

China Modern Dairy Holdings Ltd.

中国现代牧业控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1117)



2012 Interim Results Announcement

21 February 2012



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Company Overview

Company Overview

- ✓ The largest dairy farming company in China
- ✓ Industrialized free-stall dairy farming business model and standardized operational procedures and farm design
- ✓ Stringent standards on quality assurance and comprehensive quality control
- ✓ Advanced breeding and feeding techniques and modern facilities to achieve significant economies of scale
- ✓ Eco-friendly production with zero waste discharge, environmental conservation and operation cost reduction

Crises

- ▶ Product safety crisis
- ▶ Environmental protection crisis
- ▶ Disease prevention and control crisis



A solution to the crises and issues faced by China's dairy product industry





Issues

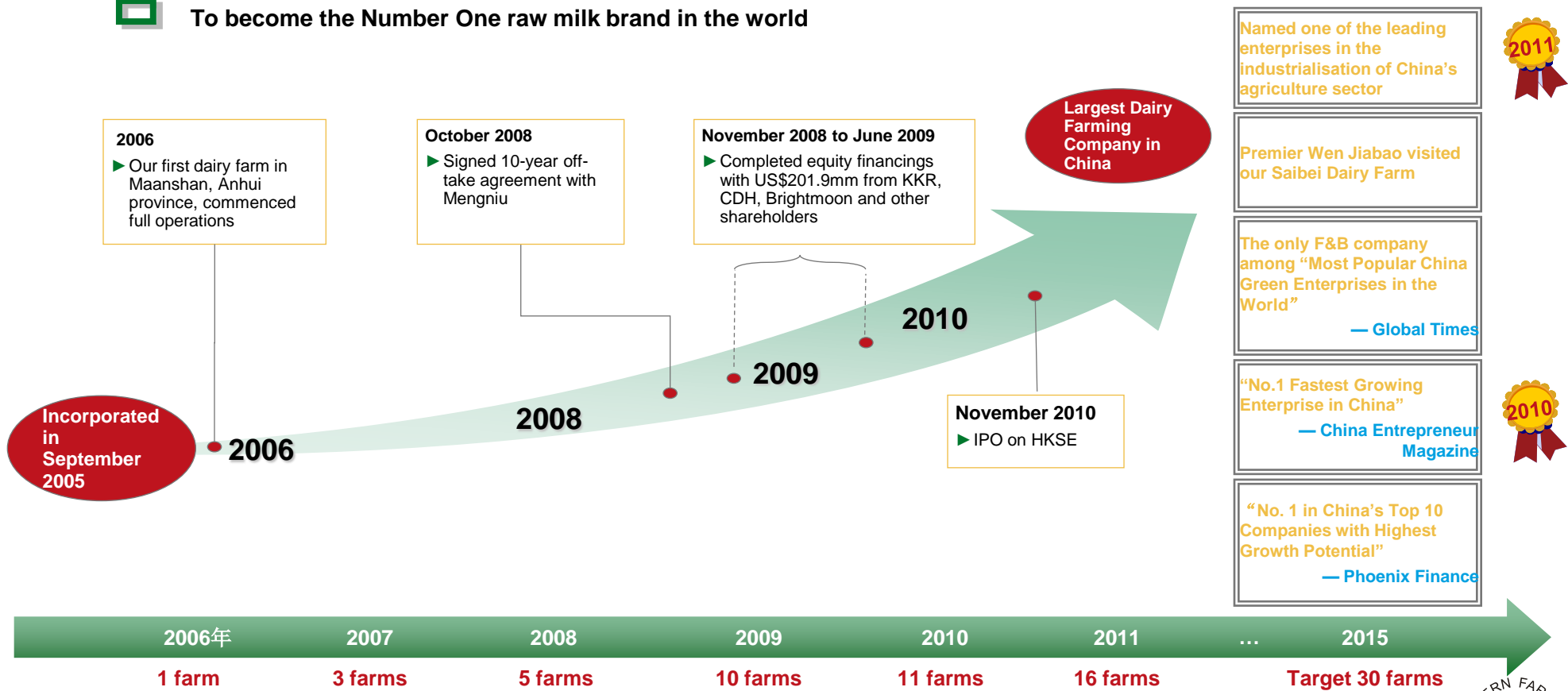
- ▶ Urgent need to improve the quality of raw milk
- ▶ Urgent need to raise the milk yield of dairy cow
- ▶ Urgent need to enhance the level of industrialization

With its establishment and development, China Modern Dairy is the solution to the crises and issues faced by China's dairy product industry

Our Development History and Corporate Vision






China Modern Dairy's Mission and Vision

-  To become the world's most advanced farm operator while remaining environmentally friendly
-  To produce the highest-quality milk in the world with scientific breeding and feeding
-  To provide the most trusted and safest source of dairy milk using best-in-class management practices and technology
-  To become the Number One raw milk brand in the world



Company Status Update

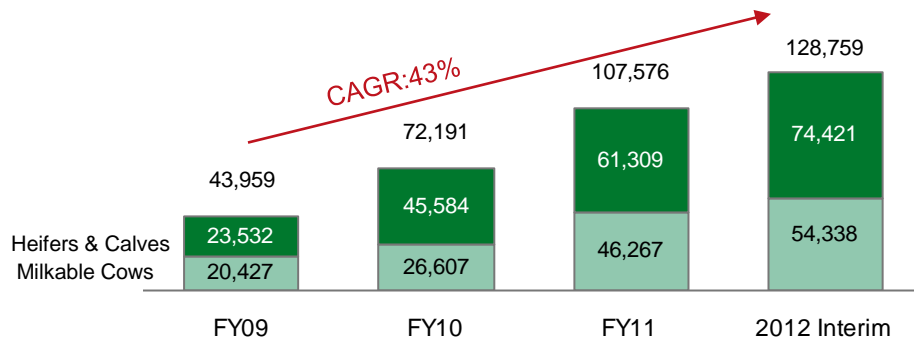
The Largest Dairy Farming Company in China

Company	Number of farms	Number of Dairy Cows	Number of Milkable Cows
 (1)	20	128,759	54,338
 (2)	27	35,122	18,769
 (2)	8	20,000	12,000
 (2)	15	30,000	15,000
 (2)	18	25,000	15,000

