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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) ACQUISITION OF SHARES IN CHINA SHENGMU ORGANIC MILK
LIMITED BY HONGKONG JINGANG TRADE HOLDING CO., LIMITED**

AND

**(2) 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

**Financial adviser to
HongKong Jingang Trade Holding Co., Limited**

 **華泰金融控股(香港)有限公司**
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

SALE AND PURCHASE AGREEMENTS

The Company was informed by the Vendors that on October 21, 2016, the Vendors and Yili entered into the Sale and Purchase Agreements, pursuant to which the Vendors have conditionally agreed to sell and Yili has conditionally agreed to purchase or procure a wholly owned subsidiary of Yili to purchase the Sale Shares, representing approximately 37.0% of the total issued share capital of the Company as at the date of this joint announcement.

Pursuant to the terms of the Sale and Purchase Agreements, Yili has nominated the Offeror to acquire the Sale Shares. Completion of the Sale and Purchase Agreements, subject to the satisfaction of the conditions thereunder, would result in the Offeror acquiring the Sale Shares, representing approximately 37.0% of the issued share capital of the Company as at the date of this joint announcement and incurring an obligation to make the Offers under the Takeovers Code.

POSSIBLE CONDITIONAL MANDATORY CASH OFFERS

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 4 May 2016 to 4 May 2017 and the period from 4 November 2016 to 4 May 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.

As at the date of this joint announcement, the Offeror and the parties acting in concert with it do not own, control or have direction over any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it will be in aggregate interested in a total of 2,351,128,000 Shares, representing approximately 37.0% of the total issued share capital of the Company as at the date of this joint announcement.

Upon Completion, the Offeror will be required under Rules 26.1 of the Takeovers Code to make the Share Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror will also be required to make the Option Offer to cancel all the Share Options pursuant to Rule 13 of the Takeovers Code.

Subject to Completion, Huatai will make the Offers on behalf of the Offeror in compliance with the Takeovers Code and on the terms to be set out in the Composite Document.

The Share Offer

For each Offer Share..... HK\$2.25 in cash

The Share Offer Price of HK\$2.25 per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreements. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made.

As referred to in the section headed “Undertakings Not to Accept the Offers” below, the Undertaking Obligors have irrevocably undertaken to the Offeror that they will not transfer, sell or make any of the Excluded Shares entitled for acceptance under the Offers before the close of the Offers and will not accept the Share Offer in respect of the Excluded Shares. Huatai has been provided with copies of the irrevocable undertakings given by each of the Undertaking Obligors.

The Option Offer

For cancellation of each Share Option

with the exercise price of HK\$1.56..... HK\$0.69 in cash

The Option Offer Price has been determined by deducting the exercise price payable on exercise of each Share Option from the Share Offer Price payable for each Offer Share under the Share Offer pursuant to Rule 13 of the Takeovers Code. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

Assuming none of the Share Options are exercised or lapse prior to the close of the Offers, the Option Offer is valued at approximately HK\$282,096,702.00.

Further information on the Option Offer will be set out in a letter to the Optionholders which will be despatched, as far as practicable, contemporaneously with the despatch of the Composite Document.

Total Consideration for the Offers

Based on the Share Offer Price of HK\$2.25 per Offer Shares and 6,354,400,000 Shares in issue as at the date of this joint announcement (including the Sale Shares), the entire issued share capital of the Company is valued at HK\$14,297,400,000. In the event the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be HK\$5,190,898,500 (excluding the Excluded Shares and assuming (i) none of the Share Options are exercised prior to the close of the Offers, and (ii) there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offers).

Based on the Option Offer Price of HK\$0.69 per Share Option, the maximum amount payable by the Offeror under the Option Offer will be HK\$282,096,702 (assuming no Share Option is exercised prior to the close of the Offers and the Option Offer is accepted in full).

In the event all the Share Options are exercised in full prior to the close of the Offers and the Share Offer is accepted in full (excluding the Excluded Shares and including all Offer Shares issued and allotted as a result of the exercise of the Share Options and assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offers), the maximum amount payable by the Offeror pursuant to the Share Offer will be increased to approximately HK\$6,110,779,050 and no amount will then be payable under the Option Offer. In such case the Company should have received a subscription price of HK\$637,783,848 from the exercise of the Shares Options.

INDEPENDENT BOARD COMMITTEE OF THE COMPANY

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting.

