

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 Results Announcement

18 Sep 2012



Disclaimer

This presentation material is prepared by China Modern Dairy Holdings Ltd. (the “**Company**”) solely for your information only. All or any part of this presentation material may not be taken away, reproduced, redistributed, or retransmitted in any manner. You agree to be bound by the above condition by participating into this presentation. Any non-compliance may be against the related laws and requirements.

This presentation material does not constitute an offer to purchase or sell the related securities or forms the basis of, or be relied upon in connection with any contract, commitment or investment decision whatsoever.

This presentation material may contain forward-looking statements. These forward-looking statements are based on a number of assumptions about the future, some of which are beyond the Company’s control. The Company does not undertake any obligation to update any forward-looking statements to reflect events that occur or circumstances that arises after the date of this presentation. Potential investors should bear in mind that actual financial results may differ materially from the following forward-looking statements.

The information contained in this presentation material is not verified by any independent third party. No warranty is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information contained herein. The information contained in this presentation material should be interpreted under the prevailing circumstances. There is no update and nothing to be updated upon the presentation to reflect any significant change in the development. At no time does the Company or the related directors, management, employees, agents or advisers accept any liability for the information contained in this presentation material and accordingly accept any liability whatsoever for any loss howsoever arising from any use of this presentation material.



Company Overview

Company Overview



The largest dairy farming company in China, producing raw milk with the quality better than international standard



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 modernized facilities realizing significant economies of scale



Eco-friendly production with zero waste discharge achieving 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

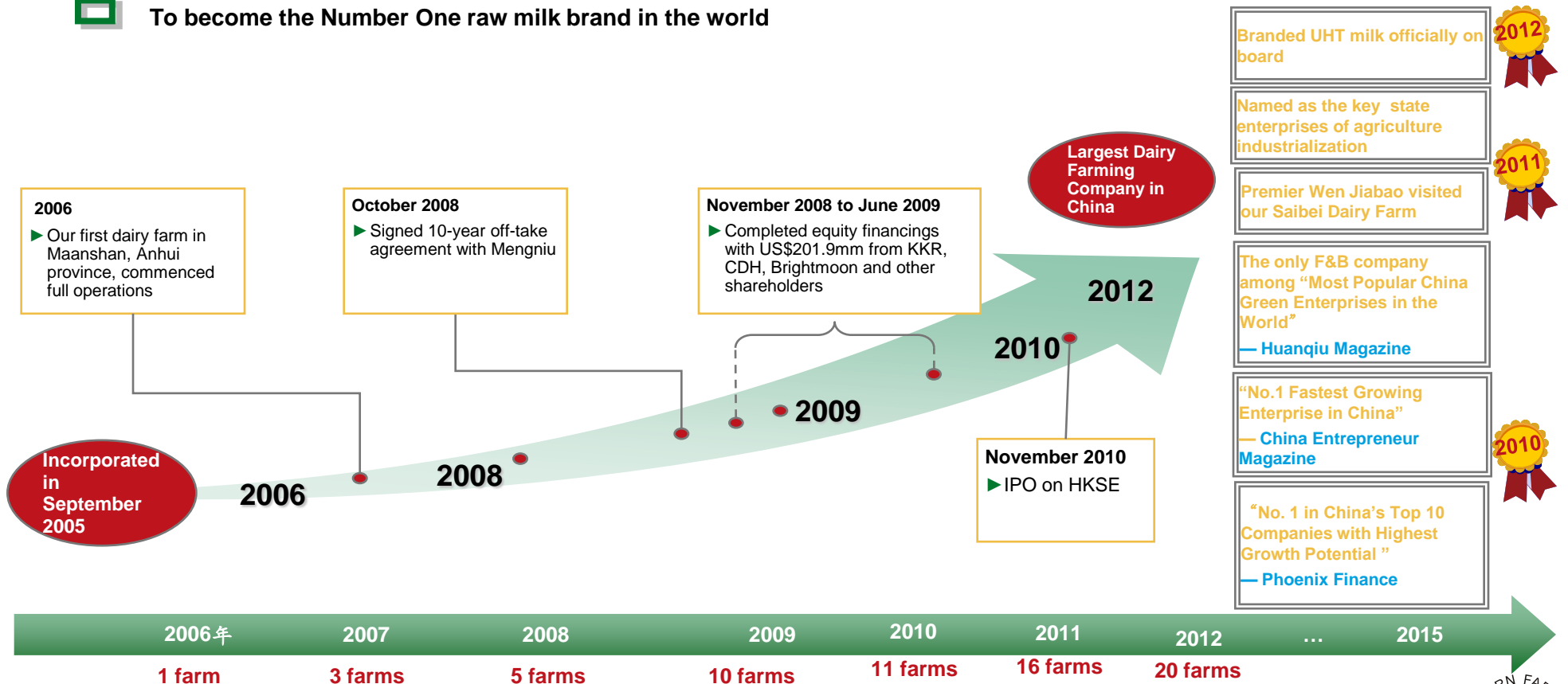
- ▶ Urgent need to improve the quality of raw milk
- ▶ Urgent need to raise the milk yield of dairy cow
- ▶ Urgent need to enhance the level of industrialization

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

Our History and 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

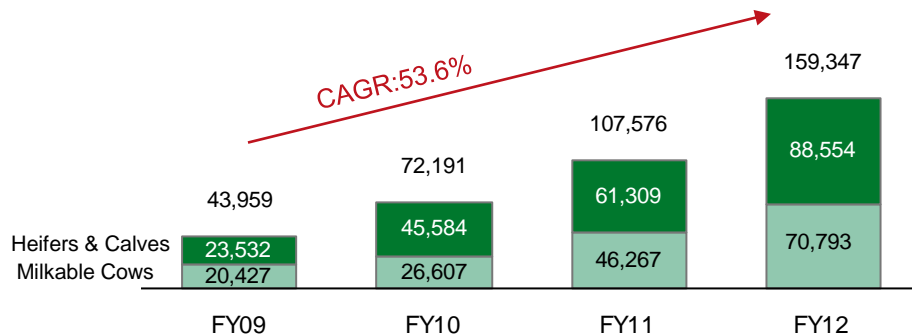
Company		Number of farms	Number of Dairy Cows	Number of Milkable Cows
 (1)	20	159,347	70,793	
 (2)	25	45,000	23,000	
 (2)	50	109,000	45,000	
 (2)	18	37,000	19,000	