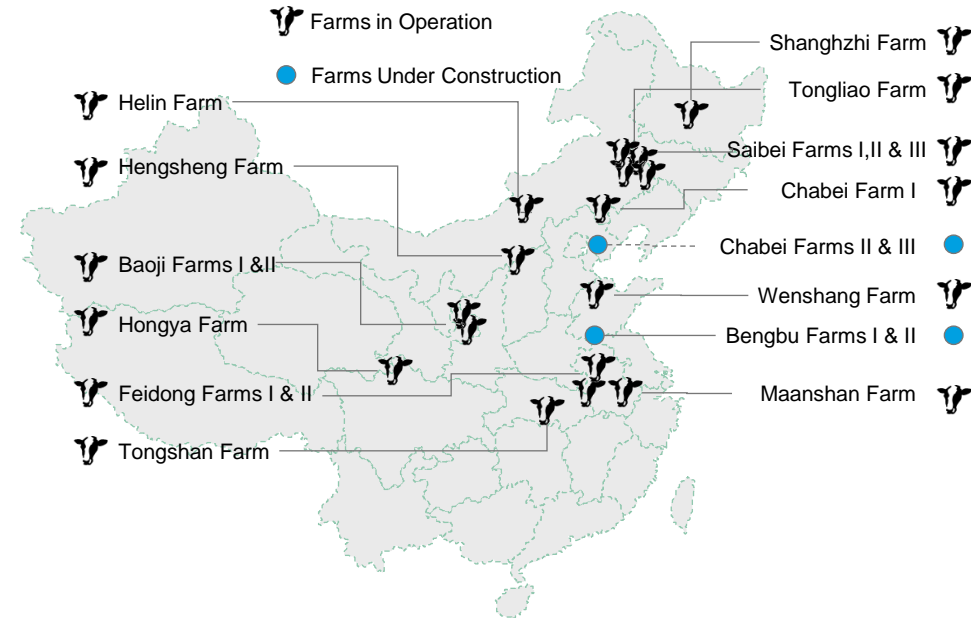
Source: China Dairy Statistical Year Book 2009

Notes: (1) As of the end of 2012 Interim (31 Dec 2011)
(2) As of 31 December 2009

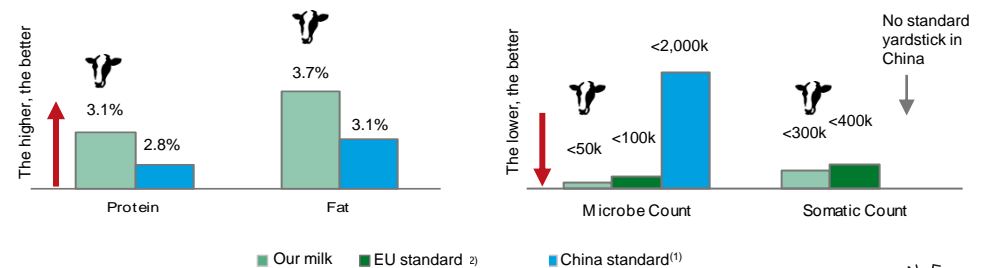
Rapid Growth in Herd Size



Nationwide Strategic Presence



High Quality Raw Milk



Notes:

(1) In terms of herd size and raw milk output

(2) National Food Safety Standard — Raw Milk published on 26 Mar 2010

(3) Raw Milk quality standards in Council Directive 92/46/EEC adopted in EU comprising 15 member countries



Results Overview

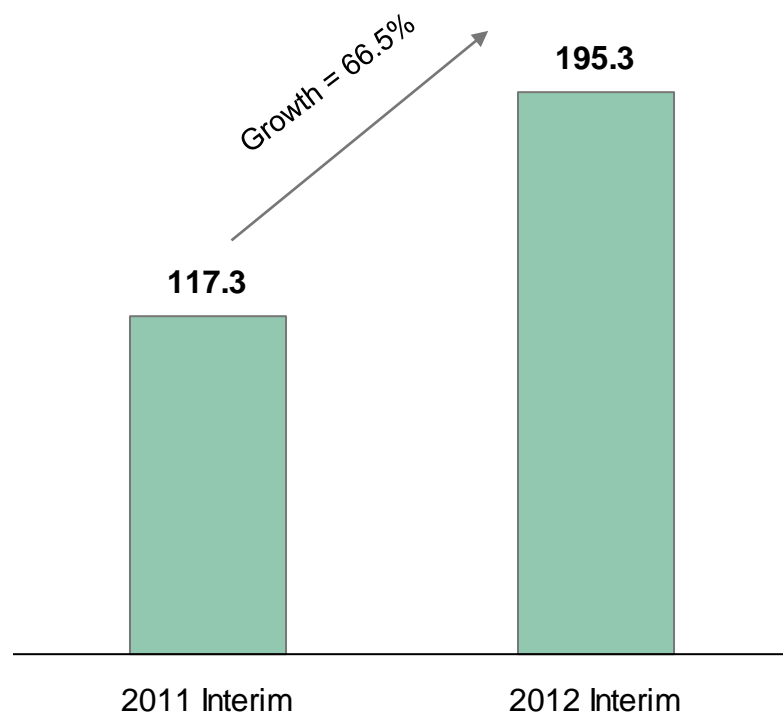
2012 Interim Results Highlights

2012 Interim Net Profit increased by 87.9%

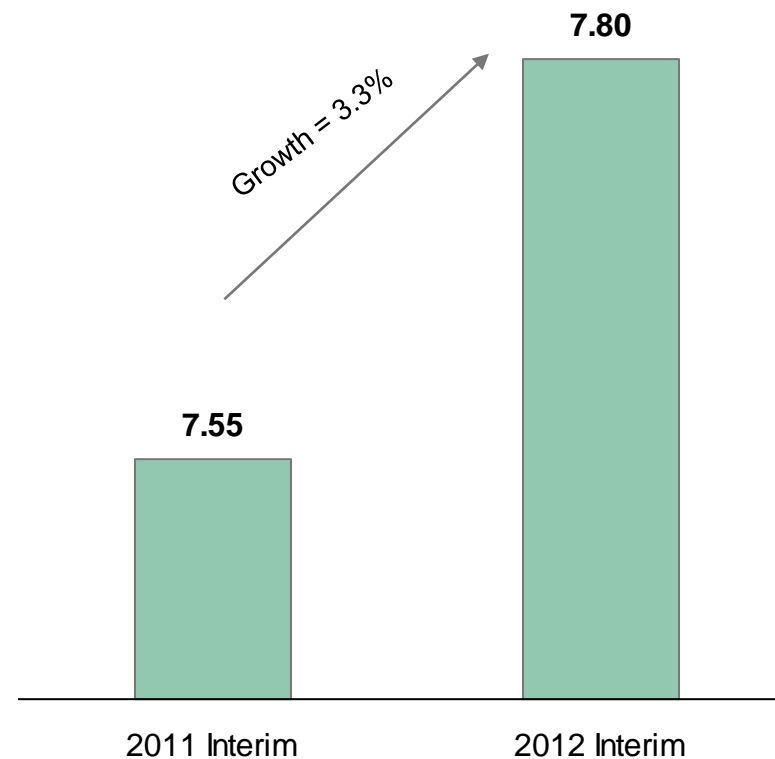
	Dec 2011 Interim	Dec 2010 Interim	Increase/ (Decrease)
	RMB'000	RMB'000	%
Sales of raw milk produced	735,640	457,220	60.9%
Gains or loss from changes in fair value	63,508	43,149	47.2%
EBITDA	234,104	145,750	60.6%
EBITDA margin	31.8%	31.9%	%
Net profit	163,239	86,873	87.9%
Adjusted basic earnings per share (RMB cent)	3.33 cent	1.85 cent	80%

