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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS

	For the six-month period ended		
	June 30, 2016	June 30, 2015	**Movements**
	RMB'000	*RMB'000*	
Revenue	**1,616,772**	1,383,627	**+16.9%**
Gross profit	**773,362**	637,465	**+21.3%**
Profits attributable to the owners of the parent	**402,345**	333,609	**+20.6%**

In this announcement "**we**", "**us**" and "**our**" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purpose only.

The board (the "**Board**") of directors (the "**Directors**") of China Shengmu Organic Milk Limited (the "**Company**" or "**China Shengmu**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**"or "**Shengmu**") for the six-month period ended June 30, 2016, together with the comparative figures for the corresponding period in 2015 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the six-month period ended June 30, 2016**	June 30, 2015
		(unaudited) RMB'000	(unaudited) RMB'000
REVENUE	4	**1,616,772**	1,383,627
Cost of sales		**(843,410)**	(746,162)
Gross profit		**773,362**	637,465
Gain arising from changes in fair value less costs to sell of biological assets		**29,675**	33,385
Other income and gains	4	**19,429**	9,634
Selling and distribution expenses		**(131,961)**	(119,841)
Administrative expenses		**(76,309)**	(44,891)
Finance costs		**(61,325)**	(47,439)
Share of profits and losses of associates		**(9,222)**	(7,671)
Gain on disposal of a subsidiary		**—**	472
PROFIT BEFORE TAX		**543,649**	461,114
Income tax expense	5	**(8,784)**	(212)
PROFIT FOR THE PERIOD		**534,865**	460,902

	Notes	For the six-month period ended June 30, 2016	June 30, 2015
		(unaudited)	(unaudited)
		RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**2,362**	32
Net other comprehensive income to be reclassified to profit or loss in subsequent period		**2,362**	32
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**537,227**	460,934
Profit attributable to:			
Owners of the parent		**402,345**	333,609
Non-controlling interests		**132,520**	127,293
		534,865	460,902
Total comprehensive income attributable to:			
Owners of the parent		**404,707**	333,641
Non-controlling interests		**132,520**	127,293
		537,227	460,934
Earnings per share attributable to ordinary equity holders of the parent:	6		
Basic		**RMB0.063**	RMB0.053
Diluted		**RMB0.063**	RMB0.052

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at June 30, 2016	As at December 31, 2015
		(unaudited) RMB'000	(audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,450,980**	2,093,230
Prepaid land lease payments		**5,022**	5,066
Other intangible assets		**15,176**	15,518
Investments in associates		**103,583**	32,055
Available-for-sale investments		**1,404**	1,404
Biological assets	8	**3,579,721**	3,285,436
Prepayments for property, plant and equipment and biological assets		**24,495**	15,690
Deferred tax assets		**1,060**	1,076
Total non-current assets		**6,181,441**	5,449,475
CURRENT ASSETS			
Inventories		**751,642**	824,514
Trade and bills receivables		**1,234,023**	915,312
Prepayments, deposits and other receivables		**725,257**	468,456
Pledged deposits		**55,770**	70,277
Cash and bank balances		**823,546**	1,731,759
Total current assets		**3,590,238**	4,010,318
CURRENT LIABILITIES			
Trade and bills payables		**695,703**	1,018,126
Receipts in advance		**3,800**	17,320
Other payables and accruals		**280,597**	338,293
Interest-bearing bank and other borrowings		**1,048,202**	1,599,855
Income tax payable		**—**	1,974
Total current liabilities		**2,028,302**	2,975,568
NET CURRENT ASSETS		**1,561,936**	1,034,750
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,743,377**	6,484,225
NON-CURRENT LIABILITIES			
Long-term payables		**128,725**	—
Interest-bearing bank and other borrowings		**1,723,845**	1,117,000
Total non-current liabilities		**1,852,570**	1,117,000
Net assets		**5,890,807**	5,367,225
EQUITY			
Equity attributable to owners of the parent			
Share capital	9	**50**	50
Reserves		**5,037,214**	4,551,605
		5,037,264	4,551,655
Non-controlling interests		**853,543**	815,570
Total equity		**5,890,807**	5,367,225

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During 2016 Interim Period, the Company's subsidiaries were primarily engaged in the production and distribution of raw milk and dairy products in the People's Republic of China ("**PRC**").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended June 30, 2016 (the "**Interim Period**") have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2015.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new and revised IFRSs effective as at January 1, 2016. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The application of the above new standards and revised amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Dairy farming – breeding dairy cows to produce and distribute raw milk;

(b) Liquid milk products –producing and distributing ultra-heat treated liquid milk and organic yogurt with self-owned brand.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) for the year. The adjusted profit/(loss) for the year is measured consistently with the Group's profit after tax except that gain arising from fair value less costs to sell of biological assets is excluded from this measurement as management believes that such adjusted information is most relevant in evaluating the results of dairy farming segment as compared to the results of other entities that operate within dairy farming industry.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (Continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six-month period ended June 30, 2016 (unaudited)	**Dairy farming RMB'000**	**Liquid milk products RMB'000**	**Total RMB'000**
Segment revenue			
Sales to external customers	**557,980**	**1,058,792**	**1,616,772**
Intersegment sales	**758,882**	**—**	**758,882**
	1,316,862	**1,058,792**	**2,375,654**
Reconciliation:			
Elimination of intersegment sales			**(758,882)**
Revenue			**1,616,772**
Segment results	**533,502**	**79,470**	**612,972**
Reconciliation:			
Elimination of intersegment results			**(100,567)**
Gain arising from changes in fair value less costs to sell of biological assets			**29,675**
Corporate and other unallocated expenses			**(7,215)**
Profit for the period			**534,865**
As at June 30, 2016 (unaudited)			
Segment assets	**8,652,070**	**2,095,550**	**10,747,620**
Reconciliation:			
Elimination of intersegment receivables			**(1,109,619)**
Corporate and other unallocated assets			**133,678**
Total assets			**9,771,679**
Segment liabilities	**3,368,107**	**1,615,227**	**4,983,334**
Reconciliation:			
Elimination of intersegment payables			**(1,109,619)**
Corporate and other unallocated liabilities			**7,157**
Total liabilities			**3,880,872**

