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China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1117)

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF
MODERN FARMING (GROUP) CO., LTD.*
A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

This announcement is made by the board (the “**Board**”) of China Modern Dairy Holdings Ltd. (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited 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).

Reference is made to the announcement of the Company dated 25 April 2014 in relation to the completion of the issuance by 現代牧業(集團)有限公司 (Modern Farming (Group) Co., Ltd.) (“**Modern Farm**”), a non-wholly owned subsidiary of the Company, of the second tranche of short term notes of an aggregate principal amount of RMB0.7 billion.

Pursuant to applicable laws and regulations in the PRC, the unaudited consolidated financial information of Modern Farm for the nine months ended 30 September 2014 prepared in accordance with the PRC Generally Accepted Accounting Principles (“**Modern Farm’s Unaudited Consolidated Financial Information**”) will 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 31 October 2014.

Unaudited consolidated financial information of Modern Farm for the nine months ended 30 September 2014 is attached as Appendix to this announcement.

The Unaudited Consolidated Financial Information of Modern Farm is prepared in accordance with the PRC Generally Accepted Accounting Principles, which may require adjustment during the course of auditing. In addition, the information contained therein is limited solely to Modern Farm and its subsidiaries, which does not provide a full picture of the operation status 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.

For and on behalf of the Board
China Modern Dairy Holdings Ltd.

Ms. GAO Lina

*Deputy Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 17 October 2014

As of the date of this announcement, the executive Directors are Ms. GAO Lina, Mr. HAN Chunlin and Mr. SUN Yugang, the non-executive Directors are Mr. YU Xubo, Mr. WOLHARDT Julian Juul, Mr. HUI Chi Kin Max and Mr. WU Jingshui, the independent non-executive Directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway, Mr. KANG Yan and Mr. ZOU Fei.

** For identification purposes only*

Appendix

Consolidated Income Statement

Prepared by: Modern Farming (Group)
Co., Ltd.

Item	Nine months ended 30 September 2014 (Unaudited) RMB	Nine months ended 30 September 2013 (Unaudited) RMB
I. Operating income	3,916,981,678.37	2,206,009,219.43
Including: Raw milk income	3,248,119,853.20	2,027,897,764.52
Branded milk income	501,983,743.67	175,188,074.88
Dairy cow income	165,192,333.50	—
Less: Operating cost	2,494,696,478.25	1,578,249,581.52
Including: Raw milk cost	1,921,397,214.87	1,445,064,566.20
Branded milk cost	406,976,854.47	130,586,960.51
Dairy cow cost	165,192,333.50	—
Business Taxes and surcharges	473,042.61	427,490.81
Selling expenses	77,430,986.60	35,823,754.79
Administrative expenses	114,486,542.24	96,917,649.79
Financial costs	187,121,641.12	134,182,480.97
Add: Gain arising from fair value movements (“-” represents losses)	-154,580,592.72	-88,415,891.37
Investment income	2,795,967.09	—
II. Operating profit (“-” represents losses)	890,988,361.92	271,992,370.18
Add: Non-operating income	11,159,063.48	70,324,872.25
Less: Non-operating expenses	4,663,319.76	1,786,064.94
III. Total profit (“-” represents losses)	897,484,105.64	340,531,177.49
Less: Income tax	8,346,406.68	6,312,438.76
IV. Net profit (“-” represents losses)	889,137,698.96	334,218,738.73
Including: Net profit attributable to the owners of the Parent	878,450,549.06	325,836,258.72
Non-controlling interests	10,687,149.90	8,382,480.01

Consolidated Income Statement

Prepared by: Modern Farming (Group)
Co., Ltd.