Strong Track Record of Growth (continued)

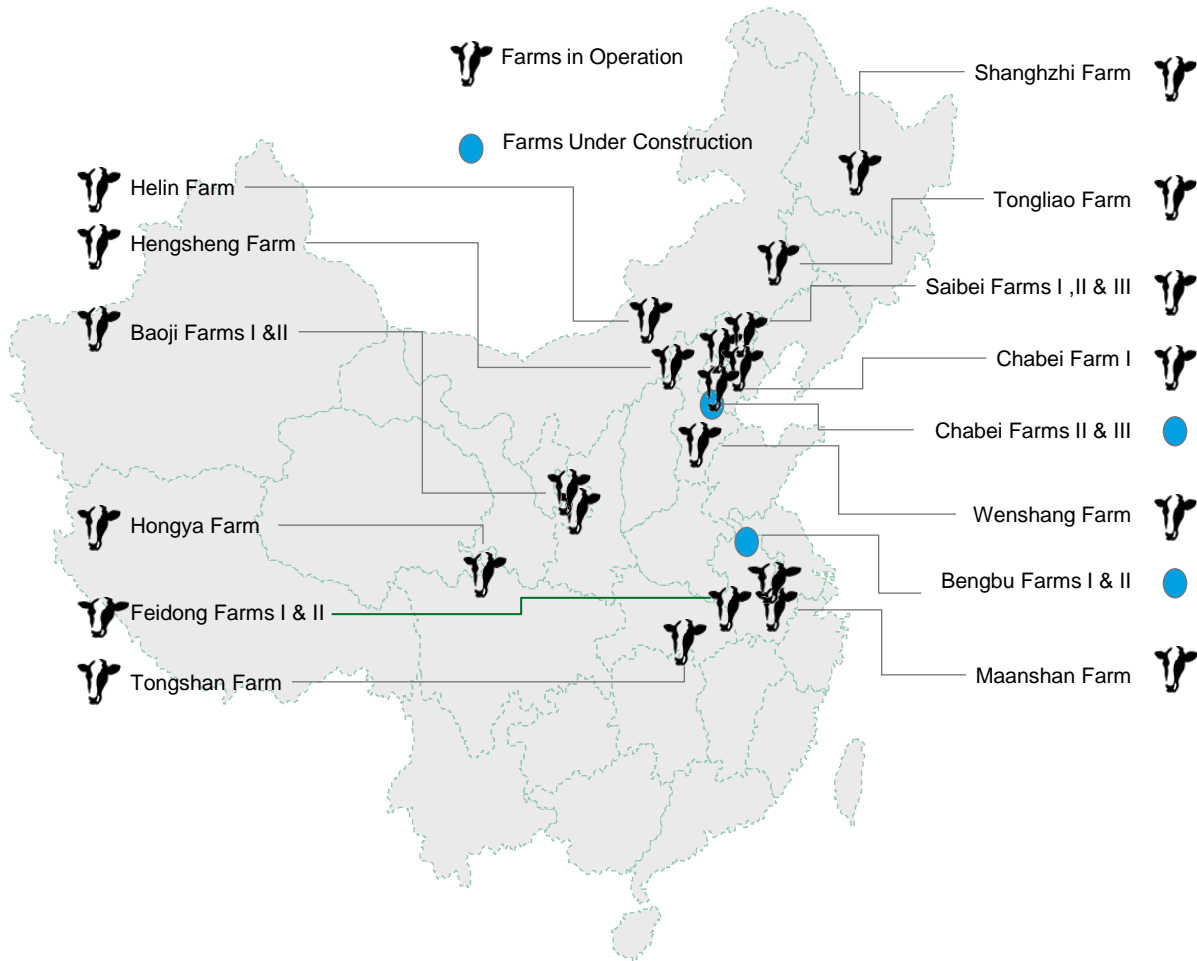
Raw milk sales volume ('000 ton)



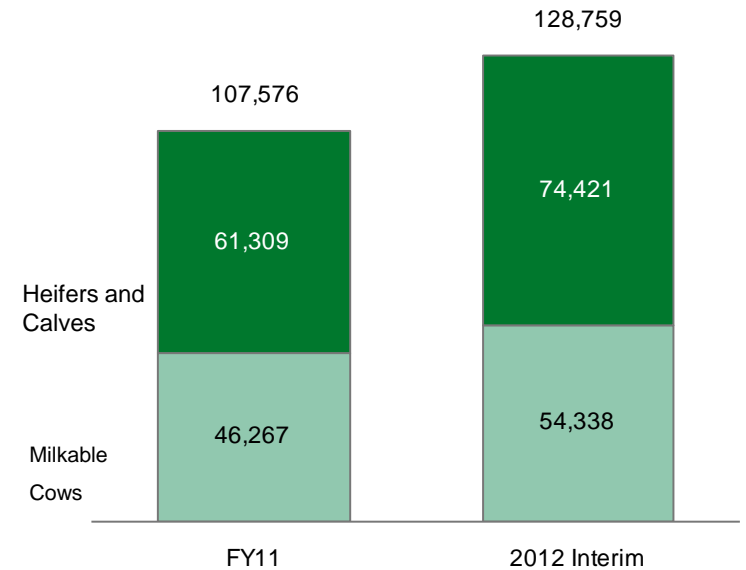
Average milk yield (ton/ year)



Achieved Targets on Farm Development and Growth of Milkable Cows



Number of milkable cows (heads)



As of 31 December 2011, we operated 16 farms and have 4 farms under construction in the PRC with over 130,000 dairy cows, representing a 20% increase from 30 June 2011