3. **OPERATING SEGMENT INFORMATION (Continued)**

For the six-month period ended June 30, 2015 (unaudited)	Dairy farming RMB'000	Liquid milk products RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	708,893	674,734	1,383,627
Intersegment sales	561,426	—	561,426
	1,270,319	674,734	1,945,053
Reconciliation:			
Elimination of intersegment sales			(561,426)
Revenue			1,383,627
Segment results	498,296	26,112	524,408
Reconciliation:			
Elimination of intersegment results			(85,187)
Gain arising from changes in fair value less costs to sell of biological assets			33,385
Corporate and other unallocated expenses			(11,704)
Profit for the period			460,902
As at December 31, 2015 (audited)			
Segment assets	8,347,005	1,537,127	9,884,132
Reconciliation:			
Elimination of intersegment receivables			(551,363)
Corporate and other unallocated assets			127,024
Total assets			9,459,793
Segment liabilities	3,560,796	1,083,123	4,643,919
Reconciliation:			
Elimination of intersegment payables			(551,363)
Corporate and other unallocated liabilities			12
Total liabilities			4,092,568

4. REVENUE, OTHER INCOME AND GAINS

Revenue,represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six-month period ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue		
– Sales of raw milk	**557,980**	708,893
– Sales of liquid milk products	**1,058,792**	674,734
	1,616,772	1,383,627
Other income and gains		
– Government grants	**11,994**	55
– Bank interest income	**2,136**	6,791
– Foreign exchange differences, net	**(1)**	16
– Others	**5,300**	2,772
	19,429	9,634
	1,636,201	1,393,261

5. INCOME TAX EXPENSE

	For the six-month period ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current	**8,768**	379
Deferred	**16**	(167)
	8,784	212

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the six-month period ended June 30, 2016 is based on the profit attributable to ordinary equity holders of the Company of RMB402,345,000 (for the six-month period ended June 30, 2015: RMB333,609,000) and the weighted average of 6,354,400,000 (for the six-month period ended June 30, 2015: 6,354,400,000) ordinary shares of the Company in issue during the period.

The diluted earnings per share amount is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares used in the calculation of the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Number of shares For the six-month period ended June 30,	
	2016	2015
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**6,354,400,000**	6,354,400,000
Effect of dilution of share options	**12,696,765**	120,256,554
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**6,367,096,765**	6,474,656,554

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend during 2016 Interim Period (during 2015 Interim Period: Nil).

8. BIOLOGICAL ASSETS

The biological assets of the Group comprise primarily dairy cows held to produce raw milk.

(A) Quantity of biological assets

The quantity of dairy cows owned by the Group is shown below. The Group's dairy cows include milkable cows, heifers and calves. Heifers and calves are dairy cows that have not had their first calves.

	June 30, 2016	December 31, 2015
	(unaudited)	(audited)
	Head	Head
Dairy cows		
Milkable cows	**64,235**	66,790
Heifers and calves	**57,811**	44,605
Total dairy cows	**122,046**	111,395

(B) Value of biological assets

The value of Group's biological assets as at June 30, 2016 and December 31, 2015 is as follows:

	June 30, 2016	December 31, 2015
	(unaudited)	(audited)
	RMB'000	RMB'000
Milkable cows	**2,401,101**	2,359,795
Heifers and calves	**1,178,620**	925,641
Total value of dairy cows	**3,579,721**	3,285,436

The Group's dairy cows in the PRC were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), a firm of independent qualified professional valuers not connected with the Group, which has appropriate qualifications and recent experience in valuation of biological assets.

The valuation techniques and principal valuation assumptions used in the determination of the fair value of dairy cows are the same as those set out in the Group's 2015 annual report.

9. ISSUED CAPITAL

The Company was incorporated in the Cayman Islands on December 11, 2013. As at June 30, 2016 and December 31, 2015, the Company has authorized share capital of HK$300,000, divided into 30,000,000,000 shares with a par value of HK$0.00001 each.

As at June 30, 2016 and December 31, 2015, the Company's share capital was HK$63,544 with 6,354,400,000 shares in issuance.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In recent years, with the flouring organic food market in the PRC, more and more Chinese consumers tend to buy organic food. Organic food has been highly recognized and welcomed by the consumers for its unique advantages of high quality, safety and "green". At the same time, with the strong "demand for organic products (有機效應)" emerging in the PRC dairy market, the market share of branded dairy products (represented by high-end organic dairy products) increased substantially, in particular, in terms of the consumption by the end consumers.

