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, the Company has benefited from the shortage of supply in the raw milk market in 2020, which results in increasing price of raw milk; meanwhile, there has been historically high output per milkable cow through internal management upgrade to improve operating efficiency and the sales of organic raw milk have achieved a double-digit increase due to the optimization of proportion of raw milk structure; the Group is expected to record more profit after tax for the second half of 2020 than for the first half.

With increasing operating results, sufficient operating cash flow and improving external financing environment, the Company proactively adjusted its debt structure and repaid Mengniu entrusted loan of RMB1.37 billion in full in advance on 24 December 2020. The interest-bearing liabilities have reduced to a reasonable level and the cost of capital has decreased significantly, which contribute to an improving structure of assets and liabilities. According to the assessment on the unaudited preliminary consolidated management accounts of the Group for the year ended 31 December 2020 (the "**Management Accounts**") together with the information available for the Board at present, the Company expects that it will record a consolidated profit attributable to equity owners for 2020 of not less than RMB380 million, up by more than 13 times of 2019 (the same period of last year: the audited consolidated profit attributable to equity owners for the year ended 31 December 2019 was RMB27.7 million).

The Company is still finalising the financial results of the Group for the year ended 31 December 2020.

The information contained in this announcement is based on a preliminary assessment by the management upon review of the Management Accounts, and such information has not been audited or reviewed by the auditor of the Company and may be subject to adjustment and finalisation. Details will be reported in the annual results announcement of 2020 to be published by the end of March 2021.

Shareholders of the Company 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, 25 January 2021

As at the date of this announcement, the executive directors of the Company are Mr. Yao Tongshan and Mr. Zhang Jiawang; the non-executive directors of the Company are Mr. Shao Genhuo, Mr. Zhao Jiejun, Mr. Sun Qian and Mr. Zhang Ping; and the independent non-executive directors of the Company are Mr. Fu Wenge, Mr. Wang Liyan and Mr. Wu Liang.