Source: China Dairy Statistical Year Book 2009

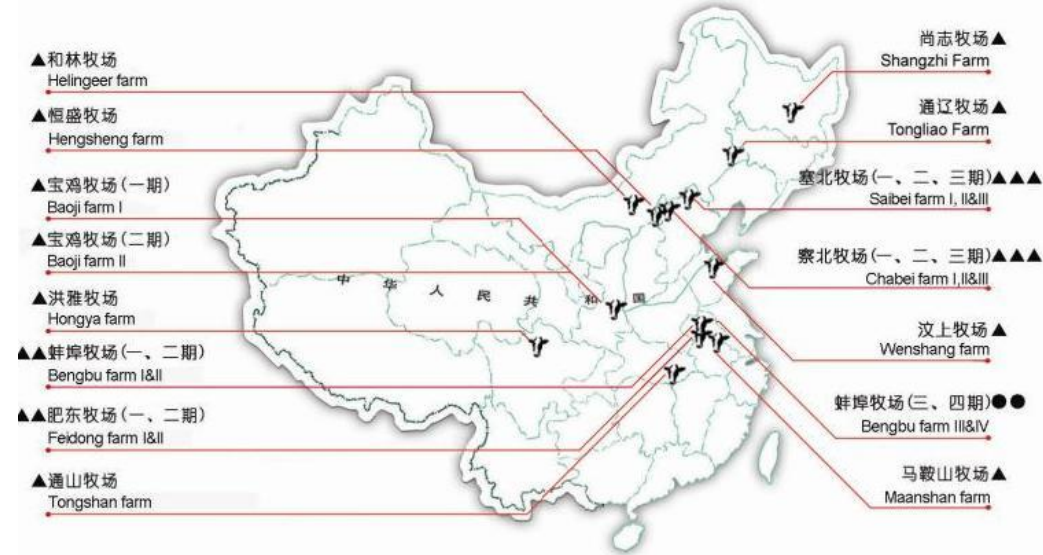
Notes: (1) As of 2012 fiscal year end (30 June 2012)

(2) As of 31 December 2011

Rapid Growth in Herd Size

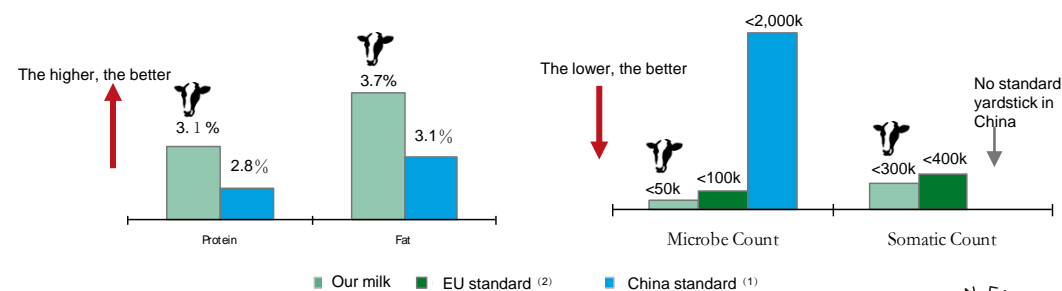


Nationwide Strategic Presence



Note: ▲ Operating farm ● Farm under construction

High Quality Raw Milk



Notes: (1) in terms of herd size and raw milk output

(2) National Food Safety Standard — Raw Milk published on March 26, 2010.

