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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)

CONTINUING CONNECTED TRANSACTIONS

- (1) Milk Supply Framework Agreement**
- (2) Framework Agreement for Sale and Purchase of Cows**
- (3) Financial Assistance Framework Agreement**
- (4) Feed Supply Framework Agreement**

THE FRAMEWORK AGREEMENTS

The Company announces that, on 22 November 2016, Shengmu Holding (for itself and on behalf of the Group), a wholly-owned subsidiary of the Company, entered into (1) the Milk Supply Framework Agreement with Shengmu Pangu, a non-wholly-owned subsidiary of the Company, in relation to the purchase of organic raw milk by the Group (excluding Shengmu Pangu) from Shengmu Pangu; (2) the Framework Agreement for Sale and Purchase of Cows with Shengmu Pangu in relation to the sale and purchase of cows between the Group (excluding Shengmu Pangu) and Shengmu Pangu; (3) the Financial Assistance Framework Agreement in relation to the provision of financial assistance (in the form of guarantees) by the Group (excluding Shengmu Pangu) to Shengmu Pangu; and (4) the Feed Supply Framework Agreement with Sijichun in relation to the purchase of feed by the Group from Sijichun, each for a term of three years from 1 January 2017 to 31 December 2019.

IMPLICATIONS UNDER THE LISTING RULES

Shengmu Pangu is a 55% indirectly owned subsidiary of the Company and the remaining 45% equity interest in Shengmu Pangu is owned by Mr. Wu, an executive Director. As a result, Shengmu Pangu is a connected person of the Company as defined under the Listing Rules. Sijichun is an indirectly wholly-owned subsidiary of Nong You, a substantial shareholder of the Company. As a result, Sijichun is a connected person of the Company as defined under the Listing Rules. Accordingly, transactions contemplated under each of the Framework Agreements constitute continuing connected transactions of the Company as defined under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the transactions under the Framework Agreement for Sale and Purchase of Cows, the Financial Assistance Framework Agreement and the Feed Supply Framework Agreement exceed 0.1% but all are less than 5%, the transactions contemplated under the Framework Agreement for Sale and Purchase of Cows, the Financial Assistance Framework Agreement and the Feed Supply Framework Agreement are only subject to the reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the transactions under the Milk Supply Framework Agreement exceeds 5%, the transactions under the Milk Supply Framework Agreement are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The Independent Financial Advisor has been appointed to advise the Independent Board Committee and the independent Shareholders, and the Independent Board Committee has been established to advise the independent Shareholders in respect of the transactions under the Milk Supply Framework Agreement.

A circular containing, among other things, (1) details of the Milk Supply Framework Agreement and the transactions contemplated under such agreement; (2) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and independent Shareholders in relation to the Milk Supply Framework Agreement and the transactions contemplated under such agreement; (3) the recommendation of the Independent Board Committee in relation to the Milk Supply Framework Agreement and the transactions contemplated under such agreement, and (4) the notice convening the EGM, will be dispatched to the Shareholders in accordance with the Listing Rules on or before 9 December 2016.

The Company announces that, on 22 November 2016, Shengmu Holding (for itself and on behalf of the Group), a wholly-owned subsidiary of the Company, entered into (1) the Milk Supply Framework Agreement with Shengmu Pangu, a non-wholly-owned subsidiary of the Company, in relation to the purchase of organic raw milk by the Group (excluding Shengmu Pangu) from Shengmu Pangu; (2) the Framework Agreement for Sale and Purchase of Cows with Shengmu Pangu in relation to the sale and purchase of cows between the Group (excluding Shengmu Pangu) and Shengmu Pangu; (3) the Financial Assistance Framework Agreement in relation to the provision of financial assistance (in the form of guarantees) by the Group (excluding Shengmu Pangu) to Shengmu Pangu; and (4) the Feed Supply Framework Agreement with Sijichun in relation to the purchase of feed by the Group from Sijichun, each for a term of three years commencing from 1 January 2017 to 31 December 2019.

