

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 (the “**Management Accounts**”), it is expected that for the year ended December 31, 2024 (the “**Year**”), the Group is expected to record a net loss in the range between RMB1,350 million to RMB1,550 million, as compared to a net profit of RMB185 million for the year ended December 31, 2023 (the “**Same Period in 2023**”). The Group is expected to record a cash EBITDA ^(note) for the Year in the range between RMB2,900 million to RMB3,100 million, an increase in the range between RMB400 million to RMB600 million as compared to the Same Period in 2023, representing an increase in the range between 16% to 24%, which highlighted the Group’s strong development resilience.

The Group's cash EBITDA for the Year is expected to record a significant growth, which was mainly due to the following factors:

- (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 Year. As of December 31, 2024, the Group's overall herd size reached over 490,000 heads, and the ratio of milkable cows to the total herd size increased to 51%. To further enrich the Group's raw milk product structure, the Group has invested in and operated 5 large-scale organic raw milk farms, steadily reinforcing the foundation of our raw milk core business;
- (ii) Benefited from effective cost control, the decrease in our cost of sales per kg of milk for the Year is more significant as compared to the decrease in milk prices, resulting in an increase in the gross profit margin and also enhancing the cash EBITDA level; and
- (iii) The Group has been steadily expanding its intelligent digital platforms and other businesses, including feed, forage and breeding, effectively integrating resources, strengthening synergy efficacy among businesses, and establishing a systemized integrated solution for dairy cows farming. Well-established layout of the value chain, strong business resilience and excellent management team have enabled the Group to achieve high quality and sustainable growth.

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

- (i) During the Year, the Group proactively accelerated the strategic elimination of low-yielding and inefficient cows to improve its herd structure. However, due to the decrease in market prices for eliminated cows and the market prices for raw milk, the re-assessment in fair value of the dairy cows recorded a relatively substantial loss, resulting in an increase in the loss arising from changes in fair value less costs to sell of dairy cows in the range between RMB1,500 million to RMB1,700 million as compared to the Same Period in 2023; and
- (ii) During the Year, due to unfavourable market factors (such as the decline in raw milk market prices and the temporary oversupply of raw milk), the Group's goodwill arisen from previous acquisition of businesses indicated signs of impairment. In accordance with the requirements of accounting standards, the Group hired an independent appraiser to conduct an impairment assessment of the relevant goodwill. Based on the results of the impairment assessment, the Group is expected to record an impairment loss on goodwill in the range between RMB400 million to RMB600 million.

On the whole, the net loss recorded by the Group for the Year is mainly due to loss resulting from re-assessment in fair value of the dairy cows and impairment loss on goodwill, which are non-cash items and will not have adverse impact on the Group's cashflow, working capital and ongoing operation.

The Group actively took effective measures to reduce costs and enhance efficiency, and has achieved significant cost savings during the Year. The Group will firmly pursue the cost-orientated strategy and uphold the concept of “all costs can be reduced”, and will also continue to materialise internal potential and reduce costs, diligently strengthen corporate capability and explore development opportunities, 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 Year 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 annual results announcement of the Group for the year ended December 31, 2024, which will be published by the end of March 2025.

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; iv) loss arising from changes in fair value less costs to sell of dairy cows; and v) impairment loss on goodwill.

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

Hong Kong, February 18, 2025

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.