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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND THE ISSUE OF TRANCHE 1 OF WARRANTS B

Reference is made to the annual report of China Shengmu Organic Milk Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2019 (the “**2019 Annual Report**”) published on 27 April 2020. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2019 Annual Report.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the section headed “Use of Net Proceeds from the Global Offering” of the 2019 Annual Report. The board of directors of the Company (the “**Board**”) hereby provides further information regarding the use of net proceeds from the Global Offering (the “**IPO Net Proceeds**”).

The table below sets out the planned use of the IPO Net Proceeds, the actual use of the IPO Net Proceeds from the Listing Date to 1 January 2019 and 31 December 2019, respectively, and the unutilised IPO Net Proceeds as of 1 January 2019 and 31 December 2019, respectively:

	Planned use of the IPO Net Proceeds RMB million	Actual use of the IPO Net Proceeds from the Listing Date to 1 January 2019 RMB million	Actual use of the IPO Net Proceeds from the Listing Date to 31 December 2019 RMB million	Unutilised IPO Net Proceeds as of 1 January 2019 RMB million	Unutilised IPO Net Proceeds as of 31 December 2019 RMB million
Constructing six additional organic dairy farms	200.1	182.5	182.5	17.6	17.6
Acquiring dairy cows domestically and from overseas	240.2	145.6	145.6	94.6	94.6
Sales and marketing activities and expansion of distribution network	40.1	40.1	40.1	0	0
Expanding the Group's liquid milk production capacity	120.3	120.3	120.3	0	0
Repayment of loans	120.3	120.3	120.3	0	0
Additional working capital and general corporate purposes	80.2	80.2	80.2	0	0
Total*	801.2	689.1	689.1	112.1	112.1

* Certain figures included in the table above have been subject to rounding adjustments. Accordingly, figures shown as totals in the table may not be an arithmetic aggregation of the figures preceding them.

The amount of the unutilised IPO Net Proceeds was approximately RMB112.1 million as at 1 January 2019 and 31 December 2019, respectively. The Group plans to use approximately RMB17.6 million in relation to the projects of constructing six additional organic farms by end of 2020 by purchasing supporting facilities for these farms. Due to the unfavourable conditions of the PRC dairy market in previous financial years, the Group postponed its plan of acquiring dairy cows. As the current conditions of the PRC dairy market are becoming more favourable, the Group plans to use approximately RMB94.6 million to acquire approximately 5,000 to 6,000 dairy cows domestically and from overseas by end of 2021.

USE OF NET PROCEEDS FROM THE ISSUE OF TRANCHE 1 OF WARRANTS B

Reference is made to the section headed “Issue of Unlisted Warrants under Specific Mandate” of the 2019 Annual Report, which stated that completion of tranche 1 of Warrants B in relation to 127,088,000 Warrant Shares B took place on 1 February 2019. The Board hereby provides further information regarding the use of net proceeds from the issue of tranche 1 of Warrants B (the “**Net Proceeds of Tranche 1 of Warrants B**”). The amount of the Net Proceeds of Tranche 1 of Warrants B was approximately HK\$5.4 million. The Net Proceeds of Tranche 1 of Warrants B had been fully utilised to purchase grass feed by end of June 2019 according to the intention disclosed in the circular of the Company dated 7 January 2019.

The information provided in this announcement does not affect other information contained in the 2019 Annual Report and, save as disclosed above, the contents of the 2019 Annual Report remain unchanged.

By Order of the Board
China Shengmu Organic Milk Limited
Shao Genhuo
Chairman

Hong Kong, 6 July 2020

As at the date of this announcement, the executive directors of the Company are Mr. Yao Tongshan and Mr. Zhang Jiawang; the non-executive directors of the Company are Mr. Shao Genhuo, Mr. Zhao Jiejun, Mr. Sun Qian and Mr. Lu Boxiang; and the independent non-executive directors of the Company are Mr. Fu Wenge, Mr. Wang Liyan and Mr. Li Xuan.