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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)

POSITIVE PROFIT ALERT

This announcement is made by China Shengmu Organic Milk Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board of Directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that, based on the preliminary assessment of the Group’s latest unaudited management accounts and the information currently available to the Group, the profit for the six months ended 30 June 2014 is anticipated to record a substantial increment as compared to that for the same period in 2013.

The Company anticipates that profit of the Group for the six months ended 30 June 2014 will record an increment of more than 190% as compared to approximately RMB117 million (unaudited) for the same period in 2013, the Group’s profit before fair value adjustment of biological assets for the six months ended 30 June 2014 will record an increment of more than 190% as compared to approximately RMB113 million (unaudited) for the same period in 2013; The Group’s profit attributable to the owners of parent for the six months ended 30 June 2014 will record an increment of more than 170% as compared to approximately RMB102 million (unaudited) for the same period in 2013.

Based on the information currently available to the Company, the Board considers that the growth was mainly attributed to the following reasons:

- (1) The herd size was increased and the production volume of raw milk increased. Meanwhile, the unit prices of both organic raw milk and premium non-organic raw milk increased as compared to the same period in the previous year;
- (2) The production volume and sales volume of branded organic liquid milk products increased with the expansion of distribution network and increasing market demand. Meanwhile, the average unit selling price increased as compared to the same period in the previous year;
- (3) The production scale and efficiency were increased, accordingly, the cost and expenses ratio decreased.

Since the Company is in the process of preparing and finalizing its unaudited consolidated accounts for the six months ended 30 June 2014 and same period of last year, which are currently being reviewed by the independent auditor of the Company, the information contained in this announcement has been prepared only based on the information currently available to the Company and the preliminary evaluation conducted by the Company on the consolidated management accounts of the Group for the six months ended 30 June 2014 but not based on any data audited or reviewed by the auditor of the Company.

Shareholders of the Company and potential investors are advised to refer to the details as set out in the interim results announcement of the Company for the six months ended 30 June 2014 and same period of last year, which is expected to be published in late August 2014.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in shares of the Company.

By Order of the Board of
China Shengmu Organic Milk Limited
Yao Tongshan
Chairman and Executive Director

Hong Kong, 29 July 2014

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yao Tongshan, Mr. Wu Jianye, Ms. Gao Lingfeng and Mr. Cui Ruicheng, as executive Directors; Mr. Wu Jingshui, Mr. Fan Xiang, Mr. Cui Guiyong and Mr. Sun Qian, as non-executive Directors; Mr. Wong Kun Kau, Mr. Li Changqing, Ms. Ge Xiaoping and Mr. Yuan Qing, as independent non-executive Directors.