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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)

PROFIT WARNING

This announcement is made by China Modern Dairy Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 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**”) would like to inform the shareholders of the Company and potential investors that, based on the preliminary review of the latest unaudited consolidated management accounts of the Group and the current information available to the Board, the Group is expected to record a profit attributable to the shareholders of the Company for the six months ended June 30, 2023 (“**Reporting Period**”) in the range between RMB200 million to RMB220 million (2022 same period: RMB508 million), representing a decrease of approximately 57% to 61% year-on-year (“**yoy**”). The estimated range of the cash EBITDA^(Note) is between RMB1,230 million and RMB1,300 million (2022 same period: RMB1,441 million), representing a decrease of approximately 10% to 15%.

While maintaining our focus on the core business of raw milk, our Group is continuously exploring new business areas such as feed business, digital intelligence platforms, forage grass planting, breeding, and beef cattle. The layout of the Group’s industry chain is becoming increasingly complete, and the various business segments are developing in synergy, which will help to sustain our Group’s continued growth in economy of scale. During the Reporting Period, the key production and operation indicators of raw milk business have recorded an obvious improvement as compared to the same period last year. As at June 30, 2023, the herd scale of the Group has reached around 420,000 heads of dairy cows, representing a yoy increase of approximately 9%. The average annualized milk yield per milking cow was approximately 12.6 tons, surpassing the figure from the same period last year. Apart from the raw milk business, during the Reporting Period, new business segments have also achieved encouraging growth, with expected revenue of approximately RMB1,600 million, a yoy increase of over 100%, contributing to the Group’s continued profitability.

Nevertheless, it is expected that there will be a significant decrease in the profit attributable to shareholders of the Company for the Reporting Period as compared to the same period in 2022, mainly attributed to the following factors:

1. The decrease in gross profit margin and lower gross profit of the raw milk business was mainly attributable to the prices of bulk raw materials remained at a high level as compared with the same period in 2022, and the downward trend of selling prices in the domestic raw milk market in mainland China, which resulted in a decrease in gross profit margin of the Group's raw milk business by approximately 4 percentage points as compared with that of the corresponding period in 2022. The growth in total sales volume of raw milk during the Reporting Period could not fully offset the impact of the decrease in gross profit margin, resulting in a decrease in gross profit of the raw milk business by approximately RMB120 million to RMB180 million or 8% to 12% as compared with the same period in 2022; and
2. The increase in loss arising from changes in fair value less costs to sell of dairy cows was mainly attributable to the decrease in market price of beef, the decrease in selling price of raw milk and the increase in feed costs during the Reporting Period, which resulted in an increase in loss arising from changes in fair value of less costs of dairy cows by approximately RMB180 million to RMB240 million, or an increase of 50% to 70%, as compared with the same period in 2022.

Information contained in this announcement is based solely on the preliminary assessment by the Board upon reviewing the unaudited consolidated management accounts of the Group and the information currently available to the Board, and has not been audited and reviewed by the independent auditors of the Company.

The overall financial results of the Group for the Reporting Period will only be ascertained when all the relevant results and accounting treatments are finalised. Since the Group's financial performance will also be affected by other factors, the Company will make further announcement as and when appropriate if there is further material information upon finalisation of the financial results.

Shareholders of the Company and potential investors are advised to refer to the interim results announcement of the Group for the Reporting Period, which will be published by the end of August 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company, and should note that undue reliance on or use of the above information may cause investment risks.

Note: Cash EBITDA is defined as earnings before finance costs and tax having added back: i) depreciation and amortisation charged to profit and loss; ii) other gains and losses, net; iii) impairment losses under expected credit loss model, net of reversal; and iv) loss arising from changes in fair value less costs to sell of dairy cows.

For and on behalf of the Board
China Modern Dairy Holdings Ltd.
ZHAO Jiejun
Chairman

Hong Kong, July 20, 2023

As of the date of this announcement, the executive directors are Mr. SUN Yugang and Mr. ZHU Xiaohui, the non-executive directors are Mr. ZHAO Jiejun (Chairman), Mr. ZHANG Ping, Mr. CHEN Yiyi and Ms. GAN Lu, the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. CHOW Ming Sang.