THE FRAMEWORK AGREEMENTS AND TRANSACTIONS

Milk Supply Framework Agreement

Principal Terms

The principal terms of the Milk Supply Framework Agreement are summarised as follows:

Date:	22 November 2016
Parties:	Shengmu Holding (for itself and on behalf of the Group (excluding Shengmu Pangu)) and Shengmu Pangu
Term:	From 1 January 2017 to 31 December 2019
Centralised supply and sales management:	Organic raw milk of Shengmu Pangu is subject to the centralised supply and sales management of the Group. Shengmu Pangu shall sell all organic raw milk it produces to the Group on a priority basis to satisfy the demand of the Group. Excessive organic raw milk of Shengmu Pangu can be sold to third parties as permitted and managed by Shengmu Holding.

Purchase price and other terms:	<p>The price of organic raw milk to be purchased by the Group (excluding Shengmu Pangu) from Shengmu Pangu under the Milk Supply Framework Agreement shall be determined pursuant to the pricing system and standards set by the Group for intra-group purchase of organic raw milk by the Group from other subsidiaries of the Company at the relevant time.</p> <p>Quality of milk supplied by Shengmu Pangu shall comply with the standards set by the government and the requirements of Shengmu Holding.</p> <p>Shengmu Pangu shall be responsible for delivering organic raw milk to the places designated by Shengmu Holding.</p>
Payment terms:	Payment for organic raw milk purchased in the current month shall be settled by the end of the following month.
Amendment and termination:	Any amendment to or the termination of the Milk Supply Framework Agreement shall be made in writing by the parties.

Reasons for and Benefits of Entering into the Milk Supply Framework Agreement

The Group manages the sales of raw milk under a centralised system. As a subsidiary of the Group, Shengmu Pangu is also subject to the centralised supply and sales system of the Group.

Historical Transaction Amount

The organic raw milk purchased by the Group (excluding Shengmu Pangu) from Shengmu Pangu for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 amounted to RMB134.6 million, RMB164.3 million and RMB173.8 million, respectively.

Proposed Annual Caps

The Directors propose that the total annual purchase amount by the Group (excluding Shengmu Pangu) from Shengmu Pangu under the Milk Supply Framework Agreement shall not exceed RMB333.1 million, RMB421.5 million and RMB454.2 million for the three years ending 31 December 2017, 2018 and 2019, respectively.

In determining such annual caps, the Directors have considered the following factors:

- (a) the historical and prevailing market price for organic raw milk;
- (b) the historical transaction amount of organic raw milk purchased by the Group (excluding Shengmu Pangu) from Shengmu Pangu for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, respectively, as mentioned above;
- (c) the historical average annual milk yield of the Group;
- (d) the anticipated growth in the production of organic raw milk of Shengmu Pangu for the three years ending 31 December 2017, 2018 and 2019 by taking into account the expansion plans of Shengmu Pangu. As at 30 June 2016, Shengmu Pangu had approximately 4,962 organic milkable cows. It plans to expand its herd size to not less than 6,220, 7,970 and 8,396 organic milkable cows in 2017, 2018 and 2019, respectively; and
- (e) the possible future inflation in the PRC dairy industry.

Framework Agreement for Sale and Purchase of Cows

Principal Terms

The principal terms of the Framework Agreement for Sale and Purchase of Cows are summarised as follows:

Date:	22 November 2016
Parties:	Shengmu Holding (for itself and on behalf of the Group(excluding Shengmu Pangu)) and Shengmu Pangu
Term:	From 1 January 2017 to 31 December 2019
Centralised farming management:	All/Majority of the calves and heifers shall be raised on a centralised basis and separately from milkable cows
Sale and purchase price:	The sale and purchase price shall be the same as the cost of the cows set out in the accounts of the selling party.
Amendment and termination:	Any amendment to or the termination of the Framework Agreement for Sale and Purchase of Cows shall be made in writing by the parties.