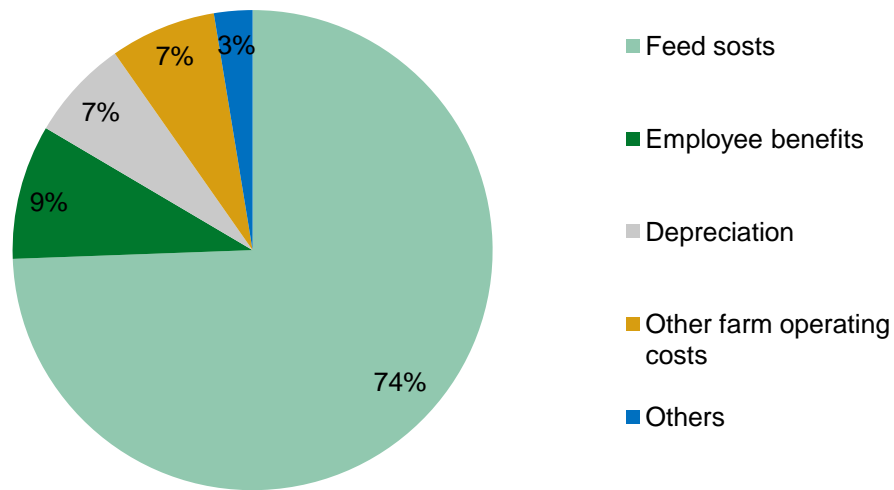
Key Financials

Operational Efficiency Improvement

Increase Milk Yield and Reduce Cost Per Ton

Breakdown of 2012 Interim Cost Structure

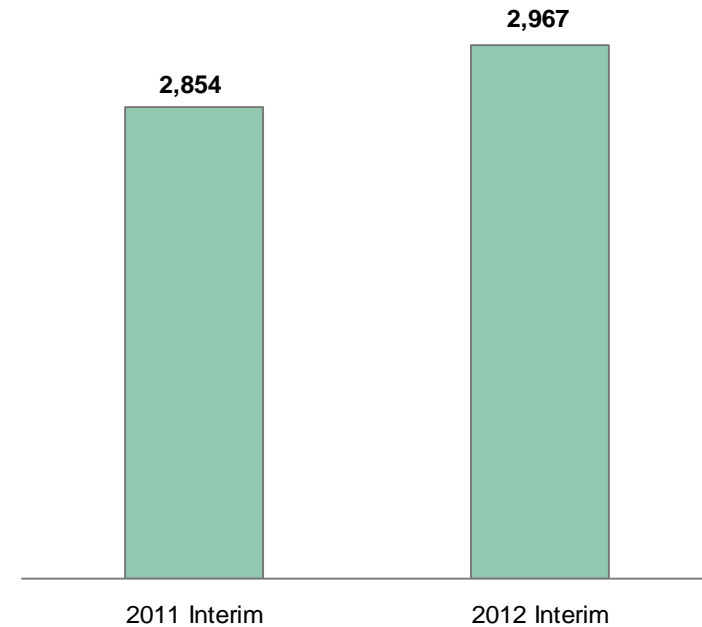
2012 Interim Cost Structure



Note (1): Feed costs include semen and medicine

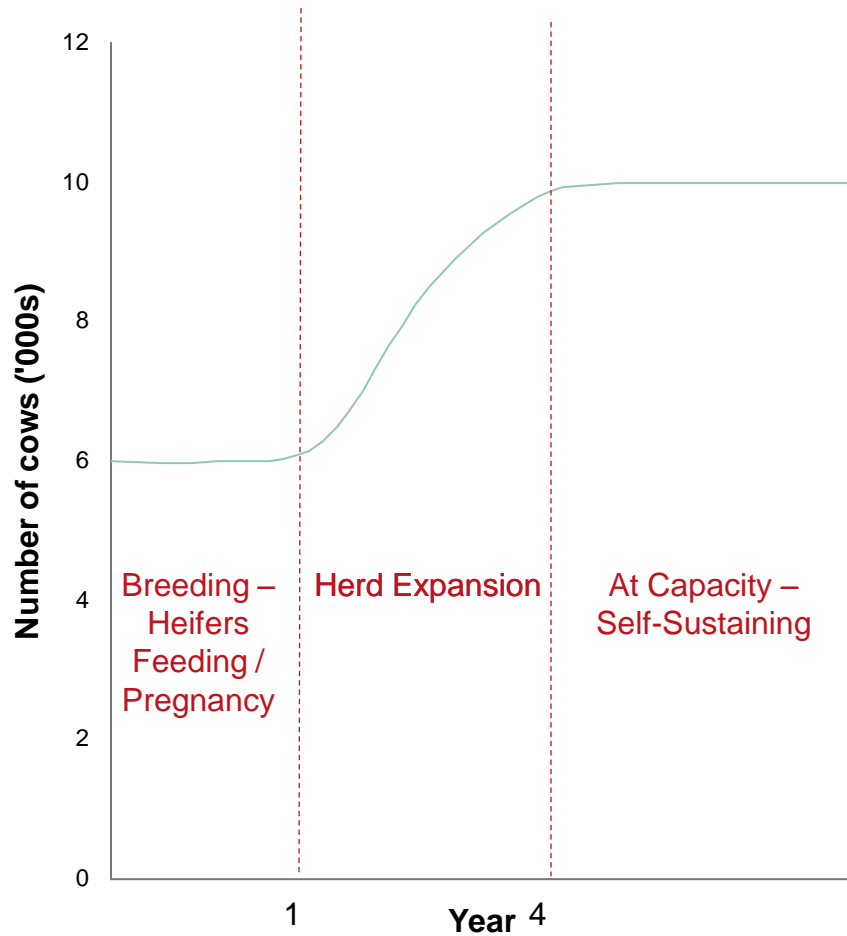
- Through effective herd management and genetic improvement, the average milk yield as improved from 7.55 ton in same period last year to 7.80 ton in the current interim period, up 3.3%
- Despite our ability to partially mitigate the increase in market price of feed and various commodities, the prices of feed and other commodities have increased faster than the steady increase of our cow productivity. Accordingly, the cash cost per ton of raw milk has increased from last year's RMB2,854 to this year's RMB2,967, up 3.96%

Cash Cost (RMB/ ton)

