the Group's approved supplier list which meets the Group's quality and organic certification requirements. Procuring materials from such entities ensures a reliable supply, gives the Group greater control over costs through volume-based pricing, and improves overall procurement efficiency.

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 utilisation of annual caps of continuing connected transactions on a monthly basis.

In the event that the Revised Annual Caps 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 2026-2027 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 2026-2027 Modern Farming Materials Supply Framework Agreement in the Company's annual report in accordance with the Listing Rules.

In addition, 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 two 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 2026-2027 Modern Farming Materials Supply Framework Agreement does not exceed the quotes provided by other independent third party suppliers.

LISTING RULES IMPLICATIONS

Modern Farming is a 98.36%-owned subsidiary of China Modern Dairy. China Modern Dairy directly holds approximately 53.53% of the issued Shares and is a substantial shareholder and connected person of the Company. Accordingly, each of China Modern Dairy and Modern Farming is a connected person of the Company.

As the applicable percentage ratios under the Listing Rules in respect of the highest Revised Annual Cap under the 2026-2027 Modern Farming Materials Supply Framework Agreement exceed 0.1% but are all less than 5%, the entering into of the 2026-2027 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, is also a non-executive director of China Modern Dairy. Mr. Shen Xinwen, a non-executive Director, is also a non-executive director of China Modern Dairy, and is an executive director of China Mengniu. Mr. Sun Yugang and Mr. Zhu Xiaohui, each a non-executive Director, are executive directors of China Modern Dairy. Mr. Li Shengli, an independent non-executive Director, is an independent non-executive director of China Modern Dairy. Accordingly, Mr. Chen, Mr. Shen, Mr. Sun, Mr. Zhu and Mr. Li abstained from voting on the resolutions of the Directors approving the 2026-2027 Modern Farming Materials Supply Framework Agreement and the transactions contemplated thereunder. Other than Mr. Chen, Mr. Shen, Mr. Sun, Mr. Zhu and Mr. Li, no Director is materially interested in the transactions contemplated under the 2026-2027 Modern Farming Materials Supply Framework Agreement and no Director is required to abstain from voting on the resolutions of the Directors to approve the 2026-2027 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.

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.

Modern Farming is indirectly owned as to approximately 1.64% by China Mengniu, a substantial shareholder of the Company, and approximately 98.36% by China Modern Dairy which in turn is indirectly owned as to approximately 49.39% by China Mengniu. As at the date of this announcement, China Mengniu indirectly holds approximately 29.99% of the issued Shares through Start Great, a wholly-owned subsidiary of China Mengniu, and is hence a substantial shareholder of the Company. China Modern Dairy directly holds approximately 53.53% of the issued Shares.

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 the 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.

DEFINITIONS

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

"2026-2027 Modern Farming Materials Supply Framework Agreement"	the materials supply framework agreement dated 13 November 2026 entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Modern Farming (for itself and on behalf of its subsidiaries), for a term from 13 November 2026 to 31 December 2027, which terminates and replaces the Existing Modern Farming Materials Supply Framework Agreement upon becoming effective
"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 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
"Director(s)"	the director(s) of the Company
"Existing Annual Cap(s)"	the existing annual caps for the transactions contemplated under the Existing Modern Farming Materials Supply Framework Agreement
"Existing Modern Farming Materials Supply Framework Agreement"	the materials supply framework agreement dated 30 December 2024 entered into between Shengmu High-tech (for itself and on behalf of its subsidiaries) and Modern Farming (for itself and on behalf of its subsidiaries) in relation to the supply of materials by Modern Farming to Shengmu High-tech for a three-year term from 1 January 2025 to 31 December 2027
"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
"Modern Farming"	Modern Farming (Group) Co., Ltd.* (現代牧業(集團)有限公司), a company established in the PRC with limited liability, which is indirectly owned as to approximately 1.64% by China Mengniu and approximately 98.36% by China Modern Dairy

"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
"Revised Annual Cap(s)"	the revised annual caps for 2026 and 2027 under the 2026-2027 Modern Farming Materials Supply Framework Agreement
"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 incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of China Mengniu and a substantial shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent. or percentage

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

Hong Kong, 13 November 2026

As at the date of this announcement, the executive Director is Mr. Zhang Jiawang; the non-executive Directors are Mr. Chen Yiyi (Chairman), Mr. Shen Xinwen, Mr. Sun Yugang and Mr. Zhu Xiaohui; and the independent non-executive Directors are Mr. Li Shengli, Ms. Pan Min, Mr. Wu Liang and Mr. Sun Yansheng.

* *For identification purpose only*