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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)**

**ISSUANCE OF EXCHANGEABLE BOND BY CHINA MENGNIU  
DAIRY COMPANY LIMITED EXCHANGEABLE INTO  
ORDINARY SHARES OF THE COMPANY**

This announcement is made by the board of directors (the “**Board**”) of China Modern Dairy Holdings Ltd. (the “**Company**”) pursuant to Rule 13.09(2)(a) 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.

The Company has been informed by China Mengniu Dairy Company Limited (“**Mengniu Dairy**”) that Mengniu Dairy entered into a subscription agreement dated 18 May 2017 with DBS Bank Ltd. and BOCI Asia Limited (together, the “**Lead Managers**”), pursuant to which Mengniu Dairy agreed to issue and the Lead Managers agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, US\$194,800,000 zero coupon exchangeable bonds due 2022 (the “**Bonds**”).

The Bonds are exchangeable into ordinary shares of HK\$0.10 each in the share capital of the Company (the “**Shares**”) owned by Mengniu Dairy at the initial notional exchange price (the “**Initial Exchange Price**”) of HK\$2.1995 per Share (subject to adjustment) at the option of the holders of the Bonds. Assuming the Bonds are fully exchanged into the Shares at the Initial Exchange Price, the Bonds will be exchangeable into 689,438,782 Shares (subject to adjustment), representing approximately 11.24% of the issued share capital of the Company as at the date of this announcement.

Subject to the terms and conditions of the Bonds, the exchange period will be from 16 July 2017 to the date falling ten business days prior to 5 June 2022. Upon the exercise of exchange right under any Bond by its holder, Mengniu Dairy is required to deliver the relevant number of Shares to the relevant holder(s) of the Bonds (or to its order) in accordance with the terms and conditions of the Bonds.

The Bonds will be offered and sold outside the United States in reliance upon Regulation S of the Securities Act.

**No new Shares will be issued as a result of or in connection with the issue of the Bonds or upon any exchange of the Bonds.**

For and on behalf of the Board  
**China Modern Dairy Holdings Ltd.**  
**LU Minfang**  
*Chairman*

Hong Kong, 19 May 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.*