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**HONGKONG JINGANG TRADE
HOLDING CO., LIMITED**

香港金港商貿控股有限公司

*(Incorporated in Hong Kong
with limited liability)*

**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)*

JOINT ANNOUNCEMENT

(1) TERMINATION OF THE SALE AND PURCHASE AGREEMENTS;

(2) LAPSE OF THE POSSIBLE CONDITIONAL MANDATORY CASH OFFERS BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED ON BEHALF OF HONGKONG JINGANG TRADE HOLDING CO., LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF CHINA SHENGMU ORGANIC MILK LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY HONGKONG JINGANG TRADE HOLDING CO., LIMITED AND PARTIES ACTING IN CONCERT WITH IT);

AND

(3) RESUMPTION OF TRADING

Reference is made to (i) the joint announcement (the “**Joint Announcement**”) issued by Hongkong Jingang Trade Holding Co., Limited (the “**Offeror**”) and China Shengmu Organic Milk Limited (the “**Company**”) dated November 2, 2016 in relation to, among other things, the Sale and Purchase Agreements entered into between the Vendors and Yili and the possible mandatory conditional cash offer to be made by Huatai, on behalf of the Offeror, to acquire all the issued Shares and to cancel all outstanding Share Options not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code; (ii) the joint announcement issued by the Offeror and the Company dated

November 21, 2016 in relation to the delay in dispatch of composite document and grant of waiver; and (iii) the supplemental announcement to the Joint Announcement issued by the Company dated November 22, 2016 in relation to, among other things, the confirmation of public float under Rule 8.24 of the Listing Rules. Unless otherwise specified herein, all capitalized terms used herein shall have the same meanings as those defined in the Joint Announcement.

TERMINATION OF THE SALE AND PURCHASE AGREEMENTS

Pursuant to the Sale and Purchase Agreements, if all the conditions precedent thereunder are not fulfilled or waived (as the case may be) on or before the Long Stop Date (i.e. April 21, 2017) or such later date as the parties may agree in writing, the Sale and Purchase Agreements will automatically terminate. As at April 21, 2017, the conditions precedent under the Sale and Purchase Agreements have not been fulfilled in entirety and in particular the approval of the declaration of concentration of business operators for the transactions contemplated under the Sale and Purchase Agreements from the Anti-Monopoly Bureau of the Ministry of Commerce has not been received. Since such approval of the declaration of concentration of business operators for transactions from the Anti-Monopoly Bureau of the Ministry of Commerce has not been received, the conditions precedent of the SAFE registration approval for the settlement of the consideration outside the PRC cannot be fulfilled.

In view of the abovementioned status of the conditions precedent and despite Yili's and the Vendors' efforts in reaching agreement to extend the Long Stop Date, the parties mutually agreed on April 25, 2017 that no agreements would be entered into for such extension, and therefore their respective Sale and Purchase Agreements have been automatically terminated in accordance with their terms on April 21, 2017. Pursuant to the Sale and Purchase Agreements, if any of the conditions precedent is not fulfilled or waived (as applicable) and the agreement has lapsed, neither party to the agreement shall have any liability or obligation to or have any claim against the other party, save for any rights or obligations which may have accrued prior to the termination of the agreement.

LAPSE OF THE OFFERS

As stated in the Joint Announcement, the making of the Offers is subject to the Completion of the Acquisition. As mentioned above, the Sale and Purchase Agreements have terminated upon April 21, 2017 and the Acquisition will not proceed. Accordingly, the Offers have lapsed and the offer period of the Offers for the purposes of the Takeovers Code has come to an end.

The Company is of the view that, although the Offers will not proceed, this will not affect the Company's position as a leading organic milk supplier in the PRC. Yili and the Company would like to emphasize that the termination of the Sale and Purchase Agreements and the lapse of the Offers will not have any negative impact on their dealings in the ordinary course of business and their existing cordial relationship as industry associates, and in particular, that Yili, as a dominant player in the milk industry in the PRC, will continue to support the growth and development of the raw milk business of the Company.

Under Rule 31.1 of the Takeovers Code, except with the consent of the Executive, the Offeror, together with any person who acted in concert with it in the course of the Offers and any person who is subsequently acting in concert with them, will be restricted within 12 months from the date of which the Offers has lapsed to either (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if as a result the Offeror or person acting in concert with it would thereby become obliged to make an offer.

SECURITIES IN THE COMPANY

As at the date of this joint announcement, there are 6,354,400,000 Shares in issue and 408,835,800 Share Options awarded and fully vested under the Pre-IPO Share Option Scheme which entitle the Optionholders thereof to subscribe for 204,417,900 and 204,417,900 new Shares respectively at the exercise price of HK\$1.56 per Share during the period from May 4, 2016 to May 4, 2017 and the period from November 4, 2016 to May 4, 2017. Save for the 408,835,800 Share Options, the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares, and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this joint announcement.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on April 24, 2017 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on April 28, 2017.

By order of the board of directors of
**HONGKONG JINGANG TRADE
HOLDING CO., LIMITED**
PAN Gang
Director

By order of the board of directors of
**CHINA SHENGMU ORGANIC
MILK LIMITED**
YAO Tongshan
Chairman

Hong Kong, April 28, 2017

As at the date of this joint announcement, the executive Directors of the Company are Yao Tongshan, Wu Jianye, Gao Lingfeng and Cui Ruicheng; and the non-executive Directors of the Company are Dong Xianli, Fan Xiang, Cui Guiyong, Sun Qian, Shao Genhuo and Zhang Jiawang; and the independent non-executive Directors of the Company are Wong Kun Kau, Li Changqing, Ge Xiaoping, Yuan Qing and Fu Wenge.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror and its directors), and confirm, having made all reasonable inquiries, that to the best of each of their knowledge, opinions expressed in this joint announcement (other than that expressed by the Offeror and its directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.

As at the date of this joint announcement, the directors of the Offeror are Pan Gang, Liu Chunhai, Hu Liping and Wang Xiaogang.

As at the date of this joint announcement, the directors of Yili are Pan Gang, Liu Chunhai, Hu Liping, Wang Xiaogang, Yan Junrong, Zhang Junping, Gao Debu, Gao Hong, Zhang Xinling, Lv Gang and Xiao Bin.

The directors of the Offeror and Yili jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Vendors and the Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by the Vendors and the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.