It is stated in "Several Opinions of the Central Committee of the CPC and the State Council of the PRC on Implementing a New Development Approach and Accelerating the Agricultural Modernization to Achieve the Goal of Building a Moderately Prosperous Society in All Respects (中國國務院《關於落實發展新理念加快農業現代化實現全面小康目標的若干意見》)" that in order to promote a sustainable agricultural development, we must establish the concept that the development of green agriculture amounts to the protection of environment and accelerate the formation of a new pattern for agriculture development that features effective use of resources, stable ecological system, sound environment and safe product quality. Addressing at the 12th meeting of the Central Leading Group for Financial and Economic Affairs on 26 January 2016, Chinese President Xi Jinping also pointed out that the fundamental objective of the "structural reform of the supply-side" of China is to improve the overall productivity, implement the "people-oriented" development philosophy, enhance high quality supply during production, reduce wasted supply and expand effective supply. The spirit of such statements is interpreted as encouragement and endorsement to a safe and "green" agriculture business model which supplies high quality products to the market. The organic-oriented industry and high-quality organic food market are supported by favourable policies constantly.

China Shengmu is the largest organic dairy company in China in the first half of 2016 in terms of the herd size of organic dairy cows and the production volume of organic raw milk. Shengmu is the only vertically integrated organic dairy company in China that meets E.U. organic standards. It is also the only dairy company in China that offers branded organic dairy products that are 100% processed from raw milk produced by self-owned certified organic dairy farms and the only sizeable dairy company in China to operate a "desert-based-grass-to-glass organic production model".

In May 2016, Shengmu was awarded, for the fifth time, the China International Organic Food Expo Gold Medal (中國國際有機食品博覽會金獎) by the China Green Food Development Center (中國綠色食品發展中心) and the NürnbergMesse Group. The organic liquid milk products of Shengmu have once again received the internationally claimed honour for its outstanding product quality and world-class organic standards and unanimous recognition and favourable comments by local and international consumers and industry experts.

BUSINESS REVIEW

The business of the Group comprises dairy farming business and liquid milk business.

Since its establishment seven years ago, Shengmu has been implementing its scientific and creative development strategy. To achieve economies of scale, a majority of our farms have a capacity to house between 3,500 to 4,500 dairy cows. It operates dairy farms at the areas that are most suitable and ideal for raising cows, known as the "golden milk-supply zone". In particular, its organic dairy farms are located at Ulan Buh desert where, as compared to the traditional "golden milk-supply zone", there are more advantages, including little pollution, very low levels of bacteria, viruses and pests and favourable climate for cows. Shengmu sticks to its integrated forage growing and dairy farming model whereby forage growing and dairy farming compliment each other to create a complete organic ecological circle. Cow dung from the organic dairy farms is applied as organic fertilizer to grow forage. Strong and long hours of sunshine in the desert also favours the growth of forage and helps the cow to transform vegetable protein to animal protein to increase calcium content and improve milk quality. Shengmu has been constantly developing new products for the downstream liquid milk business of its "desert-based-grass-to-glass" business model and building sales channels for its own- brand downstream products. Shengmu continued to implement its precise and detail-oriented management strategy. As a result, in the first half of 2016 ("**2016 Interim Period**"), the Group has maintained a relatively rapid growth and achieved a relatively good performance in the fierce competition in the dairy industry of the PRC. In the 2016 Interim Period, the Group's revenue increased by 16.9% as compared to the first half of 2015 ("**2015 Interim Period**"). In the 2016 Interim Period, its revenue from liquid milk business amounted to RMB1,035.7 million representing an increase of 53.5% as compared to the same period of 2015 and the percentage of such revenue of the total revenue of the Group increased from 48.8% during 2015 Interim Period to 64.1% during 2016 Interim Period. With the vertical expansion of its "desert-based-grass-to-glass" business model, it is expected there is potential for the increase of the revenue from its liquid milk business as a percentage of total revenue of the Group.

Herd Size and Production Volume

As at June 30, 2016, the Group had 21 organic dairy farms and 12 non-organic dairy farms in operation. As at June 30, 2016, the Group had 122,046 cows (June 30, 2015:106,357) of which there are 83,816 organic cows (June 30, 2015: 68,515).

The Group produced 202,126 tonnes of organic raw milk and 90,588 tonnes of premium non-organic raw milk in the 2016 Interim Period, as compared to 175,807 tonnes of organic raw milk and 85,550 tonnes of premium non-organic raw milk in the 2015 Interim Period. Production volume of organic liquid milk products which are 100% processed from raw milk produced by self-owned certified organic dairy farms increased from 58,288 tonnes in the 2015 Interim Period to 109,143 tonnes in the 2016 Interim Period.

During 2016 Interim Period, the internal utilization rate of self-produced organic raw milk in the production of own-brand liquid milk products attained to 67.0%, demonstrating that the Group has transformed from an upstream raw milk supplier to a producer of liquid milk products with renowned brand. It also indicated that the organic liquid milk products of Shengmu has obtained positive brand image, relatively high market visibility and stable consumer base. Shengmu has become a prominent and competitive player in the dairy market of China with promising prospect.

Distribution Network

Attributable to the growing market demand and effective expansion of its distribution network, the Group had a relatively rapid growth in business in the 2016 Interim Period as compared to the same period of 2015.

In the 2016 Interim Period, based on its current sales network covering the first and second tier cities and the major third and fourth tier cities, the Group continued to expand its marketing network to the third and fourth tier cities. Furthermore, the Group continued to optimize its marketing network management, consolidate and further develop its sales channels and improve the management of individual shops to increase the sales revenue from such markets, channels and shops. The Group has upgraded its model for distribution network development from horizontal scale expansion at early stage to vertical deepening and enhanced penetration.