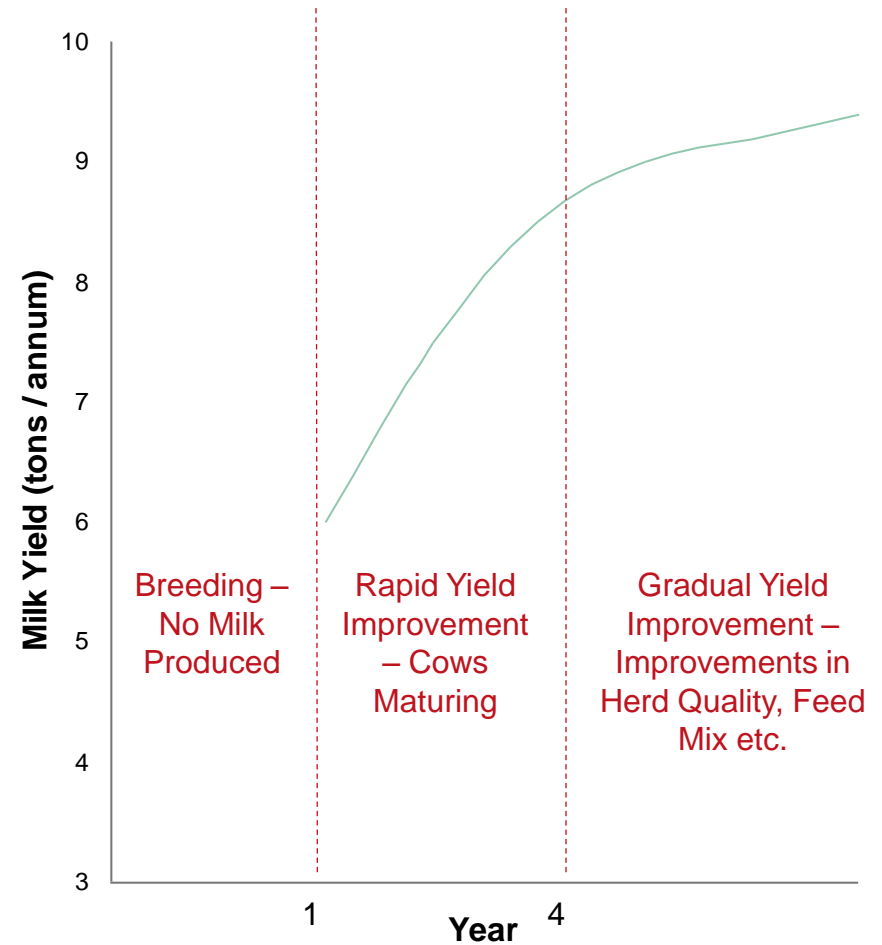


Driver of Margin Expansion: Illustrative Economics of a Dairy Farm

Number of Cows ('000s)



Milk Yield (ton / annum)



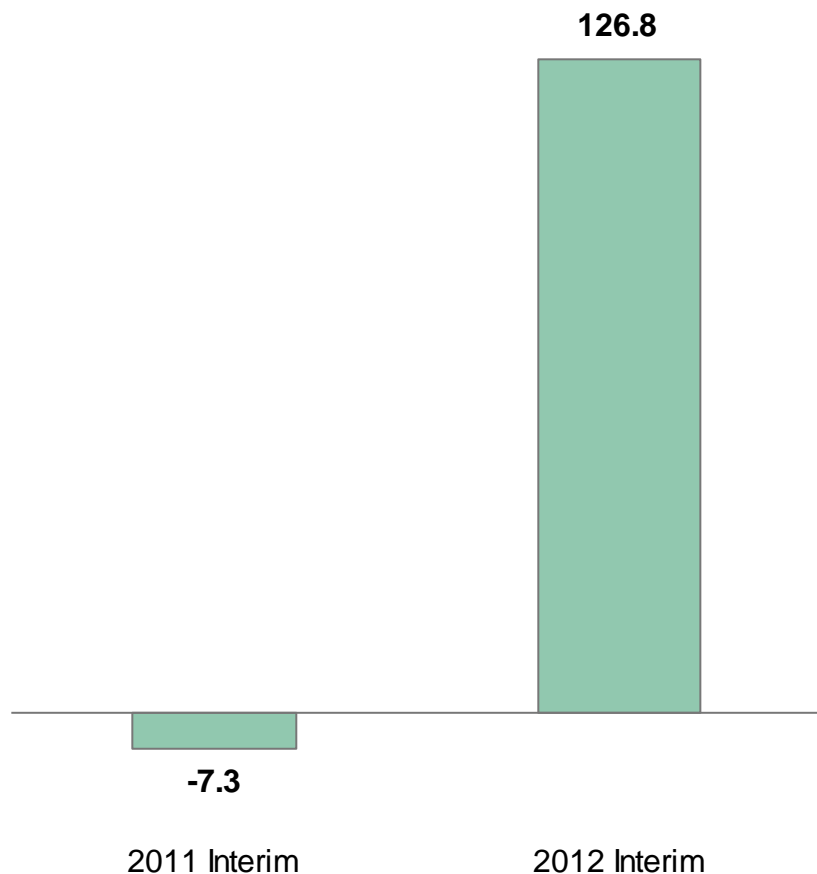
Rapid Expansion of Assets

	31 Dec 2011	30 Jun 2011	Increase/ (Decrease)
	RMB'000	RMB'000	%
Biological assets	3,285,400	2,651,407	23.9%
Fixed assets	2,660,073	2,221,265	19.8%
Total assets	7,916,258	6,906,933	14.6%
Total liabilities	3,027,611	2,184,225	38.6%
Total borrowing	2,203,353	1,522,934	44.7%
Leverage ratio⁽¹⁾	31.1%	24.4%	6.7%
Cash balance	1,017,469	1,308,810	(22.3%)
Bank facilities (not yet utilized)	824,400	1,424,300	(43%)

(1) Leverage ratio= Interest bearing liabilities / (Interest bearing liabilities + book value of total equity)

Asset Turnover Rates

Operating cashflow (RMB million)



	Turnover days	
	FY 2011	2012 Interim
Inventories	59	59
Trade receivables	24	29
Trade payables	49	55

- Inventories turnover for 2012 Interim was 59 days
- Trade receivables turnover for 2012 Interim was 29 days; the change is related to credit terms provided to major customers
- Trade payables turnover for 2012 Interim was 55 days

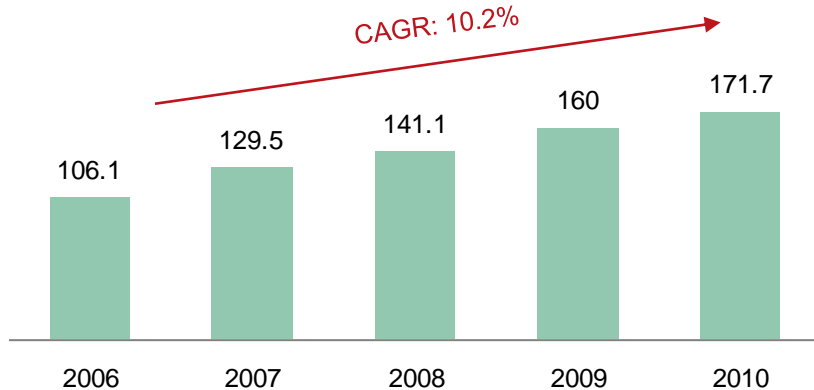


Investment Highlights

The Largest Dairy Farming Company in China with Significant Growth Potential

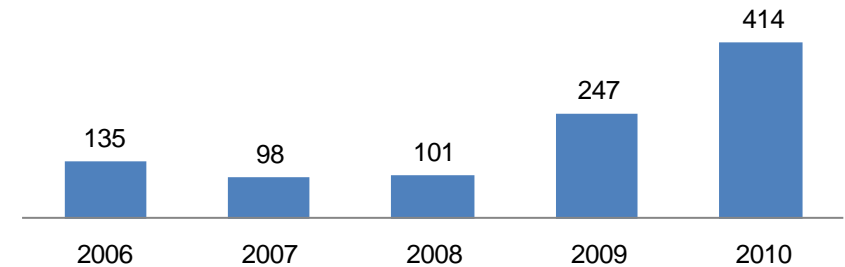
Consumption Continues to Grow

Dairy Product Consumption in China
(RMB bn)



