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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 and potential investors of the Company that, based on the assessment of the latest unaudited consolidated management accounts of the Group, it is expected that for the six-month period ended June 30, 2024 (the “**Reporting Period**”), the Group is expected to record a net loss for the period in the range between RMB180 million to RMB240 million, as compared to a net profit of RMB218 million for the six-month period ended June 30, 2023. However, the Group is expected to achieve a cash EBITDA ^(note) in the range between RMB1,480 million to RMB1,540 million for the Reporting Period, an increase of approximately RMB209 million to RMB269 million as compared to the same period in 2023, representing an increase in the range between 16% to 21%, which fully reflected the Group’s strong development resilience in the current challenging market environment.

The expected increase in the Group's cash EBITDA during the Reporting Period is mainly due to:

- (i) The Group continued to strengthen its quality farm management, focusing on increasing the ratio of core dairy cows and the overall health level of the dairy cows, resulting in significant improvements in key operational indicators during the period. As of June 30, 2024, the Group's overall herd size reached approximately 445,000 heads, and approximately 225,000 heads of which were milkable cows. The ratio of milkable cows to the total herd size increased to 50.6%, with the average annualized milk yield per each milkable cow reaching 13 tons, steadily reinforcing the foundation of the core business of raw milk. The gross profit of the raw milk business for the period is expected to increase in the range between RMB90 million to RMB150 million as compared to the same period in 2023, representing an increase in the range between 6% to 10%. The gross profit margin of the raw milk business is expected to increase by approximately 2 percentage points as compared to the same period in 2023; and
- (ii) The Group has been steadily expanding its intelligent digital platforms and other businesses, including feed, forage and breeding, effectively integrating resources along the value chain, strengthening synergy among businesses, and establishing a highly efficient integrated solution for dairy cows farming during the period. This has enhanced the layout of the value chain, improved its resilience, and supported the Group in achieving high-quality and sustainable development.

Nevertheless, due to the impact of the following factors, it is expected that the Group would record a net loss for the Reporting Period:

During the period, the Group proactively accelerated the strategic elimination of low-yielding and inefficient cows to improve the structure of the herd size. However, due to the decrease in market prices for eliminated cows, the loss arising from changes in fair value less costs to sell of dairy cows, increased by approximately RMB580 million to RMB640 million as compared to the same period in 2023.

On the whole, in order to cope with the challenges from the severe market conditions, the Group actively took effective measures to reduce costs and increase efficiency, and has achieved significant cost savings during the Reporting Period. The Group will firmly pursue the cost-orientated strategy and uphold the concept of "all costs can be reduced", and will also continue to materialize internal potential to reduce costs, diligently improve internal strength to facilitate further development, and enhance its core competitiveness and its ability to resist industry cycle disturbances.

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. Shareholders of the Company and potential investors are advised to refer to the interim results announcement of the Group for the six months ended 30 June, 2024, which will be published by the end of August 2024.

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, August 6, 2024

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.