In the 2016 Interim Period, Shengmu continued to implement the "blue ocean" strategy to develop large chain community stores. Shengmu products have entered into over 100,000 large chain-community stores with independent promotional counters and good images across the country, which has effectively enhanced the awareness of its liquid milk products among consumers and made substantial contribution to the increase in the sales of its liquid milk products.

FINANCIAL REVIEW

The Group maintained a relatively rapid growth in the 2016 Interim Period. The Group recorded a revenue of RMB1,616.8 million in the 2016 Interim Period, representing an increase of 16.9% from RMB1,383.6 million in the 2015 Interim Period. Gross profit of the Group increased by 21.3% from RMB637.5 million in the 2015 Interim Period to RMB773.4 million in the 2016 Interim Period. Profit attributable to owners of the parent increased by 20.6% from RMB333.6 million in the 2015 Interim Period to RMB402.3 million in the 2016 Interim Period.

Analysis on Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Revenue

Unit: RMB in thousands, except percentages

	For the six-month period ended June 30,	
	2016	2015
	(Unaudited)	(Unaudited)
Dairy farming business	**557,980**	708,893
Liquid milk business	**1,058,792**	674,734
Total	**1,616,772**	1,383,627

	Dairy farming business				Liquid milk business				
For the six-month period ended June 30,	Segment revenue	Inter-segment sales[(1)]	External sales	External sales as % of total revenue	Segment revenue	Inter-segment sales	External sales	External sales as % of total revenue	Total revenue
2016 (Unaudited)	**1,316,862**	**758,882**	**557,980**	**34.5%**	**1,058,792**	**—**	**1,058,792**	**65.5%**	**1,616,772**
2015 (Unaudited)	1,270,319	561,426	708,893	51.2%	674,734	—	674,734	48.8%	1,383,627

(1) Represents self-produced organic raw milk sold to the Group's internal liquid milk business.

Revenue of the Group had a relatively rapid growth of 16.9% in the 2016 Interim Period as compare to the 2015 Interim Period. Of the total revenue, revenue from self-owned brand liquid milk business in the 2016 Interim Period increased by 56.9% as compared to the 2015 Interim Period. Revenue from liquid milk business as a percentage of the total revenue of the Group increased from 48.8 % in the 2015 Interim Period to 65.5% in 2016 Interim Period, driving the increase in the total revenue. Facing the increasingly fierce competition in the dairy industry, the Group has steadily and rapidly expanded its unique "desert-based-grass-to-glass organic production model" to the downstream business, demonstrating such model as strategically forward-looking. With further deepening development of such model, it is expected that there is more upside potential for the increase in the revenue from "Shengmu" brand liquid milk business as a percentage to the total revenue of the Group.

Dairy farming business

	For the six-month period ended June 30, 2016 (unaudited)				2015 (unaudited)			
	Revenue (RMB'000)	**Sales volume (Tonnes)**	**Average selling price (RMB/Tonne)**	**Revenue as % of dairy farming segment revenue**	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/Tonne)	Revenue as % of dairy farming segment revenue
Organic raw milk								
External sales	**294,920**	**63,034**	**4,679**	**22.4%**	356,779	67,645	5,274	28.1%
Inter-segment sales(1)	**682,481**	**127,898**	**5,336**	**51.8%**	561,426	103,109	5,445	44.2%
Subtotal	**977,401**	**190,932**	**5,119**	**74.2%**	918,205	170,754	5,377	72.3%
Premium non-organic raw milk								
External sales	**263,060**	**69,553**	**3,782**	**20.0%**	352,114	80,697	4,363	27.7%
Inter-segment sales(2)	**76,401**	**17,775**	**4,298**	**5.8%**	—	—	—	—
Subtotal	**339,461**	**87,328**	**3,887**	**25.8%**	352,114	80,697	4,363	27.7%
Daily farming segment	**1,316,862**	**278,260**	**4,732**	**100.0%**	1,270,319	251,451	5,052	100%

(1) Represents self-produced organic raw milk sold to the Group's internal organic liquid milk business.

(2) Represents self-produced non-organic raw milk sold to the Group's internal premium non-organic liquid milk business.

Revenue from dairy farming business continued to record an increase from RMB1,270.3 million in 2015 Interim Period to RMB1,316.9 million in 2016 Interim Period. Benefiting from the development of the "desert-based-grass-to-glass organic production model" of Shengmu, a percentage of 67.0% to the total growing organic raw milk sales were sold to the production of self-owned brand organic liquid milk products, so that to meet the needs of the growing end market, the percentage of the revenue from self-produced organic raw milk sold to the Group's internal liquid milk business to the total revenue from dairy farming business increased from 44.2% in the 2015 Interim Period to 51.8% in the 2016 Interim Period. With further expansion and penetration of the market for Shengmu's self-owned brand liquid milk products, the self-owned brand liquid milk business will continue to drive the growth of the dairy farming business.