Fan Xiang, Cui Guiyong and Sun Qian are non-executive Directors nominated by the Vendors, including Kuanjie (Cayman) Investment Center LP, Saint Investment Holdings, Greenbelt Global Limited and Sequoia Capital 2010 CGF Holdco, Ltd.. In addition, as Dong Xianli is the Assistant Vice President of Mengniu Group and there is a competitive relationship between Mengniu Group and Yili, such Directors are all considered as having indirect interests in the Offers. An Independent Board Committee which comprises all the remaining non-executive Directors of the Company, namely, Shao Genhuo and Zhang Jiawang; and all the independent non-executive Directors of the Company, namely, Wong Kun Kau, Li Changqing, Ge Xiaoping, Yuan Qing and Fu Wenge, has been established to advise the Independent Shareholders in respect of the Offers. No member of the Independent Board Committee has any direct or indirect interest in the Offers.

DESPATCH OF COMPOSITE DOCUMENT

The Offeror and the Company intend to combine the offer document and the offeree response document into a composite document, if the Offers are to be made. Pursuant to Rule 8.2 of the Takeovers Code, this document is required to be despatched within 21 days of the date of this joint announcement. However, as the making of the Offers is subject to the Completion and additional time is required to fulfill the conditions under the Sale and Purchase Agreements, the Offeror will make an application to the Executive for consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the document to a date within seven days of the date of Completion or April 28, 2017, whichever is earlier.

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 October 24, 2016 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 November 2, 2016.

WARNING: THE MAKING OF THE OFFERS IS SUBJECT TO COMPLETION OF THE ACQUISITION AND IT MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

The Company was informed by the Vendors that on October 21, 2016, the Vendors and Yili entered into the Sale and Purchase Agreements, pursuant to which the Vendors have conditionally agreed to sell and Yili has conditionally agreed to purchase or procure a wholly owned subsidiary of Yili to purchase the Sale Shares, representing approximately 37.0% of the total issued share capital of the Company as at the date of this joint announcement. Details of the Sale and Purchase Agreements are set out in the section headed “The Sale and Purchase Agreements” below.

Pursuant to the terms of the Sale and Purchase Agreements, Yili has nominated the Offeror to acquire the Sale Shares. Completion of the Sale and Purchase Agreements, subject to the satisfaction of the conditions thereunder, would result in the Offeror acquiring the Sale Shares, representing approximately 37.0% of the total issued share capital of the Company as at the date of this joint announcement and incurring an obligation to make the Offers under the Takeovers Code. Details of the Offers are set out in the section headed “Possible Conditional Mandatory Cash Offers” below.

THE SALE AND PURCHASE AGREEMENTS

Date: October 21, 2016

Parties:

Purchaser: Yili

Vendors: Please see Table 1 below for a list of the Vendors, the number of Sale Shares to be sold by each of them, their remaining shareholdings in the Company immediately following Completion and the consideration payable to each of them under the Sale and Purchase Agreements:

Table 1

Vendors	Number of Shares held¹ as at the date of this joint announcement	Number of Sale Shares	Number of Shares held immediately following Completion²	Total Consideration (HK\$) (purchase price of HK\$2.25 per Sale Share)
Individuals				
Wang Fuzhu	285,981,696	285,981,696	—	643,458,816
Wang Zhenxi	108,326,400	108,326,400	—	243,734,400
Yang Yaping	250,686,489	154,561,689	96,124,800	347,763,800
Yang Yali	106,868,160	11,450,160	95,418,000	25,762,860
Lu Shunyi	130,490,973	35,004,437	95,486,536	78,759,983
Guo Yunfeng	271,893,600	157,109,280	114,784,320	353,495,880
Yun Jingdong	123,742,080	50,086,080	73,656,000	112,693,680
Zhang Junke	34,819,200	34,819,200	—	78,343,200
Wang Zhen	123,742,080	5,892,480	117,849,600	13,258,080
Wang Caixia	63,240,000	12,648,000	50,592,000	28,458,000
Xiang Yonghong	49,996,800	49,996,800	—	112,492,800
Huang Xiuying	56,246,400	56,246,400	—	126,554,400
Dong Runli	57,872,960	8,024,960	49,848,000	18,056,160
Guo Yongfeng	2,232,000	2,232,000	—	5,022,000
Sun Chuan	56,246,400	29,462,400	26,784,000	66,290,400
Wang Dongsheng	53,360,618	53,360,618	—	120,061,391
Subtotal for all Former Shareholders of World Shining which are also Vendors				
	1,775,745,856	1,055,202,600	720,543,256	2,374,205,850
Yu Miao	14,000,000	14,000,000	—	31,500,000
Tian Shan	29,200,000	29,200,000	—	65,700,000
Zhau Wai	5,800,000	5,800,000	—	13,050,000
Subtotal for all other Individual Shareholders				
	49,000,000	49,000,000	—	110,250,000
Institutional investors				
Huabao Trust Co. Ltd	78,135,000	78,135,000	—	175,803,750
Greenbelt Global Limited	395,235,200	395,235,200	—	889,279,200
Sequoia Capital 2010 CGF Holdco, Ltd.	378,320,000	378,320,000	—	851,220,000
Kuanjie (Cayman) Investment Center LP	197,617,600	197,617,600	—	444,639,600
Saint Investment Holdings	197,617,600	197,617,600	—	444,639,600
Subtotal for all Institutional Investors				
	1,246,925,400	1,246,925,400	—	2,805,582,150
Total	3,071,671,256	2,351,128,000	720,543,256	5,290,038,000
	(approximately 48.3% of the total issued share capital of the Company at the date of this joint announcement)	(approximately 37.0% of the total issued share capital of the Company at the date of this joint announcement)	(approximately 11.3% of the total issued share capital of the Company at the date of this joint announcement)	