Item	Three months from 1 July to 30 September 2014 (Unaudited) RMB	Three months from 1 July to 30 September 2013 (Unaudited) RMB
I. Operating income	1,330,760,004.54	815,907,859.99
Including: Raw milk income	997,544,352.67	756,866,909.83
Branded milk income	217,344,567.57	58,186,574.68
Dairy cow income	115,871,084.30	—
Less: Operating cost	914,381,038.38	552,640,729.19
Including: Raw milk cost	608,011,513.70	508,389,685.35
Branded milk cost	190,498,440.38	43,581,576.42
Dairy cow cost	115,871,084.30	—
Business Taxes and surcharges	48,532.92	39,025.26
Selling expenses	28,638,216.72	12,961,736.19
Administrative expenses	37,690,578.28	37,358,555.13
Financial costs	48,210,122.25	50,265,125.41
Add: Gain arising from fair value movements (“-” represents losses)	<u>-70,021,654.94</u>	<u>-29,350,695.51</u>
II. Operating profit (“-” represents losses)	231,769,861.05	133,291,993.30
Add: Non-operating income	4,223,517.53	8,656,425.22
Less: Non-operating expenses	<u>1,184,860.75</u>	<u>302,914.82</u>
III. Total profit (“-” represents losses)	234,808,517.83	141,645,503.7
Less: Income tax	<u>1,748,186.38</u>	<u>1,616,146.17</u>
IV. Net profit (“-” represents losses)	<u>233,060,331.45</u>	<u>140,029,357.53</u>
Including: Net profit attributable to the owners of the Parent	230,789,772.95	137,912,571.56
Non-controlling interests	<u>2,270,558.50</u>	<u>2,116,785.97</u>

Consolidated Balance Sheet

Prepared by: Modern Farming
(Group) Co., Ltd.

	At 30 September 2014 (Unaudited) RMB	At 31 December 2013 (Audited) RMB
Assets		
Current assets:		
Bank balances and cash	884,616,617.83	782,806,667.93
Accounts receivables	691,266,708.17	462,775,317.17
Other receivables	6,490,868.16	3,883,488.37
Prepayments	82,811,506.08	69,110,924.18
Interests receivables	19,951,032.48	8,189,633.56
Inventories	<u>554,547,069.33</u>	<u>691,107,691.92</u>
Total current assets	<u>2,239,683,802.05</u>	<u>2,017,873,723.13</u>
Non-current assets:		
Long-term equity investment	28,517,397.01	25,721,429.92
Fixed assets	3,863,567,094.28	3,928,378,966.71
Construction in progress	406,722,132.35	101,364,345.74
Biological assets for production	6,425,814,329.33	5,954,363,000.00
Net intangible assets	68,624,611.25	70,027,968.22
Long-term prepaid expenses	<u>5,203,484.15</u>	<u>4,453,651.63</u>
Total non-current assets	<u>10,798,449,048.37</u>	<u>10,084,309,362.22</u>
Total assets	<u>13,038,132,850.42</u>	<u>12,102,183,085.35</u>

Liabilities and owners' equity	At 30 September 2014 (Unaudited) RMB	At 31 December 2013 (Audited) RMB
Current liabilities:		
Short-term borrowings	2,131,484,053.90	2,379,638,738.28
Bills payable	120,501,195.39	130,499,035.09
Accounts payable	688,728,654.59	688,394,962.53
Advances payments	40,863,260.33	55,949,106.47
Staff remuneration payables	53,175,434.52	45,271,015.62
Interests payable	32,102,720.69	35,446,662.25
Taxes payable	7,937,794.66	23,519,909.12
Other payables	317,714,453.07	500,923,240.15
Non-current liabilities due within one year	<u>735,765,009.57</u>	<u>623,540,036.87</u>
Total current liabilities	<u>4,128,272,576.72</u>	<u>4,483,182,706.38</u>
Non-current liabilities:		
Long-term borrowings	3,255,492,500.00	2,854,477,294.00
Other non-current liabilities	<u>115,063,501.57</u>	<u>113,949,143.83</u>
Total non-current liabilities	<u>3,370,556,001.57</u>	<u>2,968,426,437.83</u>
Total liabilities	<u>7,498,828,578.29</u>	<u>7,451,609,144.21</u>

