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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 NINE MONTHS ENDED 30 SEPTEMBER 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 (the “**Listing Rules**”) 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 30 September 2018, RMB1 billion of the medium-term notes was repaid and the remaining RMB0.6 billion is still undue.

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 nine months ended 30 September 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 October 2018.

* For identification purposes only

The unaudited consolidated financial information of Modern Farming (Group) for the nine months ended 30 September 2018 is attached in the Appendix to this announcement.

The 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, 29 October 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	<i>Note</i>	Nine months ended 30 September 2018 (unaudited) <i>RMB</i>	Nine months ended 30 September 2017 (unaudited) (restated) <i>RMB</i>
I. Operating income	1	3,652,852,595.79	3,565,705,334.74
Less: Operating cost	2	2,535,793,531.22	2,542,053,011.93
Business tax and surcharges		2,024,441.66	1,893,338.70
Selling expenses	3	129,442,697.61	288,933,227.77
Administrative expenses		152,287,119.72	269,806,718.36
Financial costs		242,070,145.37	263,559,947.19
Asset impairment losses		16,876,196.30	156,399,640.15
Credit impairment losses		166,958,485.83	-
Add: Other gains		24,109,099.21	17,311,019.93
Investment income (“-” represents losses)		26,401,776.58	-85,243.95
Losses arising from changes in fair value		-633,849,120.74	-774,003,649.40
Gains from disposal of assets		455,753.85	-
II. Operating profit (“-” represents losses)		-175,482,513.02	-713,718,422.78
Add: Non-operating income		4,662,441.32	2,419,499.84
Less: Non-operating expenses		6,948,726.60	15,071,013.12
III. Total profit (“-” represents losses)		-177,768,798.30	-726,369,936.06
Less: Income tax expenses (“-” represents gains)		193,546.82	-26,560.04
IV. Net profit (“-” represents net losses)		-177,962,345.12	-726,343,376.02
(1) Classified by continuity of operations (“-” represents net losses)			
1. Net profit from continuing operations		-177,962,345.12	-726,343,376.02
2. Net profit from ceased operations		-	-

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

Items	Note	Nine months ended	Nine months ended
		30 September 2018 (unaudited)	30 September 2017 (unaudited) (restated)
		RMB	RMB
(2) Classified by ownership of equity ("-" represents net losses)		-177,962,345.12	-726,343,376.02
1. Attributable to owners of the parent company		-177,158,131.83	-716,175,984.84
2. Minority interests		-804,213.29	-10,167,391.18
V. Other comprehensive income, net of tax ("-" represents losses)		-8,869,378.95	-
(1) Other comprehensive income that will not be reclassified to profit or loss		-8,869,378.95	-
1. Change in fair value of other equity instrument investments		-8,869,378.95	-
VI. Total comprehensive income ("-" represents losses)		-186,831,724.07	-726,343,376.02
1. Total comprehensive income attributable to owners of the parent company		-186,027,510.78	-716,175,984.84
2. Total comprehensive income attributable to minority interests		-804,213.29	-10,167,391.18

Note 1: During nine months ended 30 September 2018 (the “**Third Quarter**”), it recorded sales of raw milk amounting to RMB3.41 billion, representing an increase of 14.7% year-on-year. Total production of raw milk for the Third Quarter was 942,000 tons, representing an increase of 72,000 tons year-on-year.

Note 2: Cash cost of milk per kg for the Third Quarter was RMB2.45/kg, representing an increase of 0.8% 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 Third Quarter, and thus selling expenses also decreased by 55.2% year-on-year.

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

	As at 30 September 2018 (unaudited) <i>RMB</i>	As at 31 December 2017 (audited) <i>RMB</i>
Assets		
Current assets:		
Bank balances and cash	538,295,493.16	737,275,932.64
Financial assets at fair value through profit or loss	145,000.00	–
Bills receivable	–	500,000.00
Accounts receivable	835,342,559.40	897,379,217.23
Other receivables	4,661,322.34	4,815,504.32
Prepayments	81,374,384.59	97,177,476.45
Interest receivable	231,448.92	144,451.76
Inventories	978,191,096.96	848,635,766.34
Other current assets	<u>3,055,607.46</u>	<u>21,457,448.62</u>
Total current assets	<u>2,441,296,912.83</u>	<u>2,607,385,797.36</u>
Non-current assets:		
Available-for-sale financial assets	–	12,933,788.19
Long-term equity investment	119,248,990.73	–
Other equity instrument investment	5,164,409.24	–
Fixed assets	3,990,001,594.03	4,640,152,826.35
Construction in progress	29,398,150.06	51,370,467.67
Productive biological assets	7,685,912,663.83	7,751,070,000.00
Intangible assets	124,614,816.74	132,984,958.81
Goodwill	1,114,113,270.22	1,114,113,270.22
Long-term deferred expenses	<u>3,274,946.59</u>	<u>4,552,634.20</u>
Total non-current assets	<u>13,071,728,841.44</u>	<u>13,707,177,945.44</u>
Total assets	<u><u>15,513,025,754.27</u></u>	<u><u>16,314,563,742.80</u></u>