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



Results Overview

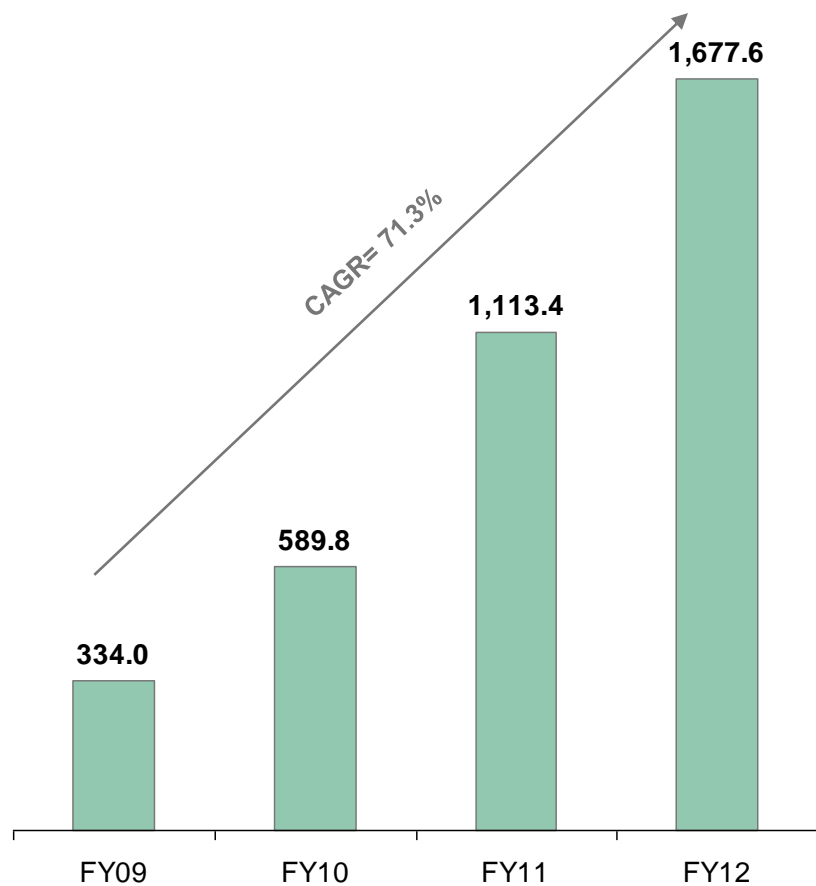
2012 Results Highlights

2012 Net profit increased by 67.0% compared to the same period of last year

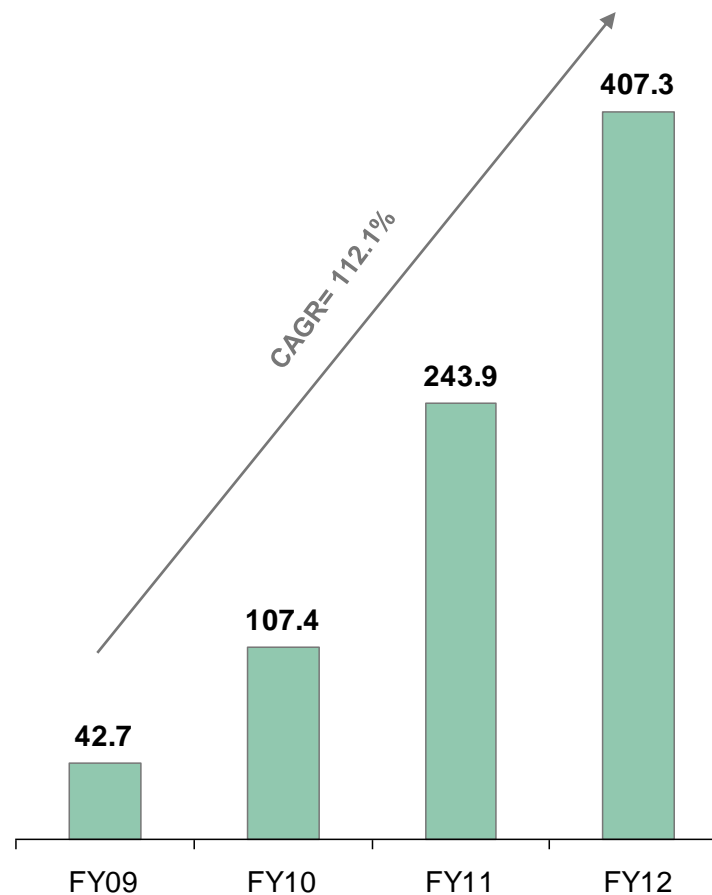
	FY2012	FY2011	Increase/ (Decrease)
	Rmb' 000	Rmb' 000	%
Sales of raw milk produced	1,677,615	1,113,354	50.7%
Gains or loss from changes in fair value	131,481	55,538	136.7%
EBITDA	442,091	314,813	40.4%
EBITDA margin	26.4%	28.3%	(6.7%)
Net profit	407,308	243,898	67.0%
Basic earnings per share (Rmb cent)	8.30 cent	5.20 cent	59.6%

Strong Track Record of Growth

Sales ⁽¹⁾ (Rmb mm)



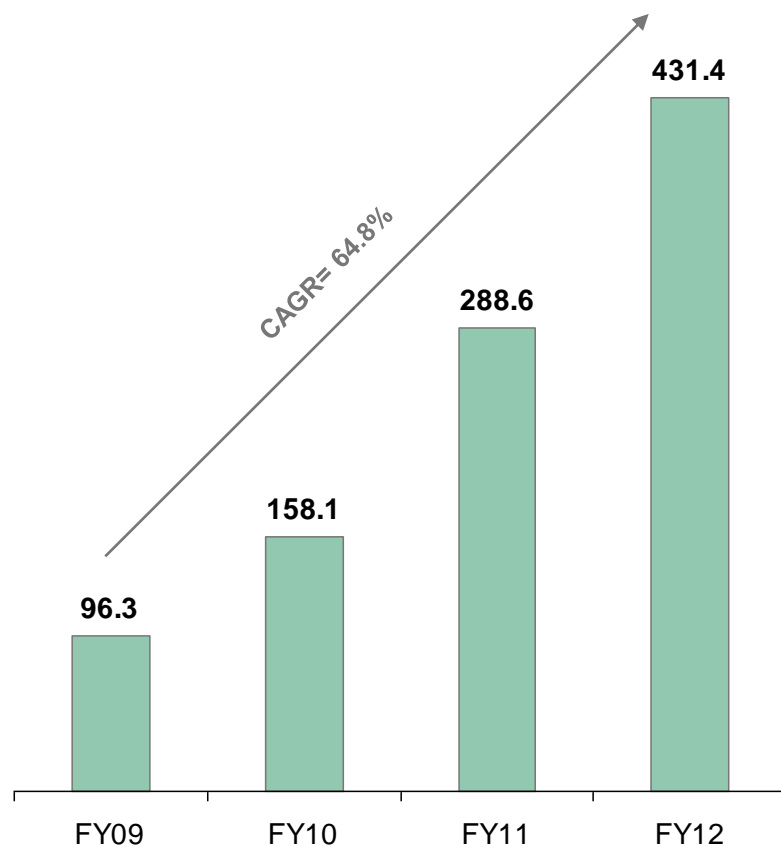
Net profit (Rmb mm)



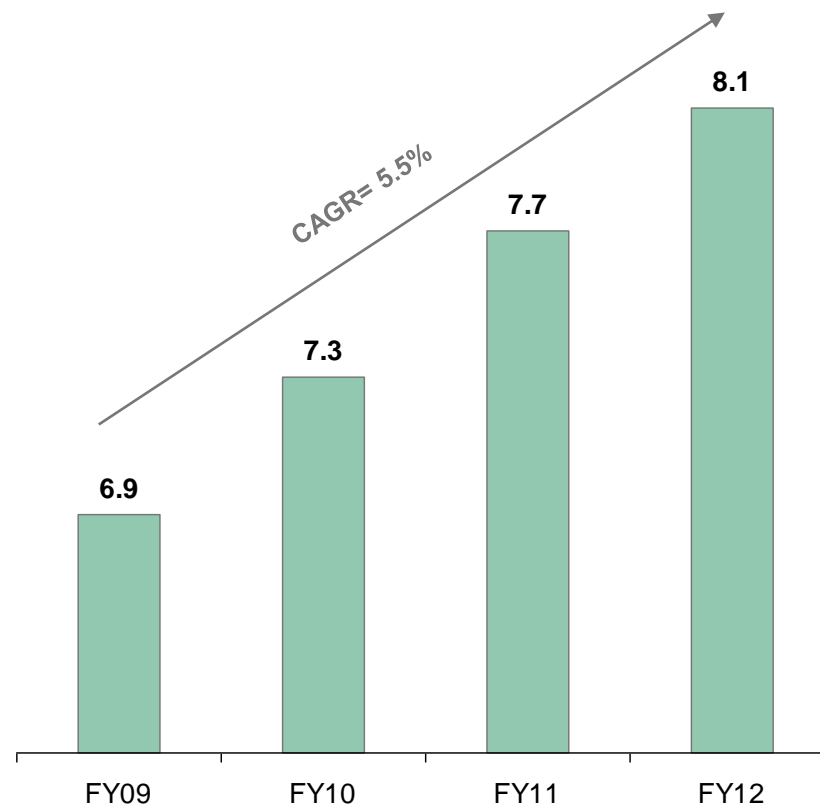
(1) Transportation expense deducted

Strong Track Record of Growth (continued)