Rising milk powder import

Thousand tons

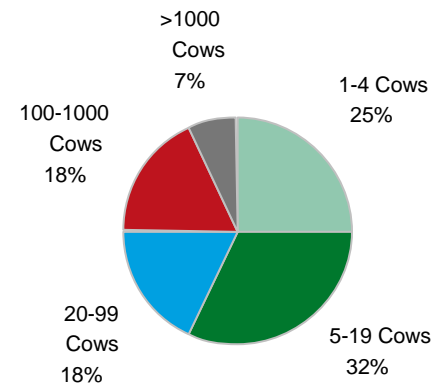


Strong Government Support

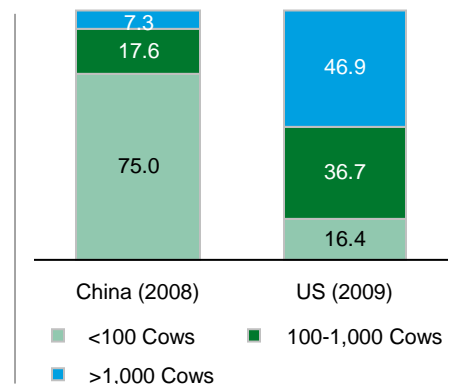
- ▶ Modernization of China's dairy farming industry focuses on expansion of standardized large-scale dairy farms
- ▶ PRC government has adopted both national and regional policies to encourage the development of large scale farms
 - Relevant regulatory bodies issued new set of policies governing the dairy industry
 - Special budget to fund the expansion of large-scale dairy farms
 - Allow large-scale operators to lease agriculture or forestry land
 - Exemptions on agricultural tax, VAT, and income tax

Highly Fragmented Market with Leaders Gaining Share

2008 Split of Supply of Milk by Dairy Farm Size



Split of Raw milk Production by Farm Size



Source: China Dairy Statistical Year Book 2009

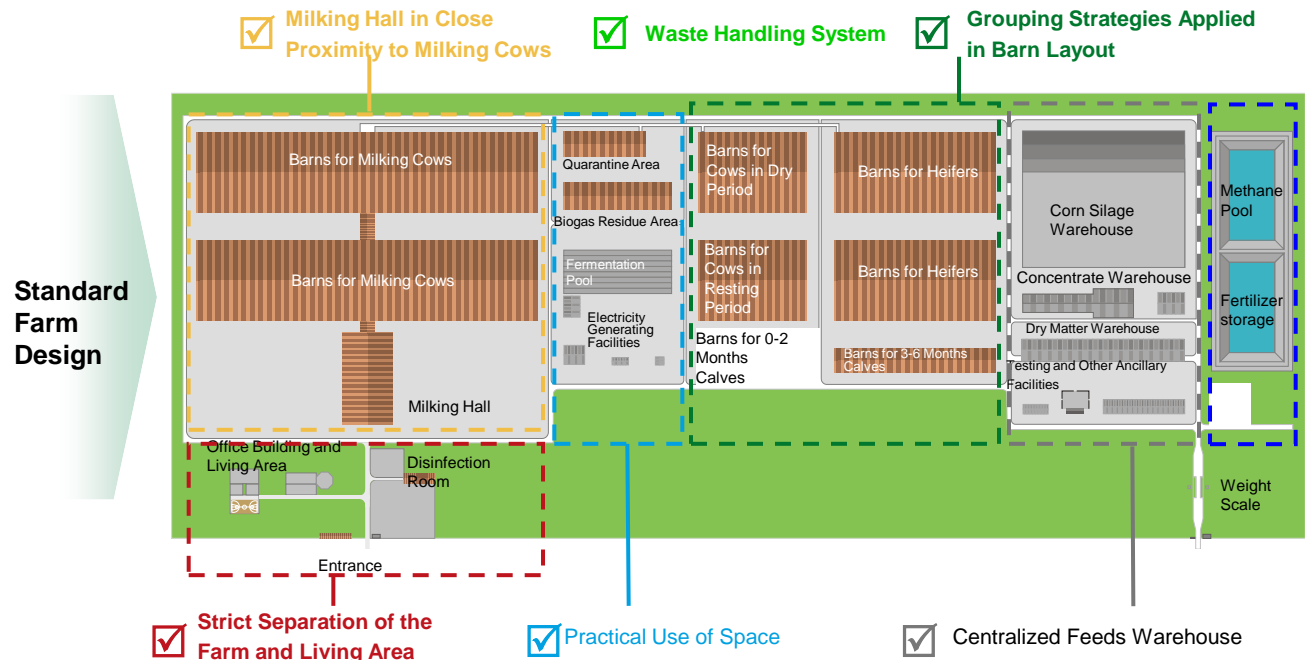
As of 31 Dec 2011, we operated 16 farms with 4 further farms under construction across the PRC with a total of 130,000 dairy cows

Well Established and Replicable Business Model

Successful and Replicable Business Model

- ▶ Large-scale industrialized dairy farms with design capacity of 10,000 COWS
- ▶ Specialised and centralised operational management
- ▶ Standardized operational procedures and farm design
- ▶ Advanced equipment and facilities
- ▶ Stringent standards on quality assurance and comprehensive quality control
- ▶ Environment-friendly farm design

Standardized and Scalable Farm Design Achieving Scientific Logistics Management of Cows, Workers and Materials



Established business model with high replicability allowing for ease of rollout across China

Comprehensive, Modern and Scientific Operations

✓ Large-scale industrialized farms

✓ Importing high-quality heifers

✓ Comprehensive and modern insemination techniques

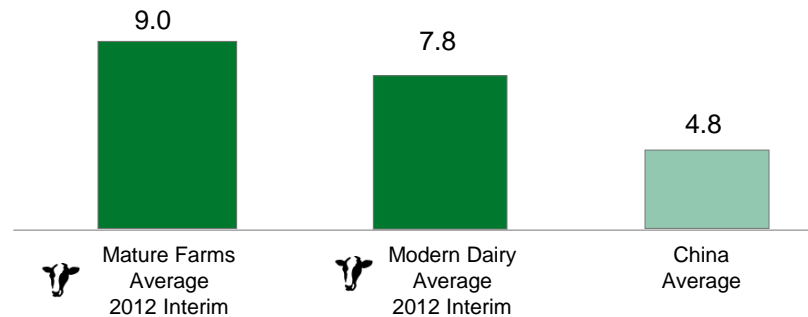
✓ Comprehensive and modern facilities and equipment

✓ Scientific breeding & feeding

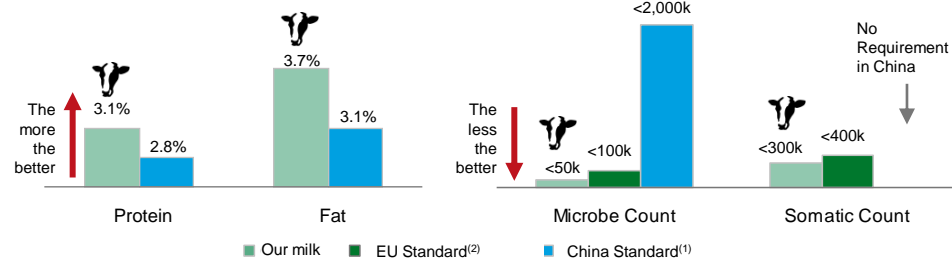
✓ Partnership with local suppliers

High Milk Yields

Average Milk Yield (tons / annum)



