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MODERN FARMING
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)

**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 2018**

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 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 announcement of the Company dated 23 March 2016 in relation to the completion of the issuance of medium-term notes amounting to RMB1.6 billion by Modern Farming (Group) Co., Ltd. (現代牧業(集團)有限公司) (“**Modern Farming (Group)**”), a non-wholly owned subsidiary of the Company. As of 31 March 2018, RMB1 billion of the medium-term notes was repaid and RMB0.6 billion was due to repay.

Pursuant to applicable laws and regulations in the People’s Republic of China (the “**PRC**”), the unaudited consolidated financial information of Modern Farming (Group) for the three months ended 31 March 2018 prepared in accordance with the PRC Generally Accepted Accounting Principles (“**Modern Farming (Group)**’s **Unaudited Consolidated Financial Information**”) is required to be published on the websites of Shanghai Clearing House (<http://www.shclearing.com>) and China Money Network (<http://www.chinamoney.com.cn>) on or before 30 April 2018.

Unaudited consolidated financial information of Modern Farming (Group) for the three months ended 31 March 2018 is attached in the Appendix to this announcement.

* For identification purposes only

Modern Farming (Group)'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 of the Company. In addition, the information contained therein is limited solely to Modern Farming (Group) 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.
Ms. GAO Lina

Deputy Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 April 2018

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

Modern Farming (Group) Co., Ltd. Consolidated Income Statement

Items	Note	Three months ended 31 March 2018 (unaudited) RMB	Three months ended 31 March 2017 (unaudited) (restated) RMB
I. Operating income	1	1,344,318,836.31	1,284,472,436.46
Less: Operating cost	2	943,177,043.37	888,564,358.75
Business tax and surcharges		797,142.43	16,626.01
Selling expenses	3	46,020,910.32	133,300,734.57
Administrative expenses		53,430,587.01	72,810,461.48
Financial costs		67,332,578.09	80,255,485.22
Losses arising from changes in fair value		244,947,943.16	211,240,000.00
Add: Losses from disposal of assets (Losses presented with “-”)		-920,345.92	-485,814.86
Other gains		12,831,499.78	5,461,035.15
		523,785.79	-96,740,009.28
II. Operating profit (“-” represents losses)		523,785.79	-96,740,009.28
Add: Non-operating income		4,174,373.94	1,001,513.92
Less: Non-operating expenses		2,283,416.05	7,294,733.47
		2,414,743.68	-103,033,228.83
III. Total profit (“-” represents losses)		2,414,743.68	-103,033,228.83
Less: Income tax expenses		-	15,369.04
		2,414,743.68	-103,048,597.87
IV. Net profit (“-” represents losses)		2,414,743.68	-103,048,597.87
Including: Net profit attributable to the owners of the parent company (“-” represents losses)		2,944,006.17	-102,188,334.03
Profit or loss attributable to minority interest (“-” represents losses)		-529,262.49	-860,263.84
		-529,262.49	-860,263.84

Note 1: During three months ended 31 March 2018 (the “First Quarter”), it recorded sales of raw milk amounting to RMB1.10 billion, representing an increase of 10.4% year-on-year. Total production of raw milk for the First Quarter was 326,000 tons, representing an increase of 73,000 tons year-on-year; sales of external raw milk reached 293,000 tons, representing an increase of 11.2% year-on-year.

Note 2: Cash cost of milk per kg for the First Quarter was RMB2.46/kg, representing a decrease of 2.8% year-on-year, of which feed cost was RMB1.94/kg, representing a decrease of 2.5% year-on-year.

Note 3: Benefited from the changes on sales model of the liquid milk business, the marketing expenses of downstream brand milk significantly decreased during the period of First Quarter, and thus selling expenses also decreased by 65.5% year-on-year.

Modern Farming (Group) Co., Ltd.
Consolidated Balance Sheet

Assets	As at 31 March 2018 (unaudited) RMB	As at 31 December 2017 (audited) RMB
Current assets:		
Bank balances and cash	1,050,513,817.62	737,275,932.64
Bills receivable	–	500,000.00
Accounts receivable	1,045,904,849.13	897,379,217.23
Other receivables	9,627,975.09	4,815,504.32
Prepayments	133,924,993.27	97,177,476.45
Interest receivable	192,466.93	144,451.76
Inventories	657,397,923.54	848,635,766.34
Other current assets	22,011,322.97	21,457,448.62
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Total current assets	2,919,573,348.55	2,607,385,797.36
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Non-current assets:		
Available-for-sale financial assets	12,933,788.19	12,933,788.19
Long-term equity investment	1,100,000.00	–
Fixed assets	4,528,313,174.30	4,640,152,826.35
Construction in progress	68,601,280.91	51,370,467.67
Productive biological assets	7,666,581,538.76	7,751,070,000.00
Intangible assets	132,196,002.62	132,984,958.81
Goodwill	1,114,113,270.22	1,114,113,270.22
Long-term deferred expenses	3,601,731.27	4,552,634.20
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Total non-current assets	13,527,440,786.27	13,707,177,945.44
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Total assets	<u>16,447,014,134.82</u>	<u>16,314,563,742.80</u>