¹ Such shares as held by the Vendor and companies controlled by it/him/her.

² Assuming no change in the issued share capital of the Company from the date of this joint announcement to the date of Completion.

The Offeror, Yili and their ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

The Vendors (including the Former Shareholders of World Shining) and their ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

The Sale Shares

The Sale Shares to be sold under the terms of the Sale and Purchase Agreements comprise a total of 2,351,128,000 Shares held by the Vendors. The Sale Shares represent approximately 37.0% of the total issued share capital of the Company as at the date of this joint announcement.

Pursuant to the terms of the Sale and Purchase Agreements, the Sale Shares will be acquired by the Offeror free from all Encumbrances and together with all rights and benefits attached and accrued to them on Completion.

Consideration for the Sale Shares

The total consideration for the Sale Shares is HK\$5,290,038,000, representing HK\$2.25 per Sale Share. The consideration for each Vendor is set out in Table 1 above and will be paid by the Offeror on Completion, but in any event, the consideration to be paid in other currencies will not be higher than HK\$2.25 per Sale Share based on published exchange rates of People's Bank of China at all times.

The Offeror shall settle the consideration in HKD, however the parties to the Sale and Purchase Agreements may negotiate in good faith for settlement of the consideration in other equivalent currencies upon Completion.

The consideration for the Sale Shares was agreed between Yili and the Vendors after arm's length negotiations, taking into account (i) the financial performance and business outlook of the Group; and (ii) the prevailing market prices of the Shares.

Escrow Arrangement

Yili, the Vendors and the Share Escrow Agent shall enter into the Share Escrow Agreement within 20 Business Days after the date of the Sale and Purchase Agreements pursuant to which the Sale Shares are to be transferred from the Vendors to the Share Escrow Agent which will be held by the Share Escrow Agent in accordance with the terms of the Share Escrow Agreement. The Share Escrow Agreement shall have the provision that the Share Escrow Agent will only release the Sale Shares upon receipt of the joint instructions from Yili and the Vendors.

Conditions precedent to Completion

The obligations of the Vendors and Yili to complete the sale and purchase of the Sale Shares are conditional on the following conditions being fulfilled pursuant to the terms of the Sale and Purchase Agreements:

- (1) the consent for the transactions contemplated under the Sale and Purchase Agreements from NDRC having been obtained;
- (2) the consent for the transactions contemplated under the Sale and Purchase Agreements from MOFCOM having been obtained;
- (3) 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 having been obtained;
- (4) the SAFE registration approval for the settlement of the consideration outside of the PRC having been obtained (if applicable); and
- (5) the deposit of the Sale Shares into a share escrow account in accordance with the terms of the Share Escrow Agreement, which can be waived by mutual agreement of the Vendor and Yili.

If the conditions set out above are not satisfied or waived (as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreements will automatically terminate (other than certain customary surviving provisions). The conditions (1) to (4) above are not waivable and the condition (5) above shall have no bearing on Completion of the Sale and Purchase Agreements.

In such event, none of the Vendors and Yili shall have any claim under the Sale and Purchase Agreements against the other party thereto except in respect of any rights and liabilities which have accrued before termination or under any of such customary surviving provisions.

Completion of the Acquisition

Each Vendor has entered into a separate Sale and Purchase Agreement with Yili with identical terms and conditions respectively.

Completion of the Sale and Purchase Agreements will take place on the 5th Business Day following the date on which the last of the conditions set out above is satisfied or waived.

Proposed change of board composition of the Company

The Board is currently made up of fifteen Directors, comprising four executive Directors, six non-executive Directors, and five independent non-executive Directors.

The Offeror intends to nominate such number of Directors to the Board for appointment so as to constitute a majority of the total Board members, in compliance with the Company's constitutional documents, the Takeovers Code and the Listing Rules with effect from a date which is no earlier than such date as permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

Notwithstanding the possible changes in the composition of the Board resulting from the aforementioned, the Offeror and the Company will take all steps necessary to ensure that the number of independent non-executive Directors would not fall below one-third of the total number of Directors, such that the Company shall continue to be compliant with Rule 3.11 of the Listing Rules.