High Quality Milk



Notes: (1) National Food Safety Standard — Raw Milk published on March 26, 2010
 (2) Raw Milk quality standards in Council Directive 92/46/EEC adopted in EU comprising 15 member countries

Comprehensive, modern and scientific operations leading to what we believe to be among the highest milk yields and quality in China

High Quality and Safety Standards

Quality Control Over Dairy Cows

- ▶ Centralized IT systems to constantly monitor cows
- ▶ Disease detection and prevention through daily inspections and frequent vaccinations of our herd

Quality Control Over Milking Process

- ▶ Carry out inspections at systematic intervals
- ▶ Teats and equipment sanitized before use
- ▶ Automated milking and transfer to storage tanks

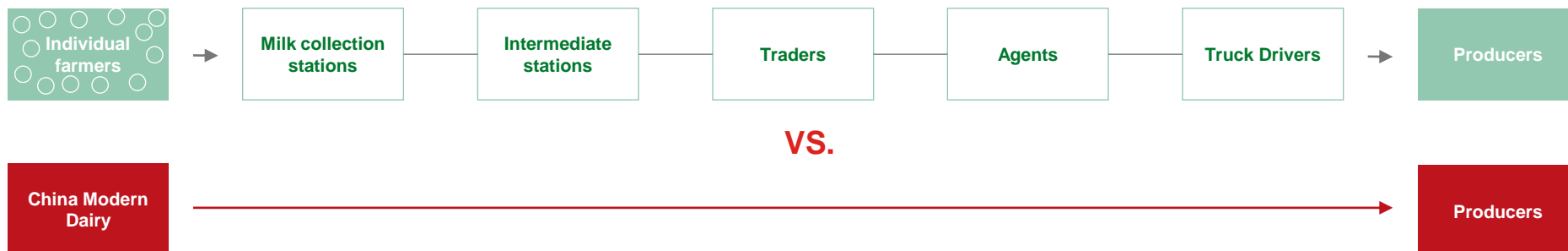
Quality Control Over Feed

- ▶ Stringent selection process in choosing feed suppliers
- ▶ Regular tests and examinations on quality of feed

Quality Control Over Storage and Transportation

- ▶ Additional testing and inspection before milk delivered
- ▶ Storage tanks and milk containers regularly sanitized and cleaned

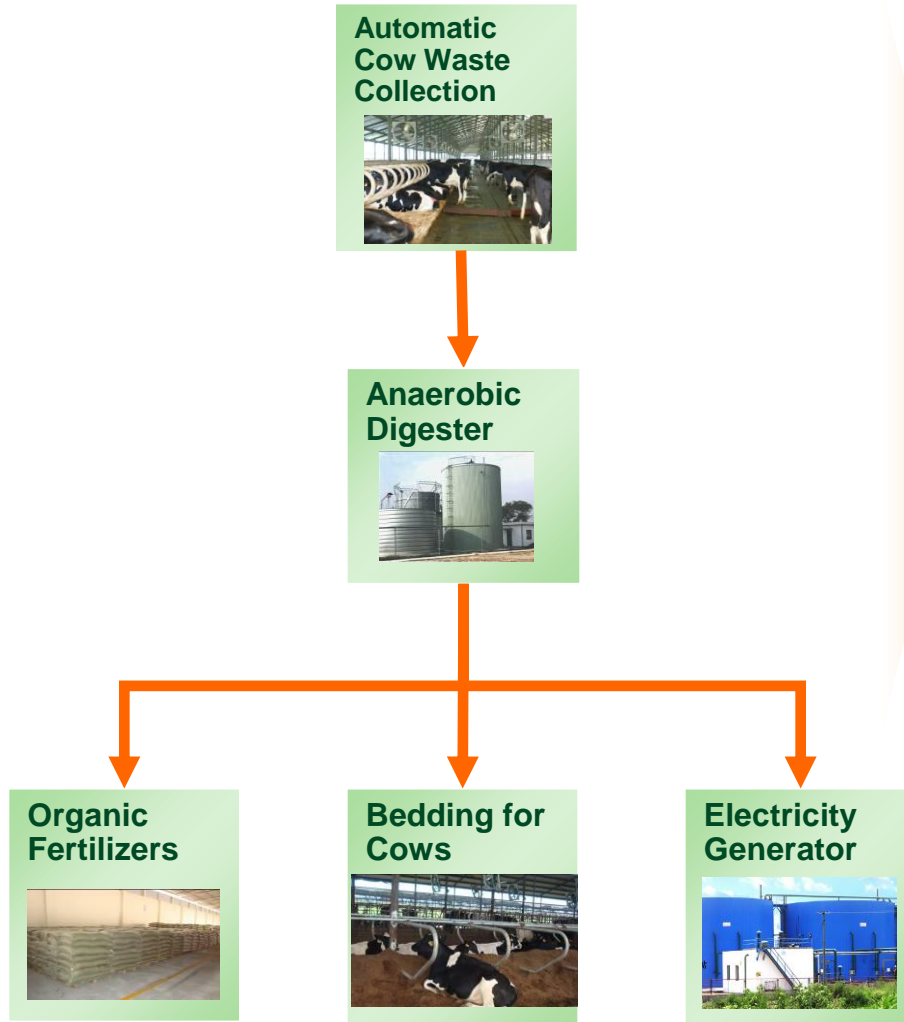
Among the Safest Milk in China With No Risk of Product Tampering



We place great emphasis on quality control and have installed and implemented strict monitoring and quality control systems to manage our operations

Eco-Friendly Production

Comprehensive Waste Recycling System



Improving Cost Efficiency



Reduce waste pollutants



Improve work environment



Reduce operational costs



Diversify revenue streams

Experienced Management Team

Highly Experienced Management Team

- ▶ Outstanding management team with an exceptional track record of building a successful business from scratch and also investing a significant portion of their personal wealth in the firm
- ▶ Senior management demonstrating leadership, strategic vision and in-depth industry knowledge
- ▶ Focused on cultivating corporate culture and training a long-term, committed, strong management team
- ▶ Rewards employees for the success of the Company, providing employees with substantial benefits such as insurance and retirement schemes, as well as safe and well-equipped working conditions
- ▶ Operating philosophy of actively introducing advanced science and technology plus best-in-class expertise and know-hows

