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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)

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 (the “**Shareholders**”) and potential investors that, based on the assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 (the “**Management Accounts**”), it is expected that the Group will record a consolidated net loss attributable to the equity holders of the Company of not less than RMB600 million (unaudited consolidated net loss attributable to the equity holders of the Company for the six months ended 30 June 2016: approximately RMB566 million) for the year ended 31 December 2016 (the “**Profit Warning**”), mainly attributable to:

- (i) due to the impact of and effect from the import of milk powder in large packs and concentrated milk, the raw milk market condition became harsh and there were difficulties in the sale of raw milk in the first half of 2016, as a result of which part of our raw milk production was sprayed into dried milk powder, and the selling of all milk powder in stock at market price resulted in losses;
- (ii) the increased expenditure on marketing and sales to respond to the fierce competition in the branded product market and to increase the market share in the branded product market; and

(iii) a non-cash loss on changes in the fair value less costs to sell of dairy cows of the Group in the year ended 31 December 2016, which is expected to be significantly greater as compared to 2015. This is mainly due to the decline in the raw milk selling price in China in 2016 and our control on the number of dairy cows in response to the difficulties in the sale of raw milk.

The information contained in this announcement is based on the management's 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. The Company is still in the process of preparing its audited consolidated annual results for the year ended 31 December 2016.

RULE 10 OF THE CODE ON TAKEOVERS AND MERGERS (THE "TAKEOVERS CODE")

Reference is made to the joint announcement issued by China Mengniu Dairy Company Limited ("**Mengniu**") and the Company dated 4 January 2017 (the "**Offer Announcement**") in relation to, among other things, the possible conditional mandatory cash offers by UBS AG and DBS Asia Capital Limited for and on behalf of Mengniu to acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by Mengniu and parties acting in concert with it) and for cancellation of all outstanding options in the Company (the "**Offers**").

Following the publication of the Offer Announcement, pursuant to Rule 10 of the Takeovers Code, the Profit Warning constitutes a profit forecast and must be reported on by the Company's financial advisers and its auditors or accountants. The Profit Warning has been reported on by Deloitte Touche Tohmatsu ("**Deloitte**"), the auditors of the Company, and Somerley Capital Limited ("**Somerley**"), the independent financial adviser to the Company. Deloitte has reported that, so far as the accounting policies and calculations are concerned, the Profit Warning has been properly compiled in accordance with the bases adopted by the Board as set out in this announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group and used in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2015. Somerley is satisfied that the Profit Warning has been made by the Board with due care and consideration.

The comfort letters issued by Deloitte and Somerley have been lodged with the Executive (as defined in the Takeovers Code) and the text of which are set out in the appendices to this announcement.

Each of Deloitte and Somerley has given and has not withdrawn their consent to the issue of this announcement with the inclusion of its letter and references to use its name in the form and context in which they appear in this announcement.

CAUTION STATEMENT

Shareholders and potential investors in the Company should exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the Offers and/or any dealings in the securities of the Company. They are strongly advised to read carefully the composite document to be issued by Mengniu and the Company before making any decisions on the Offers and/or any dealings in the securities of the Company.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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, 6 February 2017

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

** for identification purpose only*

APPENDIX I — COMFORT LETTER ISSUED BY DELOITTE TOUCHE
TOHMATSU

6 February 2017
The Board of Directors
China Modern Dairy Holdings Ltd.
Economic and Technological Development Zone
Mannshan City, Anhui Province
The People's Republic of China

Dear Sirs,

China Modern Dairy Holdings Ltd. (the "Company")

Profit Estimate for the Year Ended 31 December 2016

We refer to the statement as set out in the announcement of the Company dated 6 February 2017 in respect of the profit warning made by the directors of the Company (the "Profit Warning Statement") and as below:

"The board of directors of the Company (the "Board") wishes to inform shareholders of the Company (the "Shareholders") and potential investors that, based on the assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 (the "Management Accounts"), it is expected that the Group will record a consolidated net loss attributable to the equity holders of the Company of not less than RMB600 million (unaudited consolidated net loss attributable to the equity holders of the Company for the six months ended 30 June 2016: approximately RMB566 million) for the year ended 31 December 2016".

Directors' Responsibilities

We have been advised by the directors of the Company that the Profit Warning Statement is based on the preliminary assessment by the directors of the Company of an estimate of the consolidated net loss attributable to equity holders of the Company for the year ended 31 December 2016 (the "Profit Estimate") which has been prepared based on the unaudited consolidated management accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

6 February 2017
The Board of Directors
China Modern Dairy Holdings Ltd.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in the Profit Warning Statement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group and used in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II — COMFORT LETTER ISSUED BY SOMERLEY CAPITAL LIMITED

6 February 2017

The board of directors
China Modern Dairy Holdings Ltd.
Unit 2402, 24/F, Alliance Building,
130-136 Connaught Road Central,
Sheung Wan,
Hong Kong

Dear Sirs,

We refer to the announcement dated 6 February 2017 (the “**Profit Warning Announcement**”) issued by China Modern Dairy Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”). Capitalised terms used in this letter shall have the same meanings as defined in the Profit Warning Announcement unless otherwise specified.

We also refer to the statement (the “**Statement**”) made by the directors of the Company (the “**Directors**”) in the Profit Warning Announcement, that, based on the assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016, it is expected that the Group will record a consolidated net loss attributable to the equity holders of the Company of not less than RMB600 million (unaudited consolidated net loss attributable to the equity holders of the Company for the six months ended 30 June 2016: approximately RMB566 million) for the year ended 31 December 2016 (the “**Profit Estimate**”). The Statement is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Statement has been prepared by the Directors based on the unaudited consolidated results of the Group for the year ended 31 December 2016.

We have discussed with you the bases upon which the Statement was prepared. We have also considered the letter on profit forecast dated 6 February 2017 issued by Deloitte, the auditors of the Company, to you, the text of which is set out in Appendix I to the Profit Warning Announcement, which stated that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out in the Statement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group and used in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Based on the above, we are satisfied that the Statement, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,

For and on behalf of

SOMERLEY CAPITAL LIMITED

M. N. Sabine

Chairman