POSSIBLE CONDITIONAL MANDATORY CASH OFFERS

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 4 May 2016 to 4 May 2017 and the period from 4 November 2016 to 4 May 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.

As at the date of this joint announcement, the Offeror and the parties acting in concert with it do not own, control or have direction over any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it will be in aggregate interested in a total of 2,351,128,000 Shares, representing approximately 37.0 % of the total issued share capital of the Company as at the date of this joint announcement.

Upon Completion, the Offeror will be required under Rules 26.1 of the Takeovers Code to make the Share Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror will also be required to make the Option Offer to cancel all the Share Options pursuant to Rule 13 of the Takeovers Code.

Subject to Completion, Huatai will make the Offers on behalf of the Offeror in compliance with the Takeovers Code and on the terms to be set out in the Composite Document.

The Share Offer

For each Offer Share HK\$2.25 in cash

The Share Offer Price of HK\$2.25 per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreements. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made.

As referred to in the section headed “Undertakings Not to Accept the Offers” below, the Undertaking Obligors have irrevocably undertaken to the Offeror that they will not transfer, sell or make any of the Excluded Shares entitled for acceptance under the Offers before the close of the Offers and will not accept the Share Offer in respect of the Excluded Shares. Huatai has been provided with copies of the irrevocable undertakings given by each of the Undertaking Obligors.

The Option Offer

For cancellation of each Share Option

with the exercise price of HK\$1.56..... HK\$0.69 in cash

The Option Offer Price has been determined by deducting the exercise price payable on exercise of each Share Option from the Share Offer Price payable for each Offer Share under the Share Offer pursuant to Rule 13 of the Takeovers Code. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

Assuming none of the Share Options are exercised or lapse prior to the close of the Offers, the Option Offer is valued at approximately HK\$282,096,702.00.

Further information on the Option Offer will be set out in a letter to the Optionholders which will be despatched, as far as practicable, contemporaneously with the despatch of the Composite Document.

Conditions of the Offers

The making of the Offers is subject to Completion and it may or may not proceed.

If made, the Share Offer will be conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares acquired or agreed to be acquired before or during the Share Offer, will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company. The Option Offer will be conditional on the Share Offer becoming or being declared unconditional in all respects.

The Offeror shall issue an announcement in relation to the revision, extension or lapse of the Offers or the fulfillment of the conditions of the Offers in accordance with the Takeovers Code and the Listing Rules.

Undertakings not to accept the Share Offer

As shown in Table 1 above, some of the Vendors will retain certain Shares immediately following Completion. Some of these Vendors and some other Shareholders as set out in Table 2 below (collectively the “**Undertaking Obligor**”) have irrevocably undertaken to Yili that in respect of the Excluded Shares held by such Undertaking Obligor set out in Table 2 below, he/she/it:

- (i) will not accept the Share Offer in respect of such Excluded Shares; and

- (ii) will not, directly or indirectly, transfer, sell or make entitled for acceptance under the Offers any of such Excluded Shares or any interests in the Excluded Shares before the close of the Offers.

Table 2

Undertaking Obligors	Number of Shares held as at the date of this joint announcement	Sale Shares	Excluded Shares
Yang Yaping	250,686,489	154,561,689	96,124,800
Yang Yali	106,868,160	11,450,160	95,418,000
Lu Shunyi	130,490,973	35,004,437	95,486,536
Guo Yunfeng	271,893,600	157,109,280	114,784,320
Yun Jingdong	123,742,080	50,086,080	73,656,000
Wang Zhen	123,742,080	5,892,480	117,849,600
Wang Caixia	63,240,000	12,648,000	50,592,000
Dong Runli	57,872,960	8,024,960	49,848,000
Sun Chuan	56,246,400	29,462,400	26,784,000
Subtotal for all Undertaking Obligors which are also Vendors	1,184,782,742	464,239,486	720,543,256
Yao Tongshan	342,002,700	—	342,002,700
Wu Jianye	141,190,100	—	141,190,100
Gao Lingfeng	129,285,680	—	129,285,680
Cui Ruicheng	53,501,500	—	53,501,500
Subtotal for all Undertaking Obligors which are also Directors	665,979,980	—	665,979,980
World Shining ⁴	309,682,764	—	309,682,764
Total	2,160,445,486	464,239,486	1,696,206,000
	(approximately 34.0% of the total issued share capital of the Company as at the date of this joint announcement)	(approximately 7.3% of the total issued share capital of the Company as at the date of this joint announcement)	(approximately 26.7% of the total issued share capital of the Company as at the date of this joint announcement)

4. As at the date of this joint announcement World Shining is wholly-owned by Shi Jianhong. World Shining is a former controlling shareholder of the Company and was owned by the Former Shareholders of World Shining and Shi Jianhong prior to 28 September 2016.