Strong Support from Financial Investors and Partners



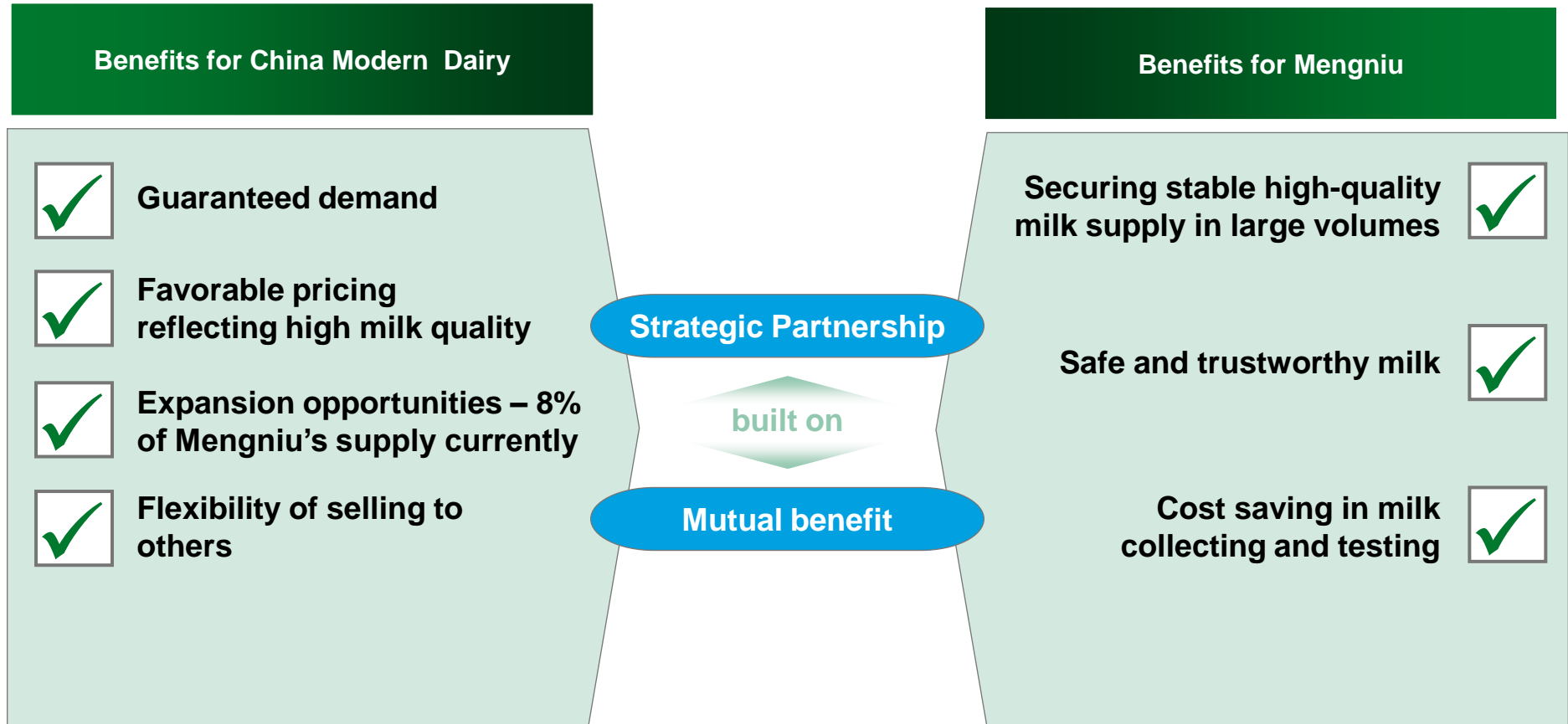
Brightmoon

- ▶ KKR, CDH and Brightmoon have assisted us in establishing international corporate governance practices and have provided us with financial capital to establish the business model and platform to drive growth going forward

**An experienced management team combined with strong support from financial investors/
partners provides an outstanding platform for continued growth going forward**

Strategic Partnership with Mengniu

Our 10 year off-take agreement with Mengniu signed in 2008 allows us to sell up to 100% of our raw milk to Mengniu while maintaining the flexibility of selling up to 30% of our production of each farm to certain other customers





Business Outlook

Highly Visible and Strong Growth Prospects

Maturing of Herds on Existing Farms

- ▶ 16 farms built since FY08
- ▶ More dairy cows in 3rd & 4th lactation, more 2nd generation cows with gene improvement
- ▶ Milkable cows increased from 43% of total herd to over 60%

New Farm Expansion

- ▶ Established, successful business model
- ▶ Complete site selection of 2 farms for future expansion

Off-take Agreement with Mengniu

- ▶ Guarantees sales of all raw milk produced
- ▶ Current production is only 8% of total demand of Mengniu



Improving Milk Yields

- ▶ Lactation mix shifts favorably
- ▶ Gene improvement
- ▶ Feed research and development

Improving Quality and Pricing

- ▶ Total Price = Base price + premium for quality
- ▶ Sales price rises as quality improves

China Modern Dairy is entering the next stage of its growth story, with multiple highly visible growth drivers backed by a well established business model

Future Strategy for Growth

China Modern Dairy aims to be recognized as the best dairy farm brand for raw milk in China

Improve milk yield through gene improvement <

Optimise Feed Mixing <

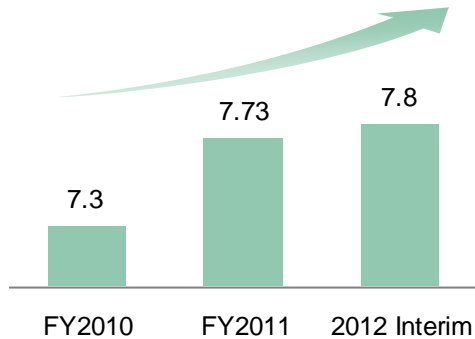
Optimise Breeding Techniques <

> Penetrate Regions with High Demand Growth

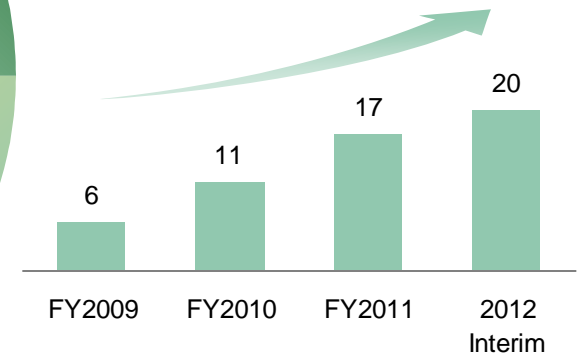
> Replicate Business Model

> Strengthen and Broaden Customer Base

Milk yield growth (ton/annum)



Farm expansion



Develop Premium-Branded Dairy Products <

Convert Cow Waste into Organic Fertilizer Products <

Commercialize Excess Bio-Electricity <

> Strategically Localize Feed Structure

> Continuously Improve Productivity and Efficiency

> Invest in Advanced Equipment and Management Systems



Thank you!