Reasons for and benefits of entering into the Framework Agreement for Sale and Purchase of Cows

The Group manages the dairy farming business on a centralised basis. Majority of the calves and heifers are raised by Shengmu Farming, another subsidiary of the Company, separately from milkable cows on other farms. Shengmu Farming further sells pregnant heifers to the other farms of the Group to replenish their herds. As a subsidiary of the Group, Shengmu Pangu is also subject to such centralised management.

Historical Transaction Amount

Set out below are the historical transaction amounts of (i) cows purchased by the Group (excluding Shengmu Pangu) from Shengmu Pangu, and (ii) cows sold by the Group (excluding Shengmu Pangu) to Shengmu Pangu for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, respectively:-

	Year ended 31 December	30 September	Nine months ended
	2014	2015	2016
<i>RMB (million)</i>			
Purchase of cows	9.0	13.9	41.8
Sales of cows	15.2	13.8	19.6

Proposed Annual Caps

Set out below are the proposed annual caps for the total purchase and sale amounts under the Framework Agreement for Sale and Purchase of Cows for the three years ending 31 December 2017, 2018 and 2019, respectively:-

	Year ending 31 December		
	2017	2018	2019
<i>RMB (million)</i>			
Purchase of cows	95.9	94.1	16.0
Sales of cows	94.3	67.2	34.5

In determining such annual caps, the Directors have considered the following factors:

- (a) the historical market price of cows;
- (b) the historical transaction amounts of cows purchased and sold between the Group (excluding Shengmu Pangu) and Shengmu Pangu for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, respectively, as mentioned above;
- (c) the dairy farming expansion plan for Shengmu Pangu for the three years ending 31 December 2017, 2018 and 2019, respectively. Shengmu Pangu plan to expand its herd size to not less than 13,426, 10,059 and 9,856 cows in 2017, 2018 and 2019, respectively. Shengmu Pangu will expand, replenish and replace its herds mainly by purchasing pregnant heifers from the Group. On the other hand, as a result of the centralised farming arrangements of the Group, calves and heifers bred on the farms of Shengmu Pangu will be sold to and raised by Shengmu Farming separately; and
- (d) the possible future inflation in the PRC dairy industry.

Financial Assistance Framework Agreement

Principal Terms

The principal terms of the Financial Assistance Framework Agreement are summarised as follows:

Date:	22 November 2016
Parties:	Shengmu Holding (for itself and on behalf of the Group (excluding Shengmu Pangu)) and Shengmu Pangu
Term:	From 1 January 2017 to 31 December 2019
Provision of financial assistance:	The Group (excluding Shengmu Pangu) shall, based on the requests of Shengmu Pangu from time to time, provide guarantees for Shengmu Pangu's commercial loans and borrowings on normal commercial terms.

Reasons for and benefits of entering into the Financial Assistance Framework Agreement

Shengmu Pangu, as a relatively newly established subsidiary of the Group, has been obtaining commercial loans and borrowings with the guarantees provided by the other more established subsidiaries of the Group, such as Shengmu Holding and Shengmu Farming. Without such guarantees, it would incur higher financial cost to obtain such commercial loans and borrowings. As such, it is commercially beneficial to the Group to continue to provide financial assistances to Shengmu Pangu, which will also lower the overall financial cost of the Group.

Historical Transaction Amount

The historical daily maximum balance of financial assistance (in the form of guarantees) provided by the Group (excluding Shengmu Pangu) to Shengmu Pangu amounted to RMB40.0 million, RMB40.0 million and RMB32.0 million for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, respectively. As at the date of announcement, the daily balance of guarantees provided by the Group to Shengmu Pangu is RMB32.0 million.

Proposed Annual Caps

The Directors propose that the maximum daily balance of financial assistance (in the form of guarantees) to be provided by the Group (excluding Shengmu Pangu) to Shengmu Pangu under the Financial Assistance Framework Agreement shall not exceed RMB60.0 million for each of the three years ending 31 December 2017, 2018 and 2019.