Raw milk sales volume (1,000 ton)



Average milk yield (ton/year)



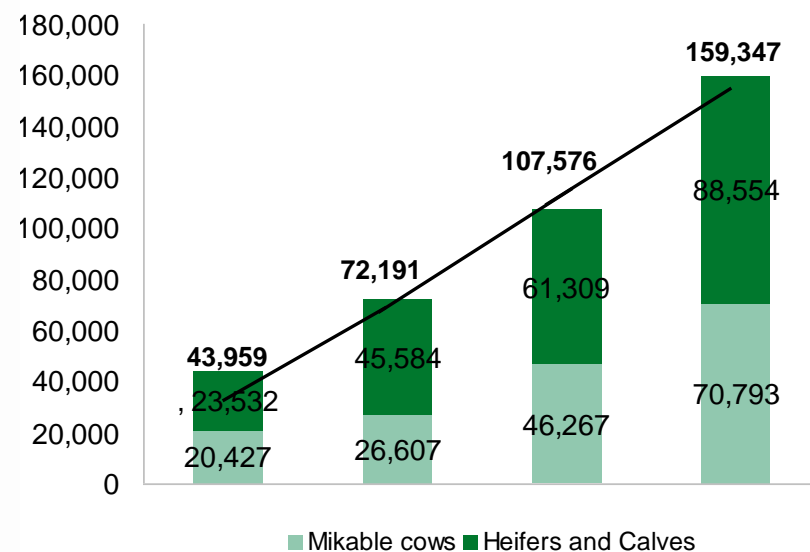
Achieved Targets on Growth of Farms and Milkable Cows

Farms Distribution



Note: ▲ Operating farm ● Farm under construction

Number of Milkable Cows



- As of 30 June 2012, we operated 20 farms and have two farms under construction in the PRC
- We have a total of 159,347 dairy cows, with cow heads grew by more than 48% compared to that of 30 June 2011

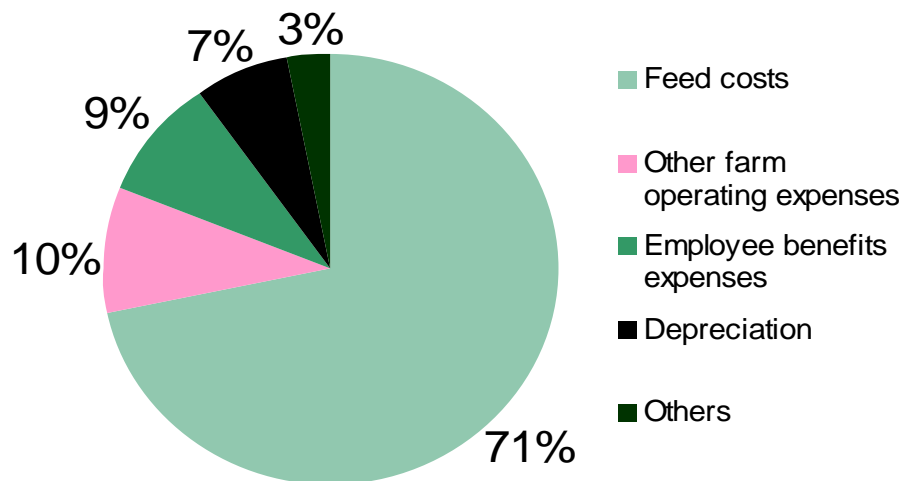


Key Financials

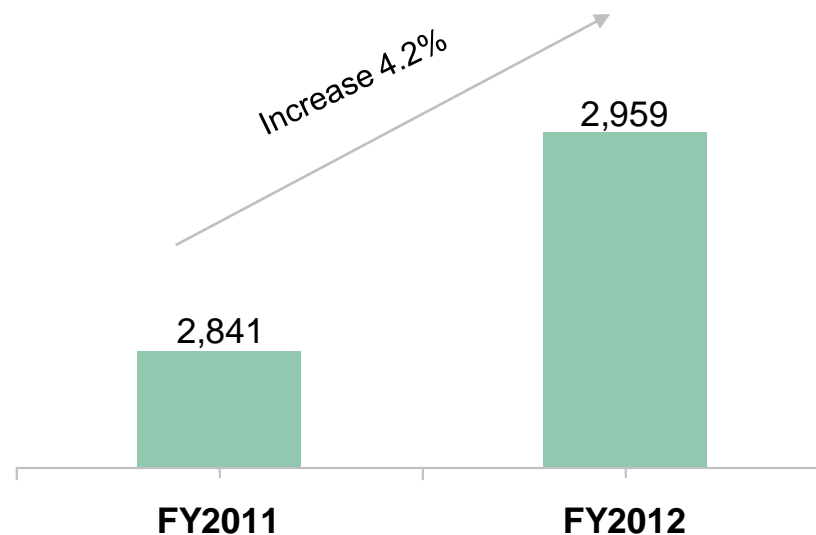
Operational Efficiency Improvement

Increase Milk Yield and Reduce Cost

Breakdown of FY2012 Cost Structure



Cash Cost (RMB)