Liquid milk business

Revenue from self-owned brand liquid milk business increased by 56.9% from RMB674.7 million in the 2015 Interim Period to RMB1,058.8 million in the 2016 Interim Period. Percentage of such revenue of total revenue of the Group increased from 48.8% in the 2015 Interim Period to 65.5% in the 2016 Interim Period. Of the revenue from self-owned brand liquid milk business, revenue from organic self-owned liquid milk business increased by 53.5% from RMB674.7 million in the 2015 Interim Period to RMB1,035.7 million in the 2016 Interim Period and such revenue as a percentage to the total revenue of the Group was 64.1% in the 2016 Interim Period. The rapid growth of liquid milk business was mainly attributable to further recognition of self-owned brand organic liquid milk products from "desert-based-grass-to-glass organic production model" by the consumers and increased market demand. Meanwhile, the Group effectively expanded its distribution network, resulting in an increased market shares for its self-brand organic liquid milk products. Driven by the self-brand liquid milk business, revenue from organic business (comprising organic liquid milk business and organic raw milk business) as a percentage of the total revenue of the Group increased from 74.6% in the 2015 Interim Period to 82.3% in the 2016 Interim Period. It marks that the "desert-based-grass-to-glass organic production model" of Shengmu has become more mature and a strong driver for the growth of the business of the Group.

Organic liquid milk business

	For the six-month period ended June 30,		
	2016	2015	
	(unaudited)	(unaudited)	Increase
Revenue (RMB'000)	**1,035,695**	674,734	53.5%
Sales volume (Tonnes)	**92,964**	59,550	56.1%
Average selling price (RMB/Tonne)	**11,141**	11,331	-1.7%

Revenue from organic/non-organic business and percentages

Unit: RMB in thousands, except percentages

	For the six-month period ended June 30,			
	2016		2015	
	(**unaudited**)		(unaudited)	
	Amount	**Percentage**	Amount	Percentage
Organic products				
Organic liquid milk	**1,035,695**	**64.1%**	674,734	48.8%
Organic raw milk	**294,920**	**18.2%**	356,779	25.8%
Subtotal of organic products	**1,330,615**	**82.3%**	1,031,513	74.6%
Non-organic products				
Premium non-organic raw milk	**263,060**	**16.3%**	352,114	25.4%
Premium non-organic liquid milk	**23,097**	**1.4%**	—	—
Subtotal of non-organic products	**286,157**	**17.7%**	352,114	25.4%
Total	**1,616,772**	**100.0%**	1,383,627	100.0%

Cost of Sales, Gross Profit and Gross Margin

	For the six-month period ended June 30,					
	2016 (unaudited)			2015 (unaudited)		
	Cost of sales amount	**Gross profit amount**	**Gross margin**	Cost of sales amount	Gross profit amount	Gross margin
	(RMB in thousands, except percentages)					
Dairy farming business						
Organic raw milk						
Before elimination	**458,073**	**519,327**	**53.1%**	474,303	443,902	48.3%
After elimination[1]	**151,228**	**143,692**	**48.7%**	187,897	168,882	47.3%
Premium non-organic raw milk						
Before elimination	**214,689**	**124,771**	**36.8%**	218,052	134,062	38.1%
After elimination[3]	**165,793**	**97,267**	**37.0%**	218,052	134,062	38.1%
Subtotal						
Before elimination	**672,762**	**644,098**	**48.9%**	692,355	577,964	45.5%
After elimination	**317,021**	**240,959**	**43.2%**	405,949	302,944	42.7%
Liquid milk business						
Organic liquid milk						
Before elimination	**809,710**	**225,985**	**21.8%**	530,047	144,687	21.4%
After elimination[2]	**512,249**	**523,446**	**50.5%**	340,213	334,521	49.6%
Premium non-organic liquid milk						
Before elimination	**19,253**	**3,844**	**16.6%**	—	—	—
After elimination[3]	**14,140**	**8,957**	**38.8%**	—	—	—
Subtotal						
Before elimination	**828,963**	**229,829**	**21.7%**	530,047	144,687	21.4%
After elimination	**526,389**	**532,403**	**50.3%**	340,213	334,521	49.6%
Total after elimination	**843,410**	**773,362**	**47.8%**	746,162	637,465	46.1%

(1) Represents gross profit after elimination of internal profit attributable to inter-segment sales of organic raw milk. Such internal profit is calculated as the difference of (i) the inter-segment sales of organic raw milk used in our liquid milk business and (ii) the production costs for such organic raw milk calculated as the product of (a) total cost of sales of organic raw milk plus (b) the volume of organic raw milk sold to our liquid milk business divided by total sales volume of organic raw milk.

(2) Represents gross profit after adding back the internal profit attributable to inter-segment sales of organic raw milk. Such internal profit is arrived at by calculating the difference of (i) the inter-segment sales of organic raw milk used in this segment and (ii) the production costs for such organic raw milk, calculated using the formula in note (1) above.

(3) Non-organic raw milk after elimination is calculated using the formula in note (1) above, and the premium non-organic liquid milk after elimination is calculated using the formula in note (2) above.

Cost of sales increased from RMB746.2 million in the 2015 Interim Period to RMB843.4 million in the 2016 Interim Period. Gross profit of the Group increased from RMB637.5 million in the 2015 Interim Period to RMB773.4 million in the 2016 Interim Period. Gross profit margin increased from 46.1% in the 2015 Interim Period to 47.8% in the 2016 Interim Period.

Cost of sales increased by 13.0% in the 2016 Interim Period as compared to the 2015 Interim Period. Such increase in the cost of sales was less than the 16.9% increase in the revenue, mainly attributable to the Group's effective control and reduction of procurement cost and farming cost of the whole production chain by continuous implementation of the precision and meticulous management model. Meanwhile, enhanced profitability of the farming business and substantial increase in the revenue from high profit margin business, such as organic business (in particular, the self-owned brand organic liquid milk business), of the total revenue of the Group in the 2016 Interim Period as compared to the 2015 Interim Period has driven the increase in the gross profit margin of the Group by 21.3% in the 2016 Interim Period as compared to the 2015 Interim Period.