In determining such annual caps, the Directors have considered the following factors:-

- (a) the historical maximum daily balance of financial assistance (in the form of guarantees) provided by the Group (excluding Shengmu Pangu) to Shengmu Pangu for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, respectively, as mentioned above;
- (b) the daily balance of financial assistance (in the form of guarantees) provided by the Group (excluding Shengmu Pangu) to Shengmu Pangu as at the date of the announcement; and
- (c) the amount of commercial loans and borrowings which will be required by Shengmu Pangu to fund its operations and expansions for the three years ending 31 December 2017, 2018 and 2019 which will be financed out from additional external borrowings with third-party guarantees.

Feed Supply Framework Agreement

Principal Terms

The principal terms of the Feed Supply Framework Agreement are summarised as follows:

Date:	22 November 2016
Parties:	Shengmu Holding (for itself and on behalf of the Group) and Sijichun
Term:	From 1 January 2017 to 31 December 2019
Purchase price and other terms:	<p>The price of the feed to be purchased by the Group from Sijichun under the Feed Supply Framework Agreement shall be determined with reference to the market prices for feed at each time Shengmu Holding placing purchase order for feed to Sijichun under the Feed Supply Framework Agreement. For the purpose of identifying the relevant market prices, Shengmu Holding will solicit quotes from at least two third-party suppliers and ensure that the purchase price of feed from Sijichun shall be no less favourable than the prices offered by third party suppliers.</p> <p>Sijichun shall deliver feed as ordered by Shengmu Holding on timely manner. Quality of feed supplied by Sijichun shall meet the standards set by Shengmu Holding from time to time. Sijichun shall be responsible for delivering feed to the places designated by Shengmu Holding.</p>
Payment and settlement:	Shengmu Holding shall place purchase order for feed to Sijichun according to the actual demand of the Group. Settlement of or payment for feed delivered shall be made 60 days after each delivery and the receipt of invoice.
Amendment and termination:	Any amendment to or the termination of the Feed Supply Framework Agreement shall be made in writing by the parties.

Reasons for and benefits of entering into the Feed Supply Framework Agreement

Sijichun grows high quality feed. It is commercially beneficial to the Group to purchase feed from Sijichun in view of its stable and reliable supply of good quality feed.

Historical Transaction Amount

The feed purchased by the Group from Sijichun for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 amounted to RMB2.5 million, RMB2.3 million and RMB12.0 million, respectively.

Proposed Annual Caps

The Directors propose that the total annual purchase amount by the Group from Sijichun under the Feed Supply Framework Agreement shall not exceed RMB31.8 million, RMB30.4 million and RMB30.5 million for the three years ending 31 December 2017, 2018 and 2019, respectively.

In determining such annual caps, the Directors have considered the following factors:

- (a) the historical and prevailing market price for the feed of the similar type supplied by Sijichun;
- (b) the historical transaction amount of feed purchased by the Group from Sijichun for the two years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, respectively, as mentioned above;
- (c) the anticipated increase in demand by the Group for the feed of similar type supplied by Sijichun for the three years ending 31 December 2017, 2018 and 2019, having taken into account the dairy farming expansion plan of the Group; and
- (d) the anticipated increase in the market prices for feed of similar type supplied by Sijichun; and
- (e) the possible future inflation in the PRC dairy industry.

IMPLICATIONS UNDER THE LISTING RULES

Shengmu Pangu is a 55% indirectly owned subsidiary of the Group. The remaining 45% equity interest in Shengmu Pangu is owned by Mr. Wu, an executive Director. As a result, Shengmu Pangu is a connected person of the Company as defined under the Listing Rules.