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

	As at 30 September 2018	As at 31 December 2017
	(unaudited)	(audited)
	<i>RMB</i>	<i>RMB</i>
Liabilities and owners' equity		
Current liabilities:		
Short-term borrowings	2,460,310,696.94	2,487,627,912.24
Held-for-trading financial liabilities	29,000.00	–
Bills payable	4,672,079.00	61,458,426.83
Accounts payable	1,461,134,538.64	1,278,572,153.16
Advance payments	16,290,891.93	17,790,653.51
Contract liabilities	507,542.03	–
Staff remuneration payable	64,907,570.28	84,547,525.25
Interest payable	78,167,810.18	122,038,017.20
Tax payable	762,731.50	854,055.68
Other payables	365,058,806.94	461,300,945.44
Non-current liabilities due within one year	<u>1,347,942,522.56</u>	<u>1,574,345,103.96</u>
Total current liabilities	<u>5,799,784,190.00</u>	<u>6,088,534,793.27</u>
Non-current liabilities:		
Long-term borrowings	2,574,184,802.08	2,020,125,271.55
Bonds payable	796,911,438.66	1,645,219,175.28
Deferred income	<u>155,792,822.20</u>	<u>187,954,138.14</u>
Total non-current liabilities	<u>3,526,889,062.94</u>	<u>3,853,298,584.97</u>
Total liabilities	<u>9,326,673,252.94</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	1,999,830,499.63	1,997,716,206.45
Other comprehensive income	-20,890,430.76	–
Surplus reserve	12,005,303.86	12,005,303.86
Undistributed profit	<u>963,235,063.07</u>	<u>1,129,885,272.09</u>
Total equity attributable to the owners of the parent company	<u>6,170,218,385.80</u>	<u>6,355,644,732.40</u>
Non-controlling interests	<u>16,134,115.53</u>	<u>17,085,632.16</u>
Total owners' equity	<u>6,186,352,501.33</u>	<u>6,372,730,364.56</u>
Total liabilities and owners' equity	<u><u>15,513,025,754.27</u></u>	<u><u>16,314,563,742.80</u></u>

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

Items	Nine months ended 30 September 2018 (unaudited) <i>RMB</i>	Nine months ended 30 September 2017 (unaudited) (restated) <i>RMB</i>
	I. Cash flows from operating activities:	
Cash received from sales of goods or rendering of services	3,592,927,078.23	3,263,821,914.35
Other cash received relating to operating activities	<u>98,073,369.00</u>	<u>41,235,144.23</u>
Sub-total of cash inflows	<u>3,691,000,447.23</u>	<u>3,305,057,058.58</u>
Cash paid for goods and services	2,282,130,356.18	2,854,416,399.85
Cash paid to and on behalf of employees	263,414,688.64	279,063,522.49
Cash paid for all types of taxes	4,824,081.75	3,972,537.62
Other cash paid relating to operating activities	<u>96,114,013.68</u>	<u>58,775,877.48</u>
Sub-total of cash outflows	<u>2,646,483,140.25</u>	<u>3,196,228,337.44</u>
Net cash generated from operating activities	<u>1,044,517,306.98</u>	<u>108,828,721.14</u>
II. Cash flows from investing activities:		
Net cash received on disposal of fixed assets, intangible assets and other long-term assets	560,662,308.34	403,220,005.32
Net cash received on disposal of subsidiaries and other operational units ("—" represents net cash outflow)	-91,560,390.29	—
Cash received relating to government grants	<u>16,554,115.21</u>	<u>20,825,148.88</u>
Sub-total of cash inflows	<u>485,656,033.26</u>	<u>424,045,154.20</u>
Cash paid for acquiring and constructing fixed assets, intangible assets and other long-term assets	325,190,655.97	319,073,604.84
Cash paid for breeding productive biological assets	989,098,342.92	960,322,484.52
Cash paid for investments	<u>56,100,000.00</u>	<u>—</u>
Sub-total of cash outflows	<u>1,370,388,998.89</u>	<u>1,279,396,089.36</u>
Net cash flow used in investing activities	<u>-884,732,965.63</u>	<u>-855,350,935.16</u>

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

Items	Nine months ended	Nine months ended
	30 September 2018 (unaudited)	30 September 2017 (unaudited) (restated)
	RMB	RMB
III. Cash flows from financing activities:		
Cash received from borrowings	3,596,580,672.94	3,926,986,394.11
Cash received from acquiring investments	—	1,960,000.00
Sub-total of cash inflows	<u>3,596,580,672.94</u>	<u>3,928,946,394.11</u>
Cash repayments of borrowings	3,670,986,232.02	3,415,237,323.02
Cash paid for distribution of dividends, profits and for interest expenses	<u>256,625,197.39</u>	<u>270,480,118.19</u>
Sub-total of cash outflows	<u>3,927,611,429.41</u>	<u>3,685,717,441.21</u>
Net cash generated from financing activities ("—" represents net cash used)	<u>-331,030,756.47</u>	<u>243,228,952.90</u>
IV. Effect of changes in exchange rate on cash ("—" represents decreased)	<u>-27,734,024.36</u>	<u>21,606,905.22</u>
V. Net increase in cash and cash equivalents ("—" represents net outflow)	-198,980,439.48	-481,686,355.90
Add: Balances of cash and cash equivalents at beginning of period	<u>737,275,932.64</u>	<u>1,152,389,459.37</u>
VI. Cash and cash equivalents at end of period	<u><u>538,295,493.16</u></u>	<u><u>670,703,103.47</u></u>