Overall, against the backdrop of unfavourable conditions of and fierce competition in the dairy industry, the consolidated gross margin of the Group increased from 46.1% in the 2015 Interim Period to 47.8% in the 2016 Interim Period, mainly attributable to the continued steady and rapid development of the unique "desert-based-grass-to-glass organic production model" and further increase in the revenue from organic business as a percentage of total revenue of the Group.

Other Income and Gains

Other income and gains mainly include bank interest income, government grants, foreign exchange differences (net) and others. In the 2016 Interim Period, other income and gains amounted to RMB19.4 million (RMB9.6 million in the 2015 Interim Period).

Selling and Distribution Expenses

Selling and distribution expenses primarily include logistics and transportation expenses, warehouse fees and the relevant employees' remunerations. In the 2016 Interim Period, selling and distribution expenses amounted to RMB132.0 million, representing a slight increase as compared to RMB119.8 million in the 2015 Interim Period. Selling and distribution expenses as a percentage to the revenue amounted to 8.2% in the 2016 Interim Period and 8.7% in the 2015 Interim Period.

Administrative Expenses

Administrative expenses mainly include salary and welfare, travel expenses and transportation expenses of management and administrative employees. For the 2016 Interim Period and the 2015 Interim Period, (i) administrative expenses amounted to RMB76.3 million and RMB44.9 million, representing 4.7% and 3.2% of the revenue, respectively; (ii) administrative expenses (excluding share option expenses) represented 2.8% and 2.5% of the revenue, respectively.

Net Gains or Losses Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Net gains or losses arising from changes in fair value less costs to sell of biological assets represents fair value changes in the dairy cows, due to the changes in physical attributes and market prices of and discounted future cash flow to be generated by those cows. In general, when a heifer becomes a milkable cow, its value increases as the discounted cash flow from milkable cow is higher than the selling price of heifer. Further, when a milkable cow is ousted and sold, its value decreases. The Group recorded net gains arising from changes in fair value less costs to sell of biological assets of RMB29.7 million in the 2016 Interim Period and RMB33.4 million in the 2015 Interim Period.

Changes in fair value less costs to sell of biological assets in the 2016 Interim Period decreased as compared to the 2015 Interim Period. However, the Group still recorded a net gain, mainly attributable to the higher net gain arising from changes in fair value less costs to sell of biological assets associated with organic dairy cows than the net losses arising from changes in fair value less costs to sell of biological assets associated with non-organic dairy cows. Net gain arising from the changes in fair value less costs to sell of biological assets associated with organic dairy cows was mainly attributable to the overall enhanced productivity of milkable cows in the organic dairy farms of the Group.

Major Investment

In the 2016 Interim Period, as an effort to expand its international business horizon, the Group, for the first time, invested approximately RMB74.0 million to establish Food Union Shengmu Dairy Co., Ltd. (富友聯合聖牧乳品有限公司) ("**Food Union JV**"), a joint venture with Food Union (Dairy) Hong Kong Limited. The Group holds 20% equity interest in Food Union JV. Food Union JV will produce organic dairy products including high-end children dairy products, with all the organic raw milk to be purchased from the Group. For the financial performance of the associates during 2016 Interim Period, please refer to the section headed "Share of Profits and Losses of Associates".

Share of Profits and Losses of Associates

The associates mainly include (a) the companies that were jointly established by the Group and its premium distributors in its key distribution cities to distribute the liquid milk products with the Group's self-owned brand; and (b) Bayannur Shengmu High-tech Ecological Forage Co., Ltd. (巴彥淖爾市聖牧高科生態草業有限公司) and its subsidiary ("Shengmu Forage") in which the Group invested and held minority interests; and (c) Food Union JV and Inner Mongolia Shengmu Low Temperature Diary Product Company Limited (內蒙古聖牧低溫乳品有限公司) in which the Group invested and held minority interests and which produce dairy products with the raw milk to be purchased from the Group. The Group recorded share of losses of associates of RMB9.2 million in the 2016 Interim Period and RMB7.7 million in the 2015 Interim Period. Share of losses of associates increased mainly due to the loss of the distribution companies located in the second and third tier cities in the provinces, including Zhejiang, Hubei, Liaoning and Jiangxi, in which the Group invested in the 2016 Interim Period as an effort to strengthen its distribution network. Such associated companies incurred losses because they were still in their initial stage of developing the market.

Income Tax Expense

All profit of the Group was derived from its operations in the PRC. According to the Enterprise Income Tax Law of the PRC ("**EIT Law**"), the Group's subsidiaries in the PRC are generally subject to a corporate income tax at a rate of 25%. According to the preferential provisions of the EIT Law, the Group's income arising from agricultural activities, such as dairy farming and processing of raw agricultural products, is exempted from enterprise income tax. Under the PRC tax laws and regulations, there is no statutory time limit for such tax exemption as long as the relevant PRC subsidiaries of the Group complete filings with the relevant tax authorities as required. In accordance with "The Notice of Tax Policies Relating to the Implementation of the Western China Development Strategy" jointly issued by Ministry of Finance, General Administration of Customs and State Administration of Taxation (財政部、海關總署、國家稅務總局《關於深入實施西部大開發戰略有關稅收政策問題的通知》), the Group's taxable income arising from processing of non-raw agricultural products is subject to preferential tax rate of 15% from 2013 to 2020.