Sijichun is an indirectly wholly-owned subsidiary of Nong You which is a substantial shareholder holding approximately 20.5% equity interest in the Company as at the date of this announcement. Nong You is a wholly-owned subsidiary of Beijing Zhi Nong, the entire equity interest of which is owned by Mr. Shao who is an non-executive Director. As a result, Sijichun is an associate of the Nong You and therefore a connected person of the Company as defined under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the transactions under the Framework Agreement for Sale and Purchase of Cows, the Financial Assistance Framework Agreement and the Feed Supply Framework Agreement exceed 0.1% but all are less than 5%, the transactions contemplated under the Framework Agreement for Sale and Purchase of Cows, the Financial Assistance Framework Agreement and the Feed Supply Framework Agreement are only subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the transactions under the Milk Supply Framework Agreement exceeds 5%, the transactions under the Milk Supply Framework Agreement are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Other than Mr. Wu and Mr. Shao, no Director is materially interested in each of the transactions contemplated under each of the Framework Agreements and is required to abstain from voting on the resolutions of the Directors to approve the transactions contemplated under each of the Framework Agreements. Mr. Wu abstained from voting on the resolutions of the Directors approving the Milk Supply Framework Agreement, the Framework Agreement for Sale and Purchase of Cows and the Financial Assistance Framework Agreement and the transactions contemplated under such agreements due to his interest in such agreements and such transactions. Mr. Shao abstained from voting at the resolutions of the Directors approving the Feed Supply Framework Agreement and the transactions contemplated under such agreement due to his interests in such agreement and such transactions.

In light of the factors mentioned above, the Directors (excluding the independent non-executive Directors) are of the view that the continuing connected transactions under each of the Framework Agreements are entered into on normal commercial terms after arm's length negotiations in the ordinary course of business, are in the interests of the Company and the Shareholders as a whole, and that each of the proposed annual caps and terms of each of the Framework Agreements are fair and reasonable.

The opinions of the independent non-executive Directors in respect of the Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for such transactions for the three years ending 31 December 2017, 2018 and 2019 will be formed after taking into account the advice to be provided by the Independent Financial Adviser, which will be set out in the circular to be dispatched to the Shareholders on or before 9 December 2016.

INFORMATION ON THE GROUP, SHENGMU PANGU AND SIJICHUN

The Group is principally engaged in dairy farming business and liquid milk business. The Group is the largest organic dairy group in the PRC in the first half of 2016 in terms of the herd size of organic dairy cows and the production volume of organic raw milk. The Company is the only vertically integrated organic dairy company in the PRC which meets the EU organic standards. The Company is also the only dairy company in the PRC offering branded organic dairy products which are processed from raw milk produced by self-owned certified organic dairy farms and the only sizeable dairy company in the PRC which operates the desert-based-grass-to-glass organic production model (沙漠全程有機產業體系).

Shengmu Pangu is a 55% indirectly owned subsidiary of the Company. It is principally engaged in organic dairy farming operation. As at the date of this announcement, the Company indirectly holds 55% equity interest in Shengmu Pangu through Shengmu Holding, and the remaining 45% equity interest in Shengmu Pangu is held by Mr. Wu, an executive Director.

Sijichun is an associate of Nong You, a substantial shareholder of the Company and therefore a connected person of the Company. Sijichun is principally engaged in the sale of feed in the PRC.

OTHERS

The Independent Financial Advisor has been appointed to advise the Independent Board Committee and the independent Shareholders, and the Independent Board Committee has been established to advise the independent Shareholders in respect of the Milk Supply Framework Agreement, the transactions contemplated under such agreement and the proposed annual caps for such transactions for the three years ending 31 December 2017, 2018 and 2019.

