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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)

POSITIVE PROFIT ALERT

This announcement is made by China Shengmu Organic Milk Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) 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 of the Laws of Hong Kong) ("**SFO**").

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company and potential investors that, based on the assessment of the unaudited preliminary consolidated management accounts of the Group for the year ended 31 December 2019 (the "**Management Accounts**"), the Group is expected to record a profit after income tax for the year ended 31 December 2019 of not less than RMB100 million (audited net loss for the year ended 31 December 2018: approximately RMB2,311 million) and there is a turnaround from loss attributable to equity owners of the Company to profit, mainly due to the following:

(i) The downstream business of the Company incurred impairment losses on financial and contract assets of RMB1,112 million in the year ended 31 December 2018. The Company completed the sale of 51% equity interests in Inner Mongolia Shengmu High-tech Dairy Co., Ltd which operated the downstream business on 20 May 2019 and such impairment losses on financial and contract assets were no longer applicable for the year ended 31 December 2019;

(ii) There was a steady increase of the sale price of raw milk in China from 2018 to 2019 and the price of the raw milk sold by the Company in 2019 was also higher than the sale price in 2018; and

(iii) Due to the increase of sale price of raw milk and improvement of herd structure in 2019 compared to 2018, there was a decrease of the loss arising from changes in fair value less costs to sell of biological assets in 2019 compared to the net loss of RMB 1,322 million in 2018.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the Management Accounts, and such information has not been audited or reviewed by the auditor of the Company. Details of the financial information of the Group for the 2019 financial year is subject to the audit of the auditor and will be reported in the annual results announcement of 2019 to be published by the end of March 2020.

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, 9 March 2020

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