Modern Farming (Group) Co., Ltd.
Consolidated Balance Sheet (Continued)

	As at 31 March 2018 (Unaudited) RMB	As at 31 December 2017 (Audited) RMB
Liabilities and owners' equity		
Current liabilities:		
Short-term borrowings	3,405,620,812.24	2,487,627,912.24
Bills payable	78,557,976.48	61,458,426.83
Accounts payable	1,226,785,704.79	1,278,572,153.16
Advance payments	14,760,258.34	17,790,653.51
Staff remuneration payable	59,490,734.05	84,547,525.25
Interest payable	30,568,077.60	122,038,017.20
Tax payable	1,081,603.25	854,055.68
Other payables	388,677,970.79	461,300,945.44
Non-current liabilities due within one year	<u>1,079,801,756.31</u>	<u>1,574,345,103.96</u>
Total current liabilities	<u>6,285,344,893.85</u>	<u>6,088,534,793.27</u>
Non-current liabilities:		
Long-term borrowings	2,803,027,726.61	2,020,125,271.55
Bonds payable	796,543,358.29	1,645,219,175.28
Deferred income	<u>182,825,479.76</u>	<u>187,954,138.14</u>
Total non-current liabilities	<u>3,782,396,564.66</u>	<u>3,853,298,584.97</u>
Total liabilities	<u>10,067,741,458.51</u>	<u>9,941,833,378.24</u>
Liabilities and owners' equity		
Owners' equity:		
Paid-up capital (or Share capital)	3,216,037,950.00	3,216,037,950.00
Capital reserve	2,001,843,774.52	1,997,716,206.45
Surplus reserve	12,005,303.86	12,005,303.86
Undistributed profit	<u>1,132,829,278.26</u>	<u>1,129,885,272.09</u>
Total equity attributable to the owners of the parent company	<u>6,362,716,306.64</u>	<u>6,355,644,732.40</u>
Non-controlling interests	<u>16,556,369.67</u>	<u>17,085,632.16</u>
Total owners' equity	<u>6,379,272,676.31</u>	<u>6,372,730,364.56</u>
Total liabilities and owners' equity	<u><u>16,447,014,134.82</u></u>	<u><u>16,314,563,742.80</u></u>

Modern Farming (Group) Co., Ltd.
Consolidated Cash Flow Statement

Items	Three months ended 31 March 2018 (unaudited) <i>RMB</i>	Three months ended 31 March 2017 (unaudited) (restated) <i>RMB</i>
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	1,243,049,921.31	1,066,136,688.43
Other cash received relating to operating activities	41,631,482.42	2,284,466.72
Sub-total of cash inflows	<u>1,284,681,403.73</u>	<u>1,068,421,155.15</u>
Cash paid for goods and services	751,970,499.48	1,182,761,166.27
Cash paid to and on behalf of employees	106,474,282.40	110,803,988.34
Cash paid for all types of taxes	2,502,420.77	959,254.64
Other cash paid relating to operating activities	47,965,752.63	33,684,303.60
Sub-total of cash outflows	<u>908,912,955.28</u>	<u>1,328,208,712.85</u>
Net cash generated from operating activities	<u>375,768,448.45</u>	<u>-259,787,557.70</u>
II. Cash flows from investing activities:		
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	200,253,950.88	128,367,567.14
Cash received relating to government grants	7,930,641.40	10,986,450.00
Sub-total of cash inflows	<u>208,184,592.28</u>	<u>139,354,017.14</u>
Cash paid for acquiring and constructing fixed assets, intangible assets and other long-term assets	150,924,423.04	119,390,943.28
Cash paid for breeding productive biological assets	318,575,203.15	391,739,151.62
Cash paid for investments	1,100,000.00	-
Sub-total of cash outflows	<u>470,599,626.19</u>	<u>511,130,094.90</u>
Net cash flow used in investing activities	<u>-262,415,033.91</u>	<u>-371,776,077.76</u>

Modern Farming (Group) Co., Ltd.
Consolidated Cash Flow Statement (*Continued*)

Items	Three months ended 31 March 2018 (unaudited) RMB	Three months ended 31 March 2017 (unaudited) (restated) RMB
III. Cash flows from financing activities:		
Cash received from borrowings	2,442,646,052.72	2,173,712,220.18
Cash received from acquiring investments	–	1,960,000.00
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Sub-total of cash inflows	2,442,646,052.72	2,175,672,220.18
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Cash repayments of borrowings	2,084,969,862.30	1,397,657,218.22
Cash paid for distribution of dividends, profits and for interest expenses	167,930,976.89	156,589,620.89
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Sub-total of cash outflows	2,252,900,839.19	1,554,246,839.11
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Net cash generated from financing activities	189,745,213.53	621,425,381.07
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IV. Effect of changes in exchange rate on cash	10,139,256.91	19,391,822.39
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V. Net increase in cash and cash equivalents	313,237,884.98	9,253,568.00
Add: Balances of cash and cash equivalents at beginning of period	737,275,932.64	1,152,389,459.37
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VI. Cash and cash equivalents at end of period	<u>1,050,513,817.62</u>	<u>1,161,643,027.37</u>