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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)**

## **UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF**

### **Inner Mongolia Shengmu High-tech Farming Co., Ltd.\***

**(內蒙古聖牧高科牧業有限公司)**

## **AN INDIRECT WHOLLY OWNED SUBSIDIARY OF THE COMPANY**

### **FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

This announcement is made by the board of directors (the “**Board**”) of 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 the Hong Kong Limited (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, Laws of Hong Kong).

An indirect wholly owned subsidiary of the Company, Inner Mongolia Shengmu High-tech Farming Co., Ltd.\* (內蒙古聖牧高科牧業有限公司) (the “**Shengmu Holding**”) had obtained an approval in March 2014 from the National Association of Financial Market Institutional Investors, a self-regulation organization supervising issuance of corporate bonds and notes amongst banks in the People’s Republic of China (the “**PRC**”), to issue short term notes (“the **Approval**”). According to the Approval, the aggregate amount of the short term notes shall not exceed RMB200 million and can be issued in tranches. Please refer to the prospectus of the Company dated 30 June 2014 for details of the Approval. Shengmu Holding will issue the first tranche of short term notes in the amount of RMB 100 million on 8 December 2015.

Pursuant to applicable laws and regulations in the PRC, the unaudited consolidated financial information of Shengmu Holding for the nine months ended 30 September 2015 prepared in accordance with the PRC Generally Accepted Accounting Principles (the “**PRC GAAP**”) (the “**Unaudited Consolidated Financial Information of Shengmu Holding**”) shall be published on the websites of Shanghai Clearing House (<http://www.shclearing.com>) and China Foreign Exchange Trade System (<http://www.chinamoney.com.cn>) on or before 8 December 2015.

The Unaudited Consolidated Financial Information of Shengmu Holding for the nine months ended 30 September 2015 is attached as Appendix to this announcement.

**The Unaudited Consolidated Financial Information of Shengmu Holding is prepared in accordance with the PRC GAAP, which may require adjustment during the course of auditing. In addition, the information contained therein is limited solely to Shengmu Holding and its subsidiaries, which does not provide a full picture of the business operation of the Group. Shareholders and potential investors should exercise caution when dealing in the shares of the Company and should not rely solely on such information.**

By Order of the Board  
**China Shengmu Organic Milk Limited**  
**Yao Tongshan**  
*Chairman*

Hong Kong, 7 December 2015

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

\* *For identification purposes only*

## Consolidated Income Statement

Prepared by: Inner Mongolia Shengmu High-tech Farming Co., Ltd.

Items	<b>Nine months ended 30 September, 2015</b> <i>(Unaudited)</i> <i>RMB</i>	<b>Nine months ended 30 September, 2014</b> <i>(Unaudited)</i> <i>RMB</i>
I. Operational income	2,222,070,304.35	1,513,256,780.76
Income from principal operations	2,197,585,902.64	1,499,903,889.18
Income from other operations	24,484,401.71	13,352,891.58
Less: Operating costs	1,206,752,404.68	765,938,348.42
Cost of principal operations	1,185,774,879.72	753,608,703.07
Cost of other operations	20,977,524.96	12,329,645.35
Taxes and surcharges of principal operations	900,243.20	686,185.36
Selling expenses	194,337,990.34	67,493,213.44
Management expenses	62,569,891.06	35,738,234.03
Financial expenses	70,594,488.30	39,221,995.64
Impairment loss on assets	395,658.41	—
Add: Gain from change in fair value (loss indicated by “—”)	34,320,420.66	8,378,121.45
Income from investment	<u>-10,380,047.75</u>	<u>-5,920,737.25</u>
II. Operational profit	710,460,001.26	606,636,188.08
Add: Non-operational income	765,000.25	821,000.00
Less: Non-operational expenses	<u>364,008.35</u>	<u>136,452.90</u>
III. Total profit (loss indicated by “—”)	710,860,993.16	607,320,735.18
Less: Income tax expenses	<u>1,879,901.57</u>	<u>2,472,678.37</u>
IV. Net profit (loss indicated by “—”)	<u><u>708,981,091.59</u></u>	<u><u>604,848,056.81</u></u>

## Consolidated Balance Sheet

Prepared by: Inner Mongolia Shengmu High-tech Farming Co., Ltd.