Note (1): Feed costs include semen and medicine

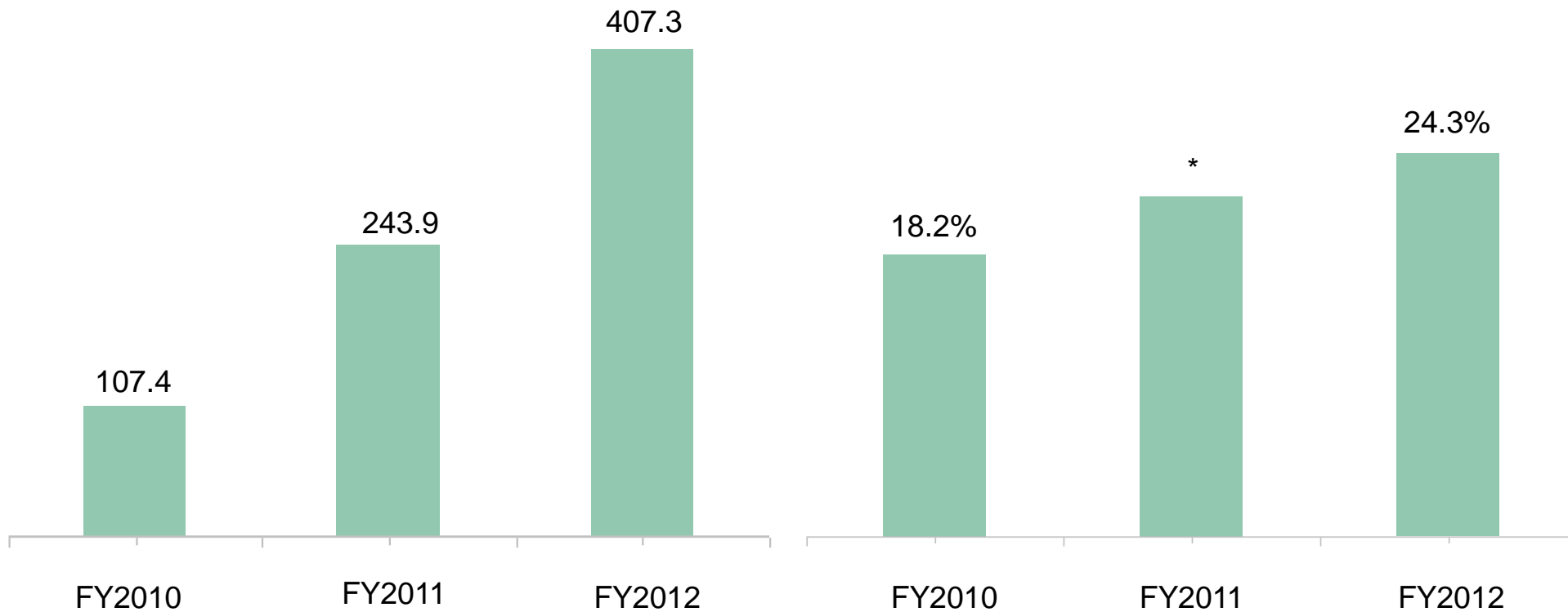
- Through effective herd management and genetic improvement, the average milk yield as at 6/30/2012 is 8.09 tons, an increase of 4.7% when compared to 7.73 tons of the same period last year
- As the rise in market price of feed and various commodities prices, the cash cost of raw milk per ton increased by 4.2% from RMB2841 for the same period last year to RMB2959 in FY2012, but the increase is within the normal range, reflecting our constant improvement on milk yield, feed management and feed formula optimization, as well as reduction on feed transportation

Profit Margin Expansion

Rising Profit Margin

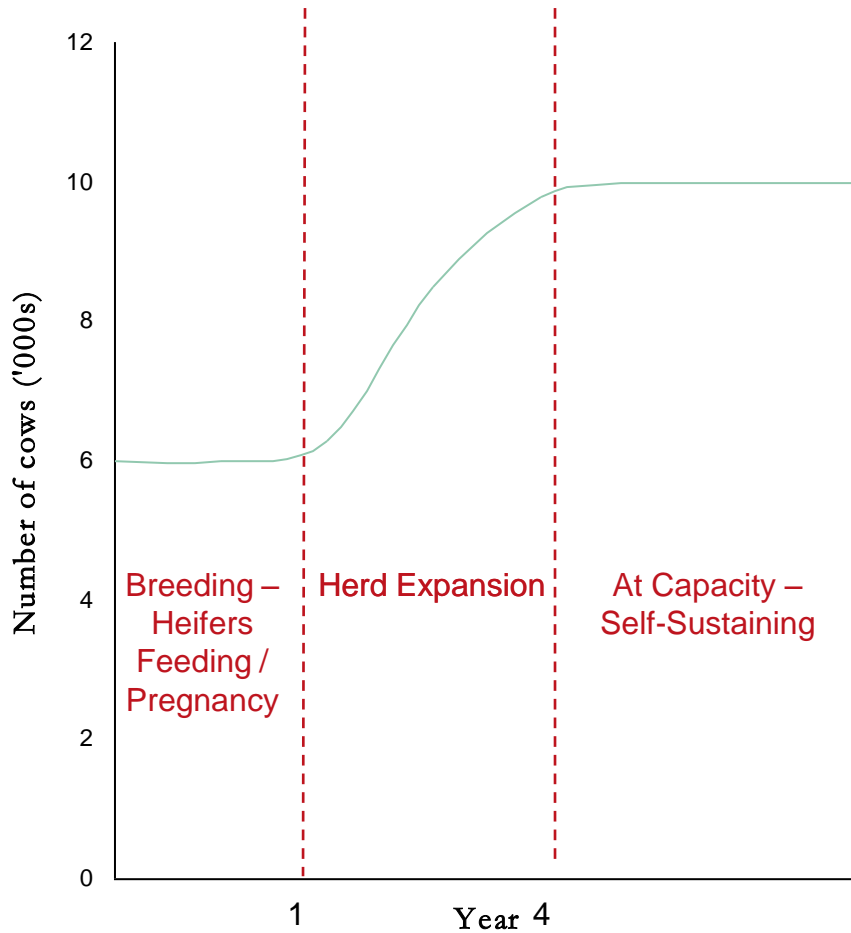
Net Profit (RMB mm)

Net Profit Margin(%)