Yao Tongshan, Wu Jianye, Gao Lingfeng and Cui Ruicheng are executive Directors of the Company.

The total number of Excluded Shares represents approximately 26.7% of the issued share capital of the Company as at the date of this joint announcement.

Some of the Vendors and the Undertaking Obligors are also Optionholders and none of them has given any undertakings in respect of the Share Options held by them.

The Share Offer Price

The Share Offer Price of HK\$2.25 per Share represents:

- (a) a discount of approximately 7.41% to the closing price of HK\$2.43 per Share as quoted on the Stock Exchange on October 20, 2016, being the Last Trading Day;
- (b) a discount of approximately 5.46% to the average closing price of approximately HK\$2.38 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 0.90% to the average closing price of approximately HK\$2.23 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 11.39% to the average closing price of approximately HK\$2.02 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 110.28% over the audited consolidated net asset value per Share of approximately HK\$1.07 as at December 31, 2015, calculated based on the Group's audited consolidated net assets of approximately RMB5,367,225,000 as at December 31, 2015, audited consolidated net assets of approximately HK\$6,803,687,553 at the median exchange rate of Hong Kong Dollar of 0.78887 against Renminbi as quoted by People's Bank of China as at December 31, 2015 and the 6,354,400,000 Shares in issue as at the date of this joint announcement; and
- (f) a premium of approximately 108.33% over the unaudited consolidated net asset value per Share of approximately HK\$1.08 as at June 30, 2016, calculated based on the Group's unaudited consolidated net assets of approximately RMB5,890,807,000 as at June 30, 2016, audited consolidated net assets of approximately HK\$6,892,493,009 at the median exchange rate of Hong Kong Dollar of 0.85467 against Renminbi as quoted by People's Bank of China as at June 30, 2016 and the 6,354,400,000 Shares in issue as at the date of this joint announcement.

Highest and lowest Share prices

During the six-month period immediately preceding the date of this joint announcement:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.47 per Share on October 17, 2016; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.53 per Share on July 29, 2016.

Total Consideration for the Offers

Based on the Share Offer Price of HK\$2.25 per Offer Shares and 6,354,400,000 Shares in issue as at the date of this joint announcement (including the Sale Shares), the entire issued share capital of the Company is valued at HK\$14,297,400,000. In the event the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be HK\$5,190,898,500 (excluding the Excluded Shares and assuming (i) none of the Share Options are exercised prior to the close of the Offers, and (ii) there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offers).

Based on the Option Offer Price of HK\$0.69 per Share Option, the maximum amount payable by the Offeror under the Option Offer will be HK\$282,096,702 (assuming no Share Option is exercised prior to the close of the Offers and the Option Offer is accepted in full).

In the event all the Share Options are exercised in full prior to the close of the Offers and the Share Offer is accepted in full (excluding the Excluded Shares and including all Offer Shares issued and allotted as a result of the exercise of the Share Options and assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offers), the maximum amount payable by the Offeror pursuant to the Share Offer will be increased to approximately HK\$6,110,779,050 and no amount will then be payable under the Option Offer. In such case the Company should have received a subscription price of HK\$637,783,848 from the exercise of the Shares Options.

Financial resources available to the Offeror

The maximum amount of cash payable by the Offeror in respect of acceptances of the Offers is approximately HK\$6,110,779,050, excluding the Excluded Shares and assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offers. The Offeror intends to

finance and satisfy the consideration payable under the Offers by its own internal resources. Huatai, the financial adviser to the Offeror, is satisfied that there are sufficient financial resources available to the Offeror to satisfy the consideration payable upon full acceptance of the Offers (excluding the Excluded Shares).

Yili has also announced on October 21, 2016 a proposed placement of its A-shares to five independent investors and part of the proceeds will be applied towards the Acquisition. Yili has been advised by such investors that none of them held any Shares as at October 28, 2016. Such placement and Completion of the Acquisition are not inter-conditional to each other. Yili has sufficient internal resources to satisfy the consideration under the Acquisition and the Offers while such placement can be viewed as an additional funding source to Yili on top of its own internal resources.

Effect of accepting the Offers

By accepting the Share Offer, accepting Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made, or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document.

By accepting the Option Offer, accepting Optionholders will agree to cancellation of their relevant Share Options. No transfer or sale of the Options will occur as part of the Option Offer.

Hong Kong Stamp Duty

Sellers' Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Shares subject to such acceptance, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of sellers' ad valorem stamp duty on behalf of Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

Taxation Advice

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with it, the

Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the later of the date on which the Offers become unconditional and the date on which the duly completed acceptances of the Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid. If the Offers do not become unconditional the relevant documents of title will be returned as soon as practicable after the latest date on which they could have become unconditional.

