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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)

IMPAIRMENT PROVISIONS FOR TRADE RECEIVABLES AND OTHER RECEIVABLES

PROFIT WARNING

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

Impairment Provisions for Trade Receivables and Other Receivables

The Group has made policies of impairment provisions for assets according to the characteristics of actual production and operation and the expected credit loss of trade receivables and other receivables. According to such policies, the Group: (i) has decided the receivable portfolio by using aging as the credit risk characteristics, and has made provisions for doubtful debts for trade receivables and other receivables based on the aging analysis approach, and (ii) has sorted the clients against whom the provisions for doubtful debts has been made, and has estimated the expected credit loss, taking into account the recoverability of certain receivables and the credit and operational capability of the clients, in order to estimate the impairment provisions for assets. The Company has taken a prudent approach to confirm and to make impairment provisions of approximately RMB1.06 billon for the trade receivables and other receivables of Inner Mongolia Shengmu High-tech Dairy Co., Ltd. (內蒙古聖牧高科奶業有限公司) and Huhehaote Shengmu High-tech Diary Co., Ltd. (呼和浩特市聖牧高科乳品有限公司) (both are wholly-owned subsidiaries of the Company).

Profit Warning

Because of the above-mentioned impairment provisions made for trade receivables and other receivables, the Company's total profit for the year ending 31 December 2018 is expected to be decreased by approximately RMB1.06 billon, and the Group is expected to record a loss for the year ending 31 December 2018.

The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the information currently available, which has not been audited by the audited of the Company and may be subject to change. Details of the financial information of the Group for the current financial year will be reported in the annual results announcement to be published by the end of March 2019.

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

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

Hong Kong, 21 December 2018

As at the date of this announcement, the executive directors of the Company are Mr. Yao Tongshan, Mr. Wu Jianye and Mr. Wang Yuehua; and the non-executive directors of the Company are Mr. Shao Genhuo, Mr. Wen Yongping and Mr. Sun Qian; and the independent non-executive directors of the Company are Mr. Fu Wenge, Mr. Wang Liyan and Mr. Li Xuan.