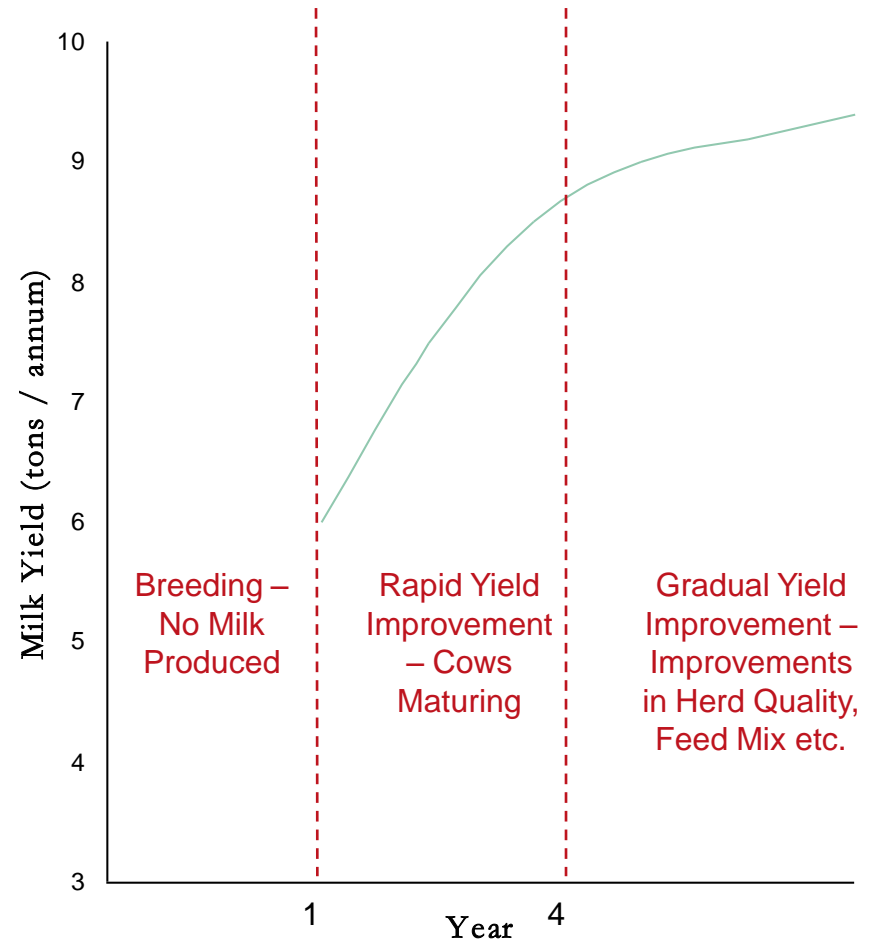


Driver of Margin Expansion: Illustrative Economics of a Dairy Farm

Number of Cows ('000s)



Milk Yield (ton / annum)



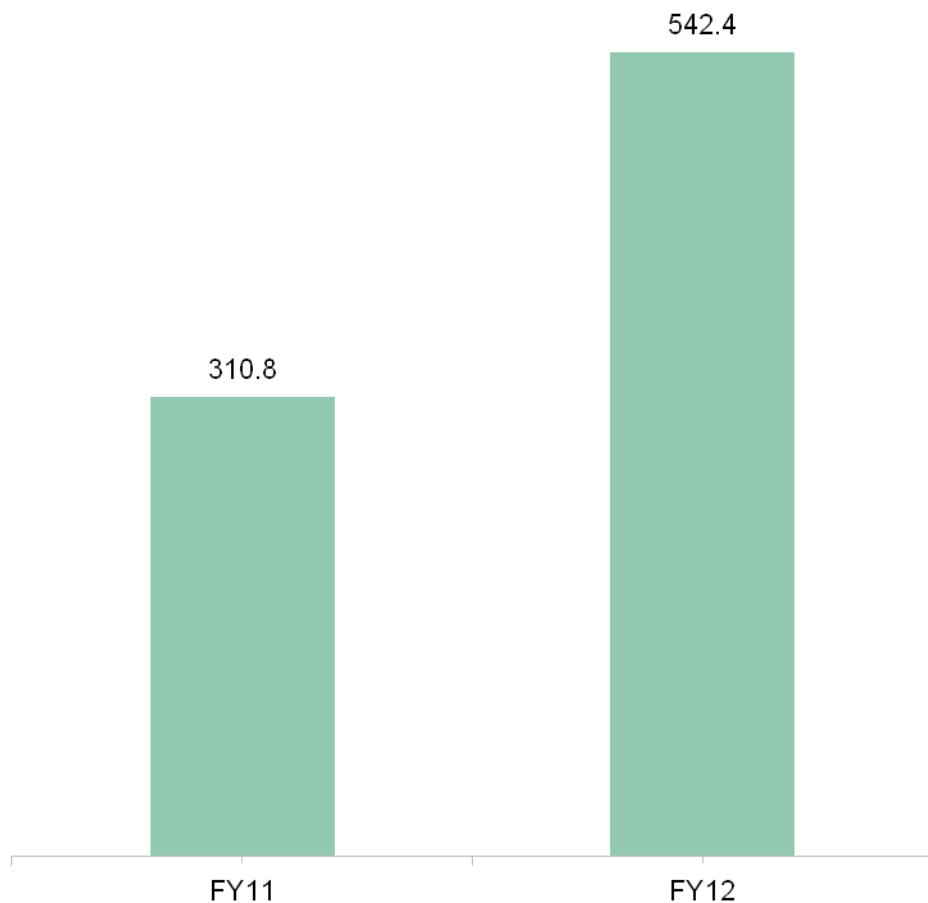
Rapid Expansion of Assets

	FY2012	FY2011	Increase/ (Decrease)
	RMB'000	RMB' 000	%
Biological assets	4,185,600	2,651,407	57.9%
Fixed assets	2,964,585	2,221,265	33.5%
Total assets	8,651,814	6,906,933	25.3%
Total liabilities	3,519,098	2,184,225	61.1%
Total borrowing	2,590,789	1,522,934	70.1%
Leverage ratio⁽¹⁾	33.5%	24.4%	37.3%
Cash balance	652,439	1,308,810	(50.2%)
Bank facilities (not yet utilized)	740,010	1,424,300	(151.9%)

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

Asset Turnover Rates

Operating Cash Flows (RMB Million)



	Cash Conversion Days	
	FY11	FY12
Inventory Days	59	53
Trade Receivable Days	24	26
Trade Payable Days	49	56

- For year 2012, the average inventory days are 53
- For year 2012, trade receivable days are 26, which is determined by the credit period that the Group giving to its major customers
- For year 2012, trade payable days are 56