Overseas Shareholders and Overseas Optionholders

The Offeror intends to make the Offers available to all Shareholders and Optionholders, including the Overseas Shareholders and Overseas Optionholders. However, the Offers are in respect of securities of a company incorporated in the Cayman Islands and are subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. The Overseas Shareholders and/or Overseas Optionholders who wish to participate in the Share Offer and/or the Option Offer but with a registered address outside Hong Kong may be subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Share Offer and/or the Option Offer. The Overseas Shareholders and/or Overseas Optionholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders and/or Overseas Optionholders and overseas beneficial owners of the Shares who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer and/or the Option Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). Any acceptance by any Overseas Shareholders and/or Overseas Optionholders and overseas beneficial owners of the Shares will be deemed to constitute a representation and warranty from such Overseas Shareholders and/or Overseas Optionholders or overseas beneficial owners of the Shares, as applicable, to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders and/or Overseas Optionholders and overseas beneficial owners of the Shares should consult their professional advisers if in doubt.

OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY

The Offeror confirms that, save as disclosed in this joint announcement, as at the date of this joint announcement:

- (a) save for the Sale Shares, none of the Offeror, the ultimate beneficial owner of the Offeror, nor any person acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) none of the Offeror, the ultimate beneficial owner of the Offeror, nor any person acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the 6 months prior and up to the date of this joint announcement;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (d) save for the Sale and Purchase Agreements, there is no agreement or arrangement to which the Offeror, the ultimate beneficial owner of the Offeror, or any person acting in concert with any of them, is a party which relates to circumstances in which the Offeror may or may not seek to invoke a pre-condition or a condition to the Offers;
- (e) none of the Offeror, the ultimate beneficial owner of the Offeror, nor any person acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (f) none of the Offeror, the ultimate beneficial owner of the Offeror, nor any person acting in concert with any of them has received any irrevocable commitment to accept the Offers; and
- (g) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror, the ultimate beneficial owner of the Offeror, nor any person acting in concert with any of them.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since July 15, 2014. The principal activities of the Company are its dairy farming business and liquid milk business.

The following table is a summary of certain audited consolidated financial information of the Group for the two financial years ended December 31, 2015 as extracted from the annual report of the Company for the year ended December 31, 2015 and certain unaudited consolidated financial information of the Group for the six months ended June 30, 2016 as extracted from the interim report of the Company for the six months ended June 30, 2016:

Year ended December 31	2014	2015	Six months ended June 30, 2016
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB '000</i> <i>(unaudited)</i>
Revenue	2,132,428	3,100,711	1,616,772
Gross profit	1,069,808	1,477,543	773,362
Profit before taxation	887,544	1,087,828	543,649
Profit for the year	883,808	1,083,222	534,865
			As at June 30, 2016
As at December 31	2014	2015	2016
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB '000</i> <i>(unaudited)</i>
Equity attributable to the owners of the Company	3,721,898	4,551,655	5,037,264

SHAREHOLDING STRUCTURE OF THE COMPANY

The following Table 3 sets out the shareholding structure of the Company (i) as at the date of this joint announcement; (ii) immediately following Completion but before the Offers (assuming that there is no change in shareholding and that none of the Share Options have been exercised); and (iii) immediately following Completion but before the Offers (assuming that there is no change in shareholding, none of the Optionholders has resigned and that all of the Share Options have been exercised):

Table 3

	(i) As at the date of this joint announcement		(ii) Immediately following Completion but before the Offers (assuming that there is no change in shareholding and that none of the Share Options have been exercised)		(iii) Immediately following Completion but before the Offers (assuming that there is no change in shareholding, none of the Optionholders has resigned and that all of the Share Options have been exercised)	
	<i>Number of shares</i>	<i>Approx%</i>	<i>Number of shares</i>	<i>Approx %</i>	<i>Number of shares</i>	<i>Approx %</i>
Offeror and the parties acting in concert with it	—	—	2,351,128,000	37.0	2,351,128,000	34.8
Vendors						
— Institutional Investors ⁶	1,246,925,400	19.6	—	—	—	—
— Former Shareholders of World Shining ⁷	1,775,745,856	27.9	720,543,256	11.3	720,543,256	10.7
— Other Individual Investors ⁶	49,000,000	0.8	—	—	—	—
Undertaking Obligor(s) (excluding Vendors)						
— World Shining ⁷	309,682,764	4.9	309,682,764	4.9	309,682,764	4.6
— the executive Directors	665,979,980	10.5	665,979,980	10.5	865,259,980	12.8
Nong You Co.,Ltd. ⁵	1,301,651,000	20.5	1,301,651,000	20.5	1,301,651,000	19.2
Other Optionholders	—	—	—	—	111,708,600	1.6
Other Public Shareholders ⁶	<u>1,005,415,000</u>	<u>15.8</u>	<u>1,005,415,000</u>	<u>15.8</u>	<u>1,103,262,200</u>	<u>16.3</u>
Total	6,354,400,000	100.0	6,354,400,000	100.0	6,763,235,800.00	100.0

5. The ultimate controlling shareholder of Nong You Co. Ltd is Shao Genhuo, a non-executive Director of the Company.

6. These Shareholders are members of the public.

7. These Shareholders are members of the public, subject to the confirmation of the Stock Exchange.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on January 17, 2011. It is a wholly owned subsidiary of Yili for investment holding and trading purposes.

