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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)

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF

Inner Mongolia Shengmu High-tech Farming Co., Ltd.*

(內蒙古聖牧高科牧業有限公司)

AN INDIRECT WHOLLY OWNED SUBSIDIARY OF THE COMPANY FOR THE THREE MONTHS ENDED 31 MARCH 2016

This announcement is made by the board of directors (the “**Board**”) of China Shengmu Organic Milk Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of the 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, Laws of Hong Kong).

An indirect wholly owned subsidiary of the Company, Inner Mongolia Shengmu High-tech Farming Co., Ltd.* (內蒙古聖牧高科牧業有限公司) (the “**Shengmu Holding**”), completed the issuance of the first tranche of short term notes in the amount of RMB100 million on 16 December 2015.

Pursuant to applicable laws and regulations in the PRC, the unaudited consolidated financial information of Shengmu Holding for the three months ended 31 March 2016 prepared in accordance with the PRC Generally Accepted Accounting Principles (the “**PRC GAAP**”) (the “**Unaudited Consolidated Financial Information of Shengmu Holding**”) shall be published on the websites of Shanghai Clearing House (<http://www.shclearing.com>) and China Foreign Exchange Trade System (<http://www.chinamoney.com.cn>) on or before 29 April 2016.

The Unaudited Consolidated Financial Information of Shengmu Holding for the three months ended 31 March 2016 is attached as Appendix to this announcement.

The Unaudited Consolidated Financial Information of Shengmu Holding is prepared in accordance with the PRC GAAP, which may require adjustment during the course of auditing. In addition, the information contained therein is limited solely to Shengmu Holding and its subsidiaries, which does not provide a full picture of the business operation of the Group.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company and should not rely solely on such information.

By Order of the Board
China Shengmu Organic Milk Limited
Yao Tongshan
Chairman

Hong Kong, 29 April, 2016

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; the non-executive directors of the Company are Mr. Dong Xianli, Mr. Fan Xiang, Mr. Cui Guiyong and Mr. Sun Qian; and the independent non-executive directors of the Company are Mr. Wong Kun Kau, Mr. Li Changqing, Ms. Ge Xiaoping and Mr. Yuan Qing.

* *For identification purposes only*

Consolidated Income Statement

Prepared by: Inner Mongolia Shengmu High-tech Farming Co., Ltd.

Items	Three months ended 31 March, 2016 <i>(Unaudited)</i> RMB	Three months ended 31 March, 2015 <i>(Unaudited)</i> RMB
I. Operational income	824,463,763.95	636,077,766.95
Income from principal operations	817,544,748.95	632,177,965.12
Income from other operations	6,919,015.00	3,899,801.83
Less: Operating costs	441,105,160.48	356,191,203.61
Cost of principal operations	436,429,058.42	353,225,656.33
Cost of other operations	4,676,102.06	2,965,547.28
Taxes and surcharges of principal operations	1,001,567.31	32,724.76
Selling expenses	66,449,097.58	60,868,010.02
Management expenses	46,514,579.63	20,236,389.12
Financial expenses	34,580,258.25	24,205,497.34
Impairment loss on assets	—	—
Add: Gain from change in fair value (loss indicated by “—”)	24,222,893.95	14,602,146.28
Income from investment	<u>—</u>	<u>—</u>
II. Operational profit	259,035,994.65	189,146,088.38
Add: Non-operational income	590,062.82	5,000.00
Less: Non-operational expenses	<u>45,583.41</u>	<u>8,683.57</u>
III. Total profit (loss indicated by “—”)	259,580,474.06	189,142,404.81
Less: Income tax expenses	<u>4,657,053.25</u>	<u>—</u>
IV. Net profit (loss indicated by “—”)	<u>254,923,420.81</u>	<u>189,142,404.81</u>
Including: Net profit attributable to the owners	123,437,948.73	102,760,239.78
Non-controlling interests	<u>131,485,472.08</u>	<u>86,382,165.03</u>

Consolidated Balance Sheet

Prepared by: Inner Mongolia Shengmu High-tech Farming Co., Ltd.

Items	As at 31 March, 2016 (Unaudited) RMB	As at 31 December, 2015 (Audited) RMB
Asset		
Current assets:		
Cash	461,063,225.12	1,676,884,482.11
Bills receivables	13,710,510.00	500,000.00
Receivables	1,209,749,344.58	914,811,805.93
Other receivables	59,710,022.63	81,678,970.58
Prepayments	584,937,563.34	359,147,546.05
Deferred expenses	—	—
Interest receivable	7,293.00	8,711,868.55
Inventories	761,079,169.10	824,513,933.91
Other current assets	<u>23,836,315.93</u>	<u>16,954,939.61</u>
Total current assets	<u>3,114,093,443.70</u>	<u>3,883,203,546.74</u>
Non-Current Assets:		
Available-for-sale financial assets	1,403,500.00	1,403,500.00
Long-term equity investments	35,404,817.68	32,054,817.68
Fixed assets	1,717,672,883.93	1,736,156,955.61
Construction in progress	502,822,043.45	357,072,676.74
Productive biological assets	3,477,448,414.97	3,285,436,000.02
Intangible assets	20,732,019.91	20,675,269.13
Deferred income tax assets	1,076,089.08	1,076,089.08
Other non-current assets	<u>15,447,700.80</u>	<u>15,690,066.44</u>
Total non-current assets	<u>5,772,007,469.82</u>	<u>5,449,565,374.70</u>
Total assets	<u><u>8,886,100,913.53</u></u>	<u><u>9,332,768,921.43</u></u>

Consolidated Balance Sheet (continued)