Income tax expenses were RMB8.8 million in the 2016 Interim Period and RMB0.2 million in the 2015 Interim Period. Based on the percentage of the income tax expenses of the profit before tax, the effective enterprise income tax rate of the Group was 1.6% in the 2016 Interim Period and 0.1% in the 2015 Interim Period. Increase in the effective enterprise income tax rate was mainly due to the substantial increase of the profit before tax from the self-owned brand liquid milk business as a percentage to the overall profit before tax of the Group and expansion of the product portfolio of its self-owned liquid milk products.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests mainly represents the non-controlling equity interests of the Group's farms held by dairy farmers with whom the Group cooperates in managing its farms. Profit attributable to non-controlling interest in the 2016 Interim Period was RMB132.5 million (RMB127.3 million in the 2015 Interim Period).

Analysis on Interim Condensed Consolidated Statement of Financial Position

Current Assets

As at June 30, 2016, the total current assets of the Group were RMB3,590.2 million (RMB4,010.3 million as at December 31, 2015), primarily consisting of inventories of RMB751.7 million (RMB824.5 million as at December 31, 2015), trade and bills receivables of RMB1,234.0 million (RMB915.3 million as at December 31, 2015), prepayments, deposits and other receivables of RMB725.3 million (RMB468.5 million as at December 31, 2015) and cash and bank balances and pledged deposits of RMB879.3 million (RMB1,802.0 million as at December 31, 2015).

Trade and bills receivables

Unit: RMB in thousands

	As at June 30, 2016 (unaudited)	As at December 31, 2015 (audited)
Trade receivables	**1,234,806**	915,181
Bills receivables	**870**	500
Impairment	**(1,653)**	(369)
Total	**1,234,023**	915,312

Trade and bills receivables of the Group increased substantially as compared to the beginning of period, mainly because the Group granted different credit limits and credit terms according to the recovery of the receivables from and sales of the Group's products (as compared to the sales of the competitive products) by the supermarkets and stores as well as the sales and creditability of the distributors as an effort to expand and strengthen its market share in organic liquid milk products.

The Group makes provision for impairment according to its assets impairment policy.

Prepayments, Deposits and Other Receivables

The Group's aggregate amount of prepayments, deposits and other receivables were RMB725.3 million and RMB468.5 million as at June 30, 2016 and December 31, 2015, respectively, primarily due to the increase in the prepayments as a result of the increased purchase by the Group from forage suppliers.

Current Liabilities

As at June 30, 2016, the total current liabilities of the Group amounted to RMB2,028.3 million (RMB2,975.6 million as at December 31, 2015), primarily consisting of trade and bills payables of RMB695.7 million (RMB1,018.1 million as at December 31, 2015), receipts in advance of RMB3.8 million (RMB17.3 million as at December 31, 2015), other payables and accruals of RMB280.6 million (RMB338.3 million as at December 31, 2015), and interest-bearing bank and other borrowings of RMB1,048.2 million (RMB1,599.9 million as at December 31, 2015). Current liabilities as at June 30, 2016 decreased substantially as compared to December 31, 2015, primarily due to (a) the optimized debt structure as a result of the repayment of short-term borrowings due and payable by the proceeds from the issue of long-term corporate bonds by the Group in the 2016 Interim Period, and (b) the substantial decrease in the trade and bills payables as a result of the Group's increased payments of trade payables.

Non-Current Liabilities

As at June 30, 2016, the total non-current liabilities of the Group amounted to RMB1,852.6 million (RMB1,117.0 million as at December 31, 2015), primarily consisting of interest-bearing bank and other borrowings of RMB1,723.9 million (RMB1,117.0 million as at December 31, 2015) and long-term payables of RMB128.7 million. The substantial increase in the non-current liabilities as at June 30, 2016 as compared to December 31, 2015 is primarily due to the increase in the long-term interest-bearing bank and other borrowings resulted from the issue of RMB600 million corporate bonds by the Group. Such issue of corporate bonds optimized the Group's debt structure and reduced its overall financing cost rate.

Foreign Exchange Risk

The Group's businesses are principally located in the mainland China and substantially all transactions are conducted in RMB. As at June 30, 2016, the Group did not have significant foreign currency exposure from its operations, except certain bank balances equivalent to approximately RMB2.36 million and RMB0.8 million which were denominated in United States dollars and Hong Kong dollars, respectively. During 2016 Interim Period, the Group did not enter into any arrangements to hedge against any fluctuation in foreign exchange.

Credit Risk

The Group only trades with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. As the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Since the Group trades only with recognized and creditworthy third parties, collateral is generally not required.

Charge on Assets

As at June 30, 2016, the Group has pledged deposits in an aggregate amount of approximately RMB55.8 million (RMB70.3 million as at December 31, 2015) to banks in the PRC as deposits for the issuance of letters of credit and bank drafts.

