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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 THREE MONTHS ENDED 31 MARCH 2017**

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 announcements of the Company dated 5 September 2016 and 23 January 2017 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 two tranches of the short term notes of an aggregate principal amount of RMB0.3 billion and RMB0.5 billion, respectively, and the announcements of the Company dated 10 February 2015 and 23 March 2016 in relation to the completion of the issuance by Modern Farm of the two tranches of the medium term notes of an aggregate principal amount of RMB0.2 billion and RMB1.6 billion, respectively.

Pursuant to applicable laws and regulations in the People’s Republic of China (the “**PRC**”), the unaudited consolidated financial information of Modern Farm for the three months ended 31 March 2017 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 30 April 2017.

Unaudited consolidated financial information of Modern Farm for the three months ended 31 March 2017 is attached as Appendix to this announcement.

Modern Farm's Unaudited Consolidated Financial Information 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 Company and its subsidiaries. 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.

GAO Lina

*Deputy Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 26 April 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. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping, the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. KANG Yan.

Appendix

Consolidated Income Statement

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

Item	Three months ended 31 March 2017 (Unaudited) RMB	Three months ended 31 March 2016 (Unaudited) RMB
	I. Operating income	1,157,954,953.09
Less: Operating cost	809,061,799.56	746,533,355.24
Business Taxes and surcharges	16,626.01	92,231.87
Selling expenses	122,303,359.74	44,868,819.66
Administrative expenses	70,974,017.38	61,547,423.97
Financial costs	79,794,089.43	56,655,177.91
Add: Gain arising from fair value movements (“-” represents losses)	<u>-209,990,000.00</u>	<u>-142,785,009.14</u>
II. Operating profit (“-” represents losses)	-134,184,939.03	54,155,728.21
Add: Non-operating income	3,877,364.49	4,327,955.43
Less: Non-operating expenses	<u>4,790,216.90</u>	<u>1,946,049.56</u>
III. Total profit (“-” represents losses)	-135,097,791.44	56,537,634.08
Less: Income tax	<u>15,369.04</u>	<u>842,574.39</u>
IV. Net profit (“-” represents losses)	<u>-135,113,160.48</u>	<u>55,695,059.69</u>
Including: Net profit attributable to the owners of the parent company	-134,252,896.64	55,177,089.08
Non-controlling interests	<u>-860,263.84</u>	<u>517,970.61</u>

Consolidated Balance Sheet

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

Assets	At	At
	31 March 2017 (Unaudited) RMB	31 March 2016 (Audited) RMB
Current assets:		
Bank balances and cash	1,150,903,022.91	1,136,629,271.34
Derivative financial assets	—	11,236,165.88
Bills receivables	500,000.00	1,500,000.00
Accounts receivables	1,457,739,452.89	1,184,095,932.04
Other receivables	110,696,162.47	137,584,308.63
Prepayments	143,609,093.95	84,330,836.16
Interest receivables	1,533,956.72	693,728.52
Inventories	<u>782,235,134.45</u>	<u>935,105,934.31</u>
Total current assets	<u>3,647,216,823.39</u>	<u>3,491,176,176.88</u>
Non-current assets:		
Available-for-sale financial assets	24,954,840.00	24,954,840.00
Long-term equity investment	1,887,204.00	1,887,204.00
Fixed assets	4,378,445,186.88	4,491,306,109.19
Construction in progress	46,334,910.06	57,504,674.05
Biological assets for production	6,903,745,172.55	6,881,560,000.00
Intangible assets	83,166,317.01	83,263,934.5
Long-term prepaid expenses	<u>8,707,151.92</u>	<u>6,532,860.8</u>
Total non-current assets	<u>11,447,240,782.42</u>	<u>11,547,009,622.54</u>
Total assets	<u>15,094,457,605.81</u>	<u>15,038,185,799.42</u>