A circular containing, among other things, (1) details of the Milk Supply Framework Agreement and the transactions contemplated under such agreement; (2) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and independent Shareholders in relation to the Milk Supply Framework Agreement and the transactions contemplated under such agreement; (3) the recommendation of the Independent Board Committee in relation to the Milk Supply Framework Agreement and the transactions contemplated under such agreement, and (4) the notice convening the EGM, will be dispatched to the Shareholders in accordance with the Listing Rules on or before 9 December 2016.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Zhi Nong”	Beijing Zhi Nong Investment Co., Ltd. (北京智農投資有限公司), a company incorporated in the PRC
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Milk Supply Framework Agreement and the transactions contemplated under such agreement
“Feed Supply Framework Agreement”	the feed supply framework agreement dated 22 November 2016, entered into between Shengmu Holding and Sijichun, in relation to the purchase of feed by the Group from Sijichun for a three-year term from 1 January 2017 to 31 December 2019

“Financial Assistance Framework Agreement”	the financial assistance framework agreement dated 22 November 2016, entered into between Shengmu Holding and Shengmu Pangu , in relation to the provision of financial assistance by the Group (excluding Shengmu Pangu) to Shengmu Pangu for a three-year term from 1 January 2017 to 31 December 2019
“Framework Agreements”	the Milk Supply Framework Agreement, the Framework Agreement for Sale and Purchase of Cows, the Financial Assistance Framework Agreement and the Feed Supply Framework Agreement
“Framework Agreement for Sale and Purchase of Cows”	the framework agreement for sale and purchase of cows dated 22 November 2016, entered into between Shengmu Holding and Shengmu Pangu, in relation to the sale and purchase of cows between the Group (excluding Shengmu Pangu) and Shengmu Pangu for a three-year term from 1 January 2017 to 31 December 2019
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely, Mr. Wong Kun Kau, Mr. Li Changqing, Ms. Ge Xiaoping, Mr. Yuan Qing and Mr. Fu Wenge
“Independent Financial Advisor”	VBG Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, who is appointed to advise the Independent Board Committee and the independent Shareholders in respect of the Milk Supply Framework Agreement and the transactions contemplated under such agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Milk Supply Framework Agreement”

the milk supply framework agreement dated 22 November 2016, entered into between Shengmu Holding and Shengmu Pangu, in relation to the purchase of organic raw milk by the Group (excluding Shengmu Pangu) from Shengmu Pangu for a three-year term from 1 January 2017 to 31 December 2019

“Mr. Shao”

Mr. Shao Genhuo (邵根伙), a non-executive Director and a substantial shareholder of the Company

“Mr. Wu”

Mr. Wu Jianye (武建鄰), an executive Director

“Nong You”

Nong You Co., Ltd., a company incorporated in the British Virgin Islands which holds approximately 20.5% of the total issued shares of the Company as at the date of this announcement

“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

“RMB”

Renminbi, the lawful currency of the PRC

“Shares”

ordinary share(s) of par value HK\$0.00001 each in the issued share capital of the Company

“Shareholder(s)”

holder(s) of the Shares

“Shengmu Farming”

Inner Mongolia Shengmu Holding Co., Ltd. (内蒙古聖牧控股有限公司) (formerly known as Bayannur Shengmu High-Tech Farming Co., Ltd. (巴彦淖爾市聖牧高科牧業有限公司)), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company

“Shengmu Holding”

Inner Mongolia Shengmu High-tech Farming Co., Ltd. (内蒙古聖牧高科牧業有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company

“Shengmu Pangu”

Bayannur Shengmu Pangu Farming Co., Ltd. (巴彦淖爾市聖牧盤古牧業有限責任公司), a company incorporated in the PRC and a non-wholly-owned subsidiary of the Company which is also a connected person of the Company

“Sijichun”	Inner Mongolia Sijichun Co. Ltd. (內蒙古四季春飼料有限公司), a company incorporated in the PRC and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

Translated English names of Chinese natural persons, legal persons or other entitlies for which no official English translation exist are unofficial translation for identification purpose only.

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

Hong Kong, 22 November 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; the non-executive Directors of the Company are Mr. Dong Xianli, Mr. Fan Xiang, Mr. Cui Guiyong, Mr. Sun Qian, Mr. Shao Genhuo and Mr. Zhang Jiawang; and the independent non-executive Directors of the Company are Mr. Wong Kun Kau, Mr. Li Changqing, Ms. Ge Xiaoping, Mr. Yuan Qing and Mr. Fu Wenge.