<b>Items</b>	<b>As at 30 September, 2015 (Unaudited) RMB</b>	<b>As at 31 December, 2014 (Unaudited) RMB</b>
<b>Asset</b>		
Current assets:		
Cash	494,823,756.56	616,614,624.20
Bills receivables	—	4,100,000.00
Receivables	985,398,555.94	393,443,254.84
Other receivables	97,951,884.10	23,970,293.54
Prepayments	297,474,589.48	146,725,764.39
Deferred expenses	5,567,556.44	11,729,998.80
Interest receivable	6,349,762.56	2,287,116.92
Inventories	732,273,261.71	701,182,845.04
Other current assets	<u>238,708.58</u>	<u>544,708.58</u>
Total current assets	<u>2,620,078,075.36</u>	<u>1,900,598,606.31</u>
Non-Current Assets:		
Available-for-sale financial assets	1,403,500.00	980,000.00
Long-term equity investments	36,157,028.52	28,160,169.08
Fixed assets	1,578,793,636.46	1,260,432,467.52
Construction in progress	417,721,872.73	397,394,518.15
Productive biological assets	3,080,494,153.88	2,720,126,000.00
Intangible assets	20,950,076.97	21,262,459.13
Deferred income tax assets	1,077,236.21	910,013.69
Other non-current assets	<u>28,399,179.98</u>	<u>26,985,339.08</u>
Total non-current assets	<u>5,164,996,684.76</u>	<u>4,456,250,966.65</u>
Total assets	<u>7,785,074,760.12</u>	<u>6,356,849,572.96</u>

## Consolidated Balance Sheet (continued)

Items	As at 30 September, 2015 <i>(Unaudited)</i> RMB	As at 31 December, 2014 <i>(Unaudited)</i> RMB
<b>Liabilities and owners' equity</b>		
Current liabilities:		
Short-term borrowings	1,661,730,190.77	1,334,000,000.00
Bills payables	223,203,920.00	47,252,539.82
Payables	587,739,714.65	376,711,653.61
Receipts in advance	16,039,584.45	32,439,840.72
Remuneration payable to employees	31,900,127.72	25,775,938.21
Interest payable	1,299,428.61	455,235.00
Tax charge payable	5,181,691.86	8,072,725.42
Other payables	207,395,476.98	258,341,601.00
Other current liabilities	69,738,846.45	—
Total current liabilities	<u>2,804,228,981.49</u>	<u>2,083,049,533.78</u>
Non-current liabilities:		
Long-term borrowings	137,000,000.00	150,000,000.00
Other non-current liabilities	<u>410,930,344.09</u>	<u>410,451,974.59</u>
Total non-current liabilities	<u>547,930,344.09</u>	<u>560,451,974.59</u>
Total liabilities	<u>3,352,159,325.58</u>	<u>2,643,501,508.37</u>
<b>Owner's equity (or shareholders' interests):</b>		
Paid-in capital (or share capital)	738,700,000.00	738,700,000.00
Capital reserves	282,741,909.02	234,350,678.63
Surplus reserves	186,770,870.65	186,770,870.65
Undistributed profits	<u>1,741,456,688.84</u>	<u>1,336,587,210.63</u>
Total equity attributable to owners of the parent	2,949,669,468.51	2,496,408,759.91
Minority interests	<u>1,483,245,966.03</u>	<u>1,216,939,304.68</u>
Total owners' equity (or shareholders' interests)	<u>4,432,915,434.54</u>	<u>3,713,348,064.59</u>
Total liabilities and owners' equity (or shareholders' interests)	<u><u>7,785,074,760.12</u></u>	<u><u>6,356,849,572.96</u></u>

## Consolidated Statement of Cash Flows

Prepared by: Inner Mongolia Shengmu High-tech Farming Co., Ltd.