	At 31 March 2017 (Unaudited) RMB	At 31 March 2016 (Audited) RMB
Liabilities and owners' equity		
Current liabilities:		
Short-term borrowings	2,801,970,318.49	2,544,594,718.49
Derivative financial liabilities	—	126,097.20
Short-term debenture	799,424,832.21	799,424,832.21
Bills payables	277,137,929.75	377,055,269.39
Accounts payables	1,089,101,984.62	1,372,626,600.50
Advance payments	60,466,542.93	76,384,544.08
Staff remuneration payables	54,465,599.61	68,188,815.74
Interest payables	35,430,168.20	102,008,791.68
Tax payables	807,164.33	890,288.88
Other payables	440,999,653.58	566,413,668.79
Non-current liabilities due within one year	<u>1,714,406,335.84</u>	<u>782,257,125.30</u>
Total current liabilities	<u>7,274,210,529.56</u>	<u>6,689,970,752.26</u>
Non-current liabilities:		
Long-term borrowings	1,060,308,828.38	1,036,816,518.29
Debenture payable	1,618,963,539.32	2,045,625,271.97
Other borrowings	26,661,732.65	36,962,118.67
Deferred income	<u>175,176,417.42</u>	<u>172,059,669.27</u>
Total non-current liabilities	<u>2,881,110,517.77</u>	<u>3,291,463,578.20</u>
Total liabilities	<u>10,155,321,047.33</u>	<u>9,981,434,330.46</u>
Liabilities and owners' equity:		
Owners' equity:		
Paid-up capital (Share capital)	2,752,387,488.00	2,752,387,488.00
Capital reserve	369,575,556.69	354,037,306.69
Surplus reserve	12,005,303.86	12,005,303.86
Undistributed profit	<u>1,791,468,053.90</u>	<u>1,925,720,950.54</u>
Total equity attributable to the owners of the parent company	4,925,436,402.45	5,044,151,049.09
Non-controlling interests	<u>13,700,156.03</u>	<u>12,600,419.87</u>
Total owners' equity	<u>4,939,136,558.48</u>	<u>5,056,751,468.96</u>
Total liabilities and owners' equity	<u>15,094,457,605.81</u>	<u>15,038,185,799.42</u>

Consolidated Cash Flow Statement

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

Item	Three months ended 31 March 2017 (Unaudited) RMB	Three months ended 31 March 2016 (Unaudited) RMB
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	942,233,298.78	1,026,380,861.89
Cash received relating to other operating activities	<u>679,020.29</u>	<u>2,758,351.58</u>
Sub-total of cash inflows	<u>942,912,319.07</u>	<u>1,029,139,213.47</u>
Cash paid for goods and services	1,107,093,447.85	775,500,106.58
Cash paid to and on behalf of employees	106,132,091.53	85,593,347.87
Cash paid for all types of taxes	958,266.74	2,060,865.60
Cash paid relating to other operating activities	<u>30,927,200.29</u>	<u>12,609,080.57</u>
Sub-total of cash outflows	<u>1,245,111,006.41</u>	<u>875,763,400.62</u>
Net cash generated from operating activities	<u>-302,198,687.34</u>	<u>153,375,812.85</u>
II. Cash flows from investing activities:		
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	<u>117,764,236.66</u>	<u>103,888,449.45</u>
Sub-total of cash inflows	<u>117,764,236.66</u>	<u>103,888,449.45</u>
Cash paid for acquiring fixed assets, intangible assets and other long term assets	106,226,841.70	120,096,034.57
Cash paid for acquiring biological assets for production	<u>343,149,558.64</u>	<u>313,315,724.43</u>
Sub-total of cash outflows	<u>449,376,400.34</u>	<u>433,411,759.00</u>
Net cash flow used in investing activities	<u>-331,612,163.68</u>	<u>-329,523,309.55</u>

Item	Three months ended 31 March 2017 (Unaudited) RMB	Three months ended 31 March 2016 (Unaudited) RMB
III. Cash flows from financing activities:		
Cash received from borrowings	2,173,712,220.18	2,893,944,583.32
Cash received from investors	1,960,000.00	—
Cash received relating to other financing activities	<u>6,016,450.00</u>	<u>620,000.00</u>
Sub-total of cash inflows	<u>2,181,688,670.18</u>	<u>2,894,564,583.32</u>
Cash repayments of borrowings	1,397,657,218.22	2,342,961,670.85
Cash paid for distribution of dividends or profits and for interest expenses	<u>155,338,671.76</u>	<u>53,842,867.37</u>
Sub-total of cash outflows	<u>1,552,995,889.98</u>	<u>2,396,804,538.22</u>
Net cash generated from financing activities	<u>628,692,780.20</u>	<u>497,760,045.10</u>
IV. Effect of changes in exchange rate on cash	<u>19,391,822.39</u>	<u>2,599,844.61</u>
V. Net increase in cash and cash equivalents	14,273,751.57	324,212,393.01
Add: Balances of cash and cash equivalents at beginning of period	<u>1,136,629,271.34</u>	<u>881,905,572.76</u>
VI. Cash and cash equivalents at end of period	<u>1,150,903,022.91</u>	<u>1,206,117,965.77</u>