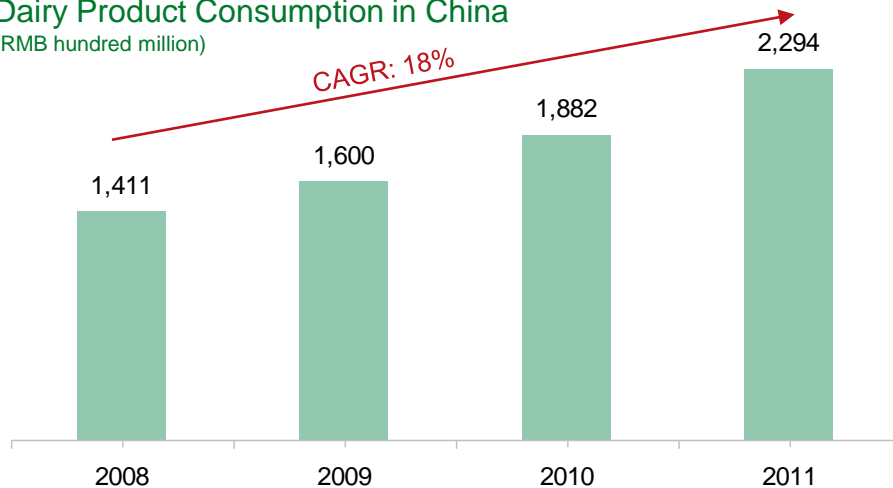


Investment Highlights

The Largest Dairy Farming Company in China with Significant Growth Potential

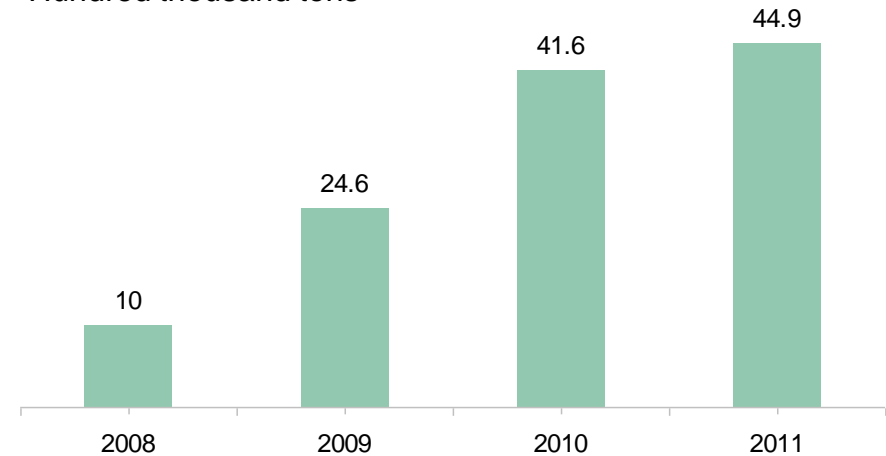
Growing Dairy Consumption

Dairy Product Consumption in China
(RMB hundred million)



Rising milk powder import

Hundred thousand tons

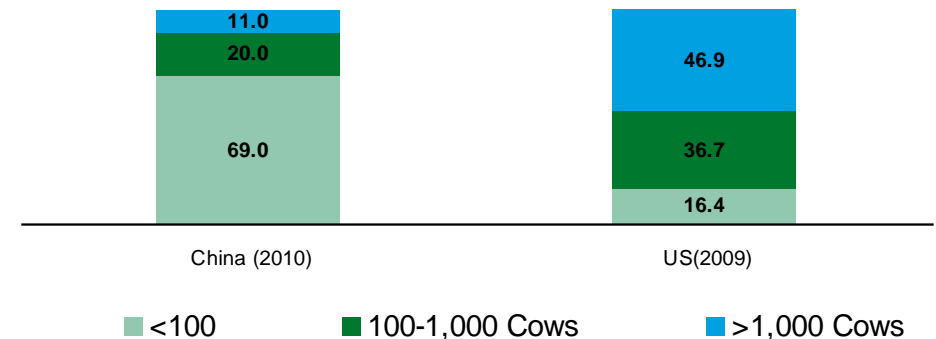


Strong Government Support

- ▶ Modernization of China's dairy farming industry is focused 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

Split of Raw milk Production by Farm Size



Source: China Dairy Statistical Year Book 2011

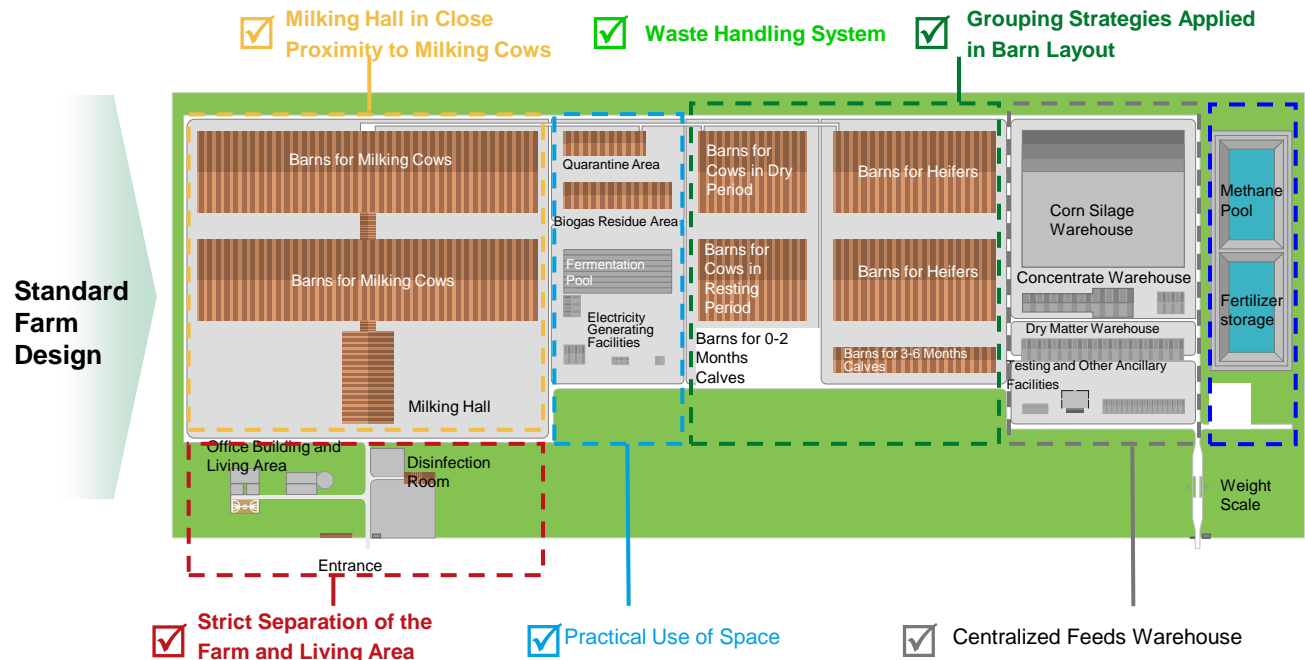
As of 30 June 2012, we operated 20 farms across the PRC with a total of 159,000 dairy cows