INFORMATION ON YILI

Yili is a company limited by shares incorporated in the PRC whose shares are listed on Shanghai Stock Exchange (stock code: 600887). Yili is principally engaged in the business of processing and manufacturing dairy products in the PRC. As at the date of this joint announcement, there is no shareholder of Yili holding 30% or more shareholding. As at October 21, 2016, the largest shareholder of Yili was Huhhot Investment Company Limited (呼和浩特投資有限責任公司) with a shareholding of approximately 8.79%.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The Offeror intends to facilitate the upstream sourcing and thereby achieve a synergy between the Company and Yili in the manufacturing of dairy products in the PRC.

Based on the unaudited financial statements of the Group as at June 30, 2016, the Group's total cash and bank balance were approximately RMB824 million. In view of the financial situation of the Group as well as the potential investment opportunities which might arise, the Offeror may procure the Company to conduct equity and/or debt financing following the close of the Offers. Should such corporate actions materialize, further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

The Offeror intends to nominate new Directors to the Board at the earliest time as allowed under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

Save as in connection with the Offeror's intention regarding the Group as set out above and the potential changes to the members of the Board, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers. The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends, together with the Company, to use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the issued share capital in the Company be held by the public in compliance with the Listing Rules. The Company and the Offeror consider that the appropriate actions to be taken after the close of the Offers shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Offeror (including persons holding 5% or more of a class of relevant securities of the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.”

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

INDEPENDENT BOARD COMMITTEE OF THE COMPANY

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting.

Fan Xiang, Cui Guiyong and Sun Qian are non-executive Directors nominated by the Vendors, including Kuanjie (Cayman) Investment Center LP, Saint Investment Holdings, Greenbelt Global Limited and Sequoia Capital 2010 CGF Holdco, Ltd.. In addition, as Dong Xianli is the Assistant Vice President of Mengniu Group and there is a competitive relationship between Mengniu Group and Yili, such Directors are all considered as having indirect interests in the Offers. An Independent Board Committee which comprises all the remaining non-executive Directors of the Company, namely, Shao Genhuo and Zhang Jiawang; and all the independent non-executive Directors of the Company, namely, Wong Kun Kau, Li Changqing, Ge Xiaoping, Yuan Qing and Fu Wenge, has been established to advise the Independent Shareholders in respect of the Offers. No member of the Independent Board Committee has any direct or indirect interest in the Offers.

An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Offers and, in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. A further announcement will be made by the Company as soon as possible after the appointment of the independent financial adviser.

DESPATCH OF COMPOSITE DOCUMENT

The Offeror and the Company intend to combine the offer document and the offeree response document into a composite document, if the Offers are to be made. Pursuant to Rule 8.2 of the Takeovers Code, this document is required to be despatched within 21 days of the date of this joint announcement. However, as the making of the Offers is subject to the Completion and additional time is required to fulfill the conditions under the Sale and Purchase Agreements, the Offeror will make an application to the Executive for consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the document to a date within seven days of date of the Completion or April 28, 2017, whichever is earlier.

Further announcements will be made as and when appropriate.

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 October 24, 2016 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 November 2, 2016.

WARNING: THE MAKING OF THE OFFERS IS SUBJECT TO COMPLETION OF THE ACQUISITION AND IT MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreements
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Company”	China Shengmu Organic Milk Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1432)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreements
“Composite Document”	the composite offer and response document to be jointly issued by the Offeror and the Company to the Shareholders in connection with the Offers in compliance with the Takeovers Code containing, among other things, details of the Offers (accompanied by the form of acceptance and transfer) and the respective letters of advice from the Independent Board Committee and the independent financial adviser to the Independent Board Committee
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

