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现代牧业

**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)**

## **SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of China Modern Dairy Holdings Ltd. (the “**Company**”) dated June 16, 2016 in relation to, among other things, the acquisition of 45% equity interest in MFDPS (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to supplement the information contained in the Announcement as follows:

### **Consideration**

#### *Consideration Amount*

The amount of the Consideration for the Acquisition is HK\$494,359,219.3, which shall be satisfied by the Company allotting and issuing the Consideration Shares to the Sellers at Completion.

#### *Basis for Determining the Consideration*

As disclosed in the Announcement, the Consideration is arrived at after arm’s length negotiations between the Company and MFDPS with reference to various factors including: (1) the recent financial position and performance of MFDPS; (2) the

outlook of the business of wholesale and retail of milk products in the PRC; (3) the prevailing and historical trading prices of the Shares and the current market conditions; and (4) the commercial reasons and benefits set out in the paragraphs headed “Reasons for and Benefits of the Acquisition” in the Announcement.

The Consideration is arrived at without taking into consideration of either the escrow arrangement (the “**Escrow Arrangement**”) in respect of the Escrow Shares or the Performance Targets.

## **Escrow Arrangement**

### *Background*

The Escrow Agent will be a broker or custodian who is an independent third party to both the Company and the Sellers. Each Seller will maintain an Escrow Account holding the respective Escrow Shares under his name. After the Completion, the Sellers will be the beneficial owners of the Consideration Shares. Neither the Escrow Arrangement nor the Performance Targets will affect the Sellers’ interests in the Consideration Shares. The Escrow Agent will act in accordance with the instructions of the Sellers in all respects, except for the transfer or dealing with (with the meaning ascribed to it under Appendix 10 to the Listing Rules) of the Escrow Shares which in either case requires consent of the Company.

The purpose of the Escrow Arrangement is to enable the Company to assist the Sellers in dealing with the Escrow Shares in compliance with the Listing Rules. The Company will not withhold its consent for the Sellers to transfer or deal with the Escrow Shares so long as such act is in compliance with the Listing Rules.

### *Performance Targets*

The purpose of the Performance Targets is to serve as a performance target for the Sellers, as long-term employees of MFDPS with established working relationships with the Distributors, to improve the performance of MFDPS after the Completion by assisting the Company in maintaining and further developing business relationships with the Distributors.

It is reasonably expected that the specific details of the Performance Targets can only be ascertained after the Completion. The Performance Targets are currently expected to be measured based on the sales volume, sales revenue and operating cash flow of MFDPS calculated based on the consolidated unaudited financial information prepared in accordance with the generally accepted accounting principles of the PRC. The relevant financial periods which the Performance Targets relate to will be ascertained after the completion of the Acquisition.

If the Performance Targets are not met, the Company will continue to engage in good faith negotiations with the Sellers with the view to assist the Sellers to meet the Performance Targets or adjust the Performance Targets. In any event, failure to meet the Performance Targets will have no implication on the Sellers' rights in respect of the Consideration Shares.

The abovementioned supplementary information does not affect any other information contained in the Announcement and, save as supplemented by this announcement, the Announcement remains unchanged.

On behalf of the Board  
**China Modern Dairy Holdings Ltd.**  
**Ms. GAO LINA**  
*Deputy Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, June 22, 2016

*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. ZHANG Ping, the independent non-executive Directors are Prof. LI Shengli, Mr. LEE Kong Wai Conway, Mr. KANG Yan and Mr. ZOU Fei.*