<b>Items</b>	<b>Nine months ended 30 September, 2015 (Unaudited) RMB</b>	<b>Nine months ended 30 September, 2014 (Unaudited) RMB</b>
I. Cash flows generated from operating activities		
Cash received from sales of goods and rendering of labor services	1,740,502,015.65	1,509,991,866.32
Cash received relating to other operating activities	<u>5,285,889.05</u>	<u>9,678,953.24</u>
Sub-total of cash inflows	<u>1,745,787,904.70</u>	<u>1,519,670,819.56</u>
Cash paid for purchase of goods and engagement of labor services	1,614,269,163.36	1,500,969,415.45
Transferred-in cost of biological assets	-626,071,125.57	-467,427,232.93
Cash paid to and on behalf of employees	182,412,924.11	112,530,991.21
Payments of all types of taxes	20,123,056.68	17,159,466.04
Cash paid relating to other operating activities	<u>40,797,912.94</u>	<u>52,731,419.72</u>
Sub-total of cash outflows	<u>1,231,531,931.52</u>	<u>1,215,964,059.49</u>
Net cash generated from operating activities	<u>514,255,973.18</u>	<u>303,706,760.07</u>

## Consolidated Statement of Cash Flows (continued)

Items	<b>Nine months ended 30 September, 2015</b> <i>(Unaudited)</i> <i>RMB</i>	<b>Nine months ended 30 September, 2014</b> <i>(Unaudited)</i> <i>RMB</i>
II. Cash flows generated from investing activities		
Net cash received on disposal of biological assets	145,589,232.84	276,373,820.46
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	1,484,890.00	—
Cash generated from other investing activities	<u>—</u>	<u>1,940,000.00</u>
Sub-total of cash inflows	<u>147,074,122.84</u>	<u>278,313,820.46</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term investments	431,425,916.69	709,847,321.09
Cash paid on purchase of productive biological assets	681,755,430.72	651,423,468.91
Including: cash paid for outsourcing of biological assets	101,591,724.09	—
Cash paid for investment	20,893,500.00	—
Cash paid relating to other investing activities	<u>—</u>	<u>282,214.55</u>
Sub-total of cash outflows	<u>1,134,074,847.41</u>	<u>1,361,553,004.55</u>
Net cash generated from investing activities	<u>-987,000,724.57</u>	<u>-1,083,239,184.09</u>

### Consolidated Statement of Cash Flows (continued)

Items	Nine months ended 30 September, 2015 <i>(Unaudited)</i> RMB	Nine months ended 30 September, 2014 <i>(Unaudited)</i> RMB
III. Cash flows generated from financing activities		
Cash received by absorbing investment	—	699,135,000.03
Cash received from obtain of borrowings	1,586,733,445.75	1,197,800,000.00
Cash received relating to other financing activities	<u>—</u>	<u>300,000,000.00</u>
Sub-total of cash inflows	<u>1,586,733,445.75</u>	<u>2,196,935,000.03</u>
Cash paid for repayment of debt	1,243,728,304.90	741,620,000.00
Cash paid for distribution of dividends, profit or payment of interests	79,169,414.73	45,973,722.45
Cash paid relating to other financing activities	<u>-86,809,856.29</u>	<u>-962,000.00</u>
Sub-total of cash outflows	<u>1,236,087,863.34</u>	<u>786,631,722.45</u>
Net cash generated from financing activities	<u>350,645,582.41</u>	<u>1,410,303,277.58</u>
IV. Cash flows arising from fluctuation of exchange rate	<u>308,301.34</u>	<u>6,411,342.91</u>
V. Net increase in cash and cash equivalent	-121,790,867.64	637,182,196.47
Add: Balance of cash and cash equivalent at the beginning of the period	<u>616,614,624.20</u>	<u>142,088,988.00</u>
VI. Balance of cash and cash equivalent at the end of the period	<u><u>494,823,756.56</u></u>	<u><u>779,271,184.47</u></u>