Items	As at 31 March, 2016 <i>(Unaudited)</i> RMB	As at 31 December, 2015 <i>(Audited)</i> RMB
Liabilities and owners' equity		
Current liabilities:		
Short-term borrowings	1,154,121,178.08	1,500,237,140.42
Bills payables	164,700,000.00	290,278,190.00
Payables	526,819,640.42	727,848,104.81
Receipts in advance	18,561,814.60	17,319,677.14
Remuneration payable to employees	29,851,102.56	30,562,068.04
Interest payable	788,592.35	233,005.46
Tax charge payable	624,395.19	4,207,743.85
Other payables	270,611,089.37	305,488,099.99
Non-current Liabilities due within one year	401,252,182.44	401,480,162.30
Other current liabilities	101,275,163.91	99,617,486.34
Total current liabilities	<u>2,668,605,158.92</u>	<u>3,377,271,678.35</u>
Non-current liabilities:		
Long-term borrowings	124,000,000.00	124,000,000.00
Debenture payable	1,004,618,454.57	993,000,000.00
Other non-current liabilities	—	—
Total non-current liabilities	<u>1,128,618,454.57</u>	<u>1,117,000,000.00</u>
Total liabilities	<u>3,797,223,613.49</u>	<u>4,494,271,678.35</u>
Owner's equity (or shareholders' interests):		
Paid-in capital (or share capital)	738,700,000.00	738,700,000.00
Capital reserves	390,634,325.52	369,438,531.62
Surplus reserves	301,239,497.29	301,239,497.29
Undistributed profits	1,930,150,889.30	1,806,712,940.57
Total equity attributable to owners of the parent	<u>3,360,724,712.11</u>	<u>3,216,090,969.48</u>
Minority interests	1,728,152,587.93	1,622,406,273.60
Total owners' equity (or shareholders' interests)	<u>5,088,877,300.04</u>	<u>4,838,497,243.08</u>
Total liabilities and owners' equity (or shareholders' interests)	<u>8,886,100,913.53</u>	<u>9,332,768,921.43</u>

Consolidated Statement of Cash Flows (continued)

Consolidated Statement of Cash Flows

Prepared by: Inner Mongolia Shengmu High-tech Farming Co., Ltd.

Items	Three months ended 31 March, 2016 (Unaudited) RMB	Three months ended 31 March, 2015 (Unaudited) RMB
I. Cash flows generated from operating activities		
Cash received from sales of goods and rendering of labor services	638,272,881.73	687,735,706.01
Cash received relating to other operating activities	<u>11,553,219.79</u>	<u>934,332.79</u>
Sub-total of cash inflows	<u>649,826,101.52</u>	<u>688,670,038.80</u>
Cash paid for purchase of goods and engagement of labor services	1,002,644,552.54	540,660,259.65
Transferred-in cost of biological assets	(151,412,580.73)	(168,863,900.63)
Cash paid to and on behalf of employees	70,230,577.20	64,222,497.98
Payments of all types of taxes	18,785,727.33	8,614,806.74
Cash paid relating to other operating activities	<u>15,999,410.54</u>	<u>28,640,775.05</u>
Sub-total of cash outflows	<u>956,247,686.88</u>	<u>473,274,438.79</u>
Net cash generated from operating activities	<u>(306,421,585.36)</u>	<u>215,395,600.01</u>

Consolidated Statement of Cash Flows (continued)

Items	Three months ended 31 March, 2016 <i>(Unaudited)</i> RMB	Three months ended 31 March, 2015 <i>(Unaudited)</i> RMB
II. Cash flows generated from investing activities		
Net cash received on disposal of biological assets	41,758,344.64	64,162,876.13
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	10,928,479.63	—
Cash generated from other investing activities	<u>—</u>	<u>—</u>
Sub-total of cash inflows	<u>52,686,824.27</u>	<u>64,162,876.13</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term investments	136,435,088.00	156,572,163.03
Cash paid on purchase of productive biological assets	242,803,630.15	207,381,490.78
Including: cash paid for outsourcing of biological assets	91,391,049.42	38,517,590.15
Cash paid for investment	29,496,000.00	5,227,000.00
Cash paid relating to other investing activities	<u>—</u>	<u>—</u>
Sub-total of cash outflows	<u>408,734,718.15</u>	<u>369,180,653.81</u>
Net cash generated from investing activities	<u>(356,047,893.88)</u>	<u>(305,017,777.68)</u>

Consolidated Statement of Cash Flows (continued)

Items	Three months ended 31 March, 2016 <i>(Unaudited)</i> RMB	Three months ended 31 March, 2015 <i>(Unaudited)</i> RMB
III. Cash flows generated from financing activities		
Cash received by absorbing investment	1,355,200.00	—
Cash received from obtain of borrowings	130,000,000.00	379,000,000.00
Cash received relating to other financing activities	<u>(150,000.00)</u>	<u>—</u>
Sub-total of cash inflows	<u>131,205,200.00</u>	<u>379,000,000.00</u>
Cash paid for repayment of debt	524,115,962.34	219,868,273.40
Cash paid for distribution of dividends, profit or payment of interests	28,452,234.46	24,440,870.90
Cash paid relating to other financing activities	<u>131,986,536.85</u>	<u>—</u>
Sub-total of cash outflows	<u>684,554,733.65</u>	<u>244,309,144.30</u>
Net cash generated from financing activities	<u>(553,349,533.65)</u>	<u>134,690,855.70</u>
IV. Cash flows arising from fluctuation of exchange rate	<u>(2,244.10)</u>	<u>117,756.89</u>
V. Net increase in cash and cash equivalent	(1,215,821,256.99)	45,186,434.92
Add: Balance of cash and cash equivalent at the beginning of the period	<u>1,676,884,482.11</u>	<u>616,614,624.20</u>
VI. Balance of cash and cash equivalent at the end of the period	<u><u>461,063,225.12</u></u>	<u><u>661,801,059.12</u></u>