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)

PROFIT WARNING ANNOUNCEMENT

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

The board of directors of the Company ("**Board**") wishes to inform the shareholders of the Company ("**Shareholders**") and potential investors that, based on the valuation report on biological assets recently received by the Group and the preliminary unaudited consolidated management accounts for the six months ended 30 June 2017 ("**Management Accounts**"), the Company is expected to record a significant decrease in the profit attributable to owners of the parent of the Group for the six months ended 30 June 2017 as compared to the corresponding period of last year, mainly due to substantial losses arising from the changes in the fair value of biological assets less sales expenses attributable to the parent company, provision for impairment of trade receivables and other factors.

The Company is still in the process of finalising the unaudited results of the Group for the Period. The information contained in this announcement is only a preliminary assessment by the management of the Company based on information currently available to the Board, and is not based on any figures or information which have been audited or reviewed by the Company's auditor or the audit committee of the Company. Details of the Group's financial information for the Period will be reported in the interim results announcement which will be published by the end of August 2017.

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

By Order of the Board
China Shengmu Organic Milk Limited
Shao Genhuo
Chairman

Hong Kong, 22 August 2017

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. Wen Yongping, 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. Li Changqing, Ms. Ge Xiaoping, Mr. Fu Wenge, Mr. Wang Liyan and Mr. Li Xuan.