	At 30 September 2014 (Unaudited) RMB	At 31 December 2013 (Audited) RMB
Liabilities and owners' equity		
Current liabilities:		
Owners' equity:		
Paid-up capital (or share capital)	1,732,150,716.00	563,301,046.00
Capital reserve	1,269,715,980.18	2,438,565,650.18
Undistributed profit	<u>2,487,759,955.85</u>	<u>1,609,716,774.77</u>
 Total equity attributable to the owners of the Parent	 5,489,626,652.03	 4,611,583,470.95
Non-controlling interest	<u>49,677,620.10</u>	<u>38,990,470.19</u>
 Total owners' equity	 <u>5,539,304,272.13</u>	 <u>4,650,573,941.14</u>
 Total liabilities and owners' equity	 <u>13,038,132,850.42</u>	 <u>12,102,183,085.35</u>

Consolidated Cash Flow Statement

Prepared by: Modern Farming (Group) Co., Ltd.

Item	Nine months ended 30 September 2014 (Unaudited) RMB	Nine months ended 30 September 2013 (Unaudited) RMB
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	3,783,566,010.24	2,304,240,688.00
Cash received relating to other operating activities	<u>29,452,689.41</u>	<u>35,846,477.79</u>
Sub-total of cash inflows	<u>3,813,018,699.65</u>	<u>2,340,087,165.79</u>
Cash paid for goods and services	2,096,921,924.04	1,456,462,015.71
Cash paid to and on behalf of employees	185,606,567.81	145,369,102.08
Cash paid for all types of taxes	19,694,322.80	5,505,806.17
Cash paid relating to other operating activities	<u>44,560,238.74</u>	<u>64,752,522.25</u>
Sub-total of cash outflows	<u>2,346,783,053.39</u>	<u>1,672,089,446.21</u>
Net cash generated from operating activities	<u>1,466,235,646.26</u>	<u>667,997,719.58</u>
II. Cash flows from investing activities:		
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	<u>240,256,758.86</u>	<u>226,111,734.00</u>
Sub-total of cash inflows	<u>240,256,758.86</u>	<u>226,111,734.00</u>
Cash paid for acquiring fixed assets, intangible assets and other long term assets	708,732,169.46	637,188,791.05
Cash paid for acquiring biological assets for production	<u>946,825,509.16</u>	<u>1,083,500,390.45</u>
Sub-total of cash outflows	<u>1,655,557,678.62</u>	<u>1,720,689,181.50</u>
Net cash used in investing activities	<u>-1,415,300,919.76</u>	<u>-1,494,577,447.50</u>

Item	Nine months ended 30 September 2014 (Unaudited) RMB	Nine months ended 30 September 2013 (Unaudited) RMB
III. Cash flows from financing activities:		
Cash received from borrowings	4,382,633,131.43	2,886,905,785.15
Cash received relating to other financing activities	<u>8,312,318.00</u>	<u>46,993,200.00</u>
Sub-total of cash inflows	<u>4,390,945,449.43</u>	<u>2,933,898,985.15</u>
Cash repayments of borrowings	4,114,395,007.81	1,637,178,042.00
Cash paid for distribution of dividends or profits and for interest expenses	220,355,712.74	163,651,219.68
Cash paid relating to other financing activities	<u>0.00</u>	<u>2,800,000.00</u>
Sub-total of cash outflows	<u>4,334,750,720.55</u>	<u>1,803,629,261.68</u>
Net cash generated from financing activities	<u>56,194,728.88</u>	<u>1,130,269,723.47</u>
IV. Effect of changes in exchange rate on cash	<u>-5,319,505.48</u>	<u>18,933,357.42</u>
V. Net increase in cash and cash equivalents	101,809,949.90	322,623,352.97
Add: Cash and cash equivalents at beginning of period	<u>782,806,667.93</u>	<u>456,229,284.87</u>
VI. Cash and cash equivalents at end of period	<u><u>884,616,617.83</u></u>	<u><u>778,852,637.84</u></u>