“Encumbrances”	(i) any valid mortgage, pledge, charge, lien, rights of preemption, guarantee, trust arrangements or any other similar restriction on rights securing, or conferring any priority of payment in respect of, any obligation of any person, (ii) any valid lease, sub-lease, occupancy agreement or covenant granting a right of use or occupancy to any person, (iii) any valid proxy, power of attorney, voting trust agreement, beneficial interest, option, right of first offer or refusal or other transfer restriction in favour of any person and (iv) any adverse, legal and valid claim as to title, possession or use
“Excluded Shares”	the Shares held by the Undertaking Obligors which are subject to the irrevocable undertakings set out in the section headed “Undertakings Not to Accept the Share Offer”
“Executive”	The Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Former Shareholders of World Shining”	the shareholders of World Shining holding the shares of the Company indirectly through World Shining prior to 28 September, 2016, namely Wang Fuzhu, Wang Zhenxi, Yang Yaping, Yang Yali, Lu Shunyi, Guo Yunfeng, Yun Jingdong, Zhang Junke, Wang Zhen, Wang Caixia, Xiang Yonghong, Huang Xiuying, Dong Runli, Guo Yongfeng, Sun Chuan, Wang Dongsheng, Yao Tongshan, Wu Jianye, Gao Lingfeng and/ or Cui Ruicheng. For the avoidance of doubt, prior to 28 September 2016, World Shining was the controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong

“Huatai”	Huatai Financial Holdings (Hong Kong) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers
“Independent Board Committee”	the independent board committee of the board of directors of the Company, comprising those Directors of the Company as identified in the section headed “Independent Board Committee of the Company” and formed for the purpose of advising the Independent Shareholders in respect of the Offers
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Last Trading Day”	October 20, 2016, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	April 21, 2017, being six months from the date of signing of the Sale and Purchase Agreements
“MOFCOM”	Ministry of Commerce of the PRC
“NDRC”	National Development and Reform Commission of the PRC
“Offers”	the Share Offer and the Option Offer
“Offeror”	Hongkong Jingang Trade Holding Co., Limited, a wholly owned subsidiary of Yili incorporated in Hong Kong with limited liability
“Offer Share(s)”	all Shares that are not owned or agreed to be acquired by the Offeror or parties acting in concert with it and “Offer Share” means any of them

“Option Offer”	the offer proposed to be made by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Share Options
“Option Offer Price”	the price at which the Option Offer will be made, being HK\$0.69 per Share Option
“Optionholders”	the holders of the Share Options
“Overseas Shareholders”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Overseas Optionsholders”	Optionholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on April 30, 2014
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	The State Administration of Foreign Exchange of the PRC
“Sale and Purchase Agreements”	each of the respective sale and purchase agreements dated October 21, 2016 and entered into among the Vendors as the sellers and Yili as the purchaser in relation to the sale and purchase of the Sale Shares
“Sale Shares”	2,351,128,000 Shares to be sold by the Vendors to Yili or a wholly owned subsidiary of Yili pursuant to the terms of the Sale and Purchase Agreements, and a “Sale Share” means any of them
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share Escrow Agent”	the escrow agent to be jointly appointed by Yili and the Vendors for the purpose of the escrow arrangement in relation the Sale Shares
“Share Escrow Agreement”	the share escrow agreement to be entered into by the Vendors, Yili and the Share Escrow Agent in respect of the holding of the Sale Shares
“Share Offer”	the possible mandatory conditional cash offer to be made by Huatai, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$2.25 per Offer Share
“Share(s)”	ordinary share(s) of par value HK\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Options”	the 408,835,800 outstanding share options granted by the Company pursuant to the Pre-IPO Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers
“Undertaking Obligor(s)”	has the meaning as defined in the paragraph headed “Undertakings Not to Accept the Share Offer” under the section headed “Possible Conditional Mandatory Cash Offers”
“Vendors”	Wang Fuzhu, Wang Zhenxi, Yang Yaping, Yang Yali, Lu Shunyi, Guo Yunfeng, Yun Jingdong, Zhang Junke, Wang Zhen, Wang Caixia, Xiang Yonghong, Huang Xiuying, Dong Runli, Guo Yongfeng, Sun Chuan, Wang Dongsheng, Yu Miao, Tian Shan, Chau Wai, Saint Investment Holdings, Kuanjie (Cayman) Investment Center LP, Huabao Trust Co. Ltd, Greenbelt Global Limited, Sequoia Capital 2010 CGF Holdco, Ltd. and “Vendor” means any of them

“World Shining”	World Shining Investment Limited, a company incorporated in the British Virgin Islands which was the controlling shareholder of the Company prior to 28 September 2016
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd, a dairy products provider company whose shares are listed on Shanghai Stock Exchange (stock code: 600887)
“%”	per cent.

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, November 2, 2016

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 Ruisheng.

As at the date of this joint announcement, the directors of Yili are Pan Gang, Liu Chunhai, Zhao Chengxia, Hu Liping, Wang Ruishen, Zhang Junping and Yang Jinguo; the independent directors of Yili are Gao Debu, Gao Hong, Zhang Xinling and Lv Gang.

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.