Liquidity, Financial Resources and Capital Structure

In the 2016 Interim Period, the Group generally finances its daily operations from internally generated cash flows, bank borrowings and proceeds from other fund raising activities. As at June 30, 2016, the Group had (a) cash and bank balances of RMB823.5 million (RMB1,731.8 million as at December 31, 2015), and (b) interest-bearing bank and other borrowings of RMB2,772.0 million (RMB2,716.9 million as at December 31, 2015), which were denominated in RMB, and RMB1,723.9 million of which were repayable within one to five years while the other remaining interest-bearing bank and other borrowings were repayable within one year. The gearing ratio (calculated as total debt (total interest bearing bank and other borrowings) divided by total capital) was 47.1% as at June 30, 2016 (50.6% as at December 31, 2015). The Group's bank and other borrowings are all denominated in RMB and bear fixed interest rates. During 2016 Interim Period, the annual interest rate of bank and other borrowings was 4.48% to 6.89% (during 2015 Interim Period: 5.60% to 7.14%). In 2015, China Securities Regulatory Commission has approved the Group to issue long-term corporate bonds up to RMB1.6 billion. The Group issued RMB600 million corporate bonds at the interest rate of 4.75% in the 2016 Interim Period. Such issue of corporate bonds optimized the Group's debt structure and reduced its overall financing cost rate.

Capital Commitments

As at June 30, 2016, the Group's capital commitments amounted to RMB228.7 million (RMB201.2 million as at December 31, 2015), primarily relating to the expansion of liquid milk production capacity by investing and constructing new production plants and production lines for liquid milk business in the 2016 Interim Period, in order to keep up with the rapid development of self-owned brand liquid milk business. The Group has sufficient internal and financial resources to fund its capital expenditures.

HUMAN RESOURCES

As at June 30, 2016, the Group had a total of 3,788 employees (3,574 employees as at June 30, 2015). Total staff costs for the 2016 Interim Period (including the emoluments of Directors and senior management of the Company) amounted to RMB135.9 million (excluding share option expenses) (RMB134.9 million in the 2015 Interim Period).

The Group believes that the dedicated efforts of all of its employees are the very essence of the Group's rapid development and success in the future. The Group provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. In general, the Group determines employee compensation based on each employee's performance, qualifications, position and seniority. The Group has made contributions to the social security funds and housing reserve for its employees in accordance with the relevant national and local social welfare laws and regulations.

The Company has also approved and adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme (the "**Share Option Scheme**"). The purpose of the Pre-IPO Share Option Scheme and the Share Option Scheme are to attract, retain and motivate the Directors, senior management and employees of the Group and other participants.

CONTINGENT LIABILITIES

As at June 30, 2016, except for the guarantees with an aggregate amount of up to RMB300,000,000 for the bank loans of Shengmu Forage, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company did not make any material acquisitions and disposals of subsidiaries and associated companies in the 2016 Interim Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Save as disclosed above in connection with capital commitments under the paragraph headed "Capital Commitments" and in the prospectus under the section headed "Future Plans and Use of Proceeds", as at the date of this announcement, the Group does not have any plan for material investments or acquisition of capital assets.

OUTLOOK

The Group's long-term objective is to become a leading organic dairy company in the world.

Improving Liquid Milk Processing Capacity

In order to keep up with the rapid development of self-owned brand liquid milk business, the Group expanded its liquid milk production capacity by investing and constructing new production plants and production lines for liquid milk business in the 2016 Interim Period. It's expected that these production plants and production lines will be in operation by the end of 2016.

Implement Technology Innovation and Develop New Organic Liquid Milk Products

The Group plans to further expand its own-brand liquid milk business in 2016 to further improve its profitability. To achieve this, the Group will continue to develop new organic liquid milk products to enrich its organic liquid milk product portfolio to satisfy the increasing market demand.

After over a year's dedicated efforts of the R&D department and the manufacturing department on the development and improvement of each procedure, the Group has launched first batch of machines to the market, which can produce fresh low-temperature organic yogurt by adding active lactobacillus on site at the sales outlets in June 2016. It is expected that it will capture the consumers' demand for fresh organic dairy products at the places of public entertainment, restaurants and canteens and office areas and is a combination of technology and marketing innovation for liquid milk products.

Continue to Strengthen the Development of Marketing and Sales Channels, Optimize the Current Nationwide Distribution Network and Enhance Brand Recognition

In 2016, the Group plans to continue to strengthen the implementation of the "blue ocean" strategy to consolidate and further develop its marketing and sales channels. With the establishment of over 100,000 premium large chain-community stores across the country as a foundation, Shengmu plans to further develop its "blue ocean" strategy by establishing 6,500 large chain-community stores with sales volume and image comparable with KA stores to form a unique marketing network and obtain more market share.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 2016 Interim Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as amended from time to time) as its own code to govern its corporate governance practices.

In the opinion of the Board, during 2016 Interim Period, the Company has adopted, applied and complied with the code provisions contained in the Code except the code provision A.2.1 of the Code as disclosed below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. YAO Tongshan currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning and implementation for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the audit committee (the "**Audit Committee**") in compliance with the Listing Rules. The Audit Committee has been established with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises Ms. GE Xiaoping, Mr. LI Changqing and Mr. CUI Guiyong, and is chaired by Ms. GE Xiaoping. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to the appointment, renewal and resignation of the Company's independent auditors and the related remuneration and appointment terms.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management on the internal control and financial reporting matters, including the review of the unaudited interim results for the 2016 Interim Period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by its Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific queries to the Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code for the 2016 Interim Period.

DIVIDEND DISTRIBUTION

The Board does not recommend the payment of any interim dividend for the 2016 Interim Period (the 2015 Interim Period: Nil).

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.youjimilk.com. The interim report of the Company for the 2016 Interim Period containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

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

Hong Kong, August 26, 2016

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; and the non-executive directors of the Company are Mr. Dong Xianli, 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.