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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)**

**PROFIT WARNING**

This announcement is made by China Modern Dairy Holdings Ltd. (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) pursuant to Rule 13.09(2) 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 in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform shareholders of the Company and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts (the “**Management Accounts**”) of the Group for the six months ended 30 June 2016, it is expected that the Group will record a loss for the six months ended 30 June 2016. Such loss was mainly attributable to:

- (i) our total revenue for the six months ended 30 June 2016 decreased by 10% as compared to the corresponding period in 2015. Due to the impact of and effect from the import of milk powder in large packets and concentrated milk, the raw milk market condition became harsh and there were difficulties in the sale of raw milk, as a result of which more than 11% of our raw milk production for the six months ended 30 June 2016 was sprayed into dried milk powder, and also affected by the general decline in the milk selling price in China, the average selling price per ton of our raw milk decreased by 11%. Our Cash EBITDA (being earnings before interest expenses, taxation, depreciation, amortization and gain/loss arising from changes in fair value less cost of sales of dairy cows) for the six months ended 30 June 2016 is expected to decrease by approximately 30% as compared to the corresponding period in 2015;

- (ii) a non-cash loss on changes in the fair value less costs to sell of dairy cows of the Group in the six months ended 30 June 2016, which is expected to be significantly greater as compared to the corresponding period in 2015. This is mainly due to the decline in the raw milk selling price in China in the first half of 2016 and our control on the number of dairy cows in response to the difficulties in the sale of raw milk; and
- (iii) the non-cash fair value losses from the value adjustment undertakings provided by the Company to Success Dairy II Limited (“**Success Dairy**”) pursuant to the share purchase agreement entered into between the Company and Success Dairy dated 6 July 2015 in the six months ended 30 June 2016 which is expected to be approximately RMB 400,000,000. This is mainly due to the decrease in trading price of our shares in the first half of 2016 due to the above factors and the market condition.

Mainly due to the non-cash losses as referred to in factors (ii) and (iii) above, it is expected that the Group will record a consolidated net loss of no less than RMB400,000,000 for the six months ended 30 June 2016. The Company would like to emphasize that, as at the date of this announcement, it is still in the process of ascertaining the magnitude of the non-cash loss as referred to in factor (ii) above, therefore no estimated loss figure in this regard could be disclosed in this announcement.

The information contained in this announcement is only based on the management’s preliminary assessment after reviewing the Management Accounts and is not based on any financial figures or information which have been audited or reviewed by the Company’s auditor or valuer. A further announcement may be made if appropriate.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

On behalf of the Board  
**China Modern Dairy Holdings Ltd.**  
**Mr. Yu Xubo**  
*Chairman and Non-executive Director*

Hong Kong, 13 July 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.*