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



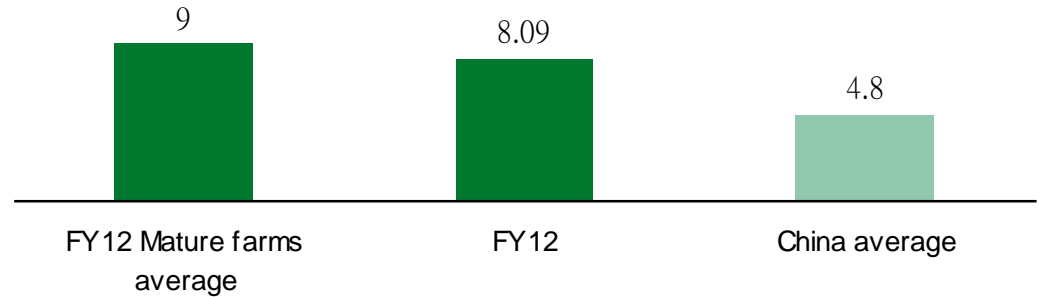
Established business model with high replicability allowing for ease of rollout across China

Comprehensive, Modern and Scientific Operations

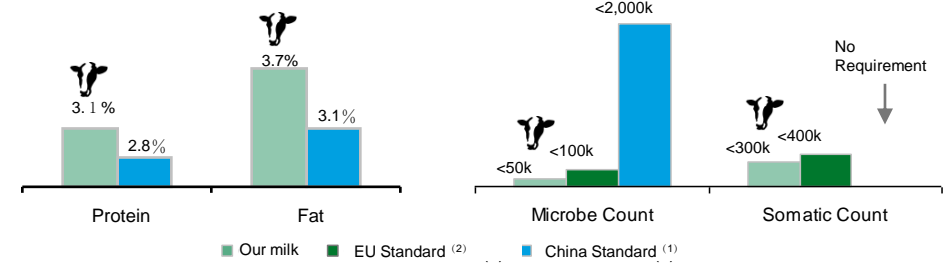
-  Large-scale industrialized farms
-  Importing high quality heifers
-  Comprehensive and modern insemination techniques
-  Comprehensive and modern facilities and equipment
-  Scientific breeding & feeding
-  Partnership with local suppliers

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

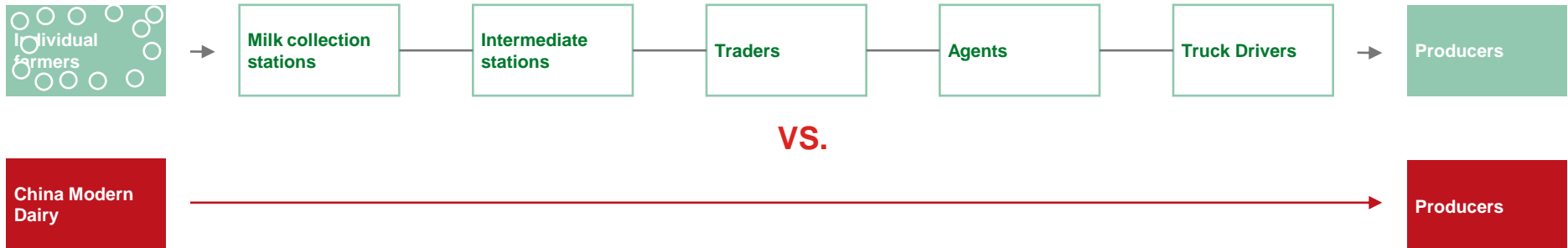
Quality Control Over Feed

- ▶ 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

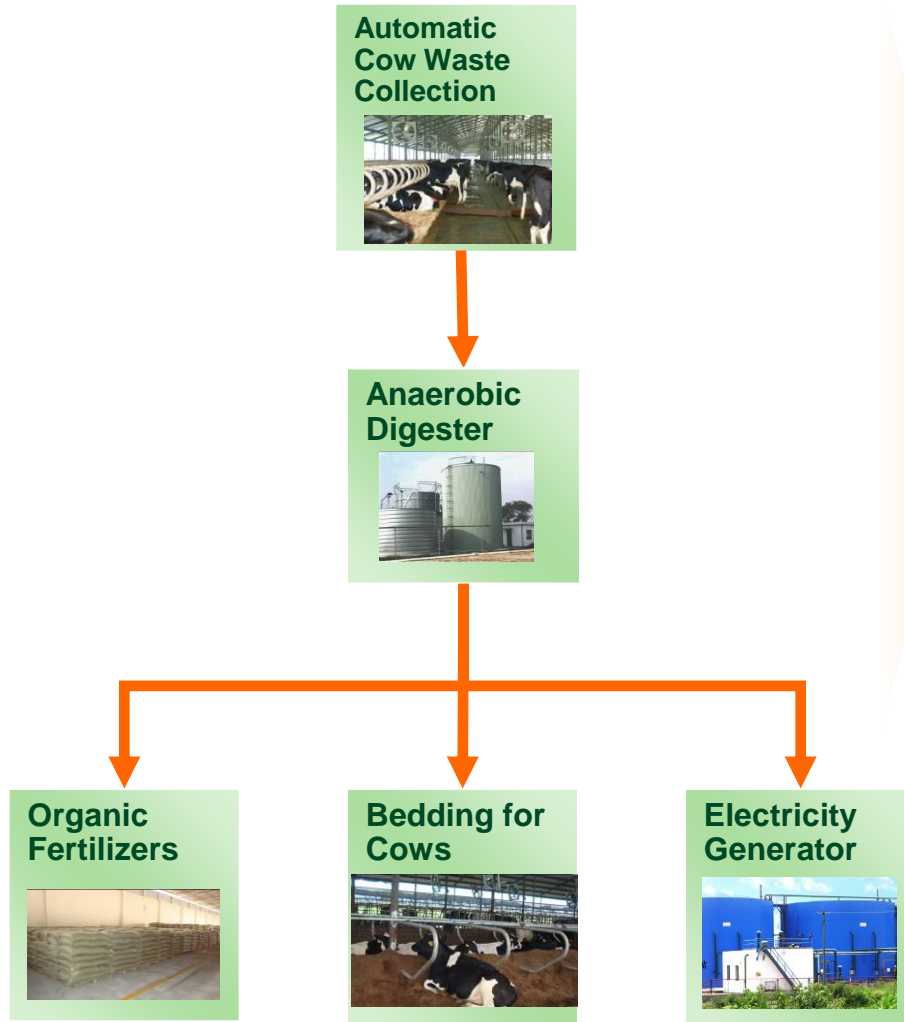
Among the Safest Milk in China With No Risk of Product Tampering



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-how

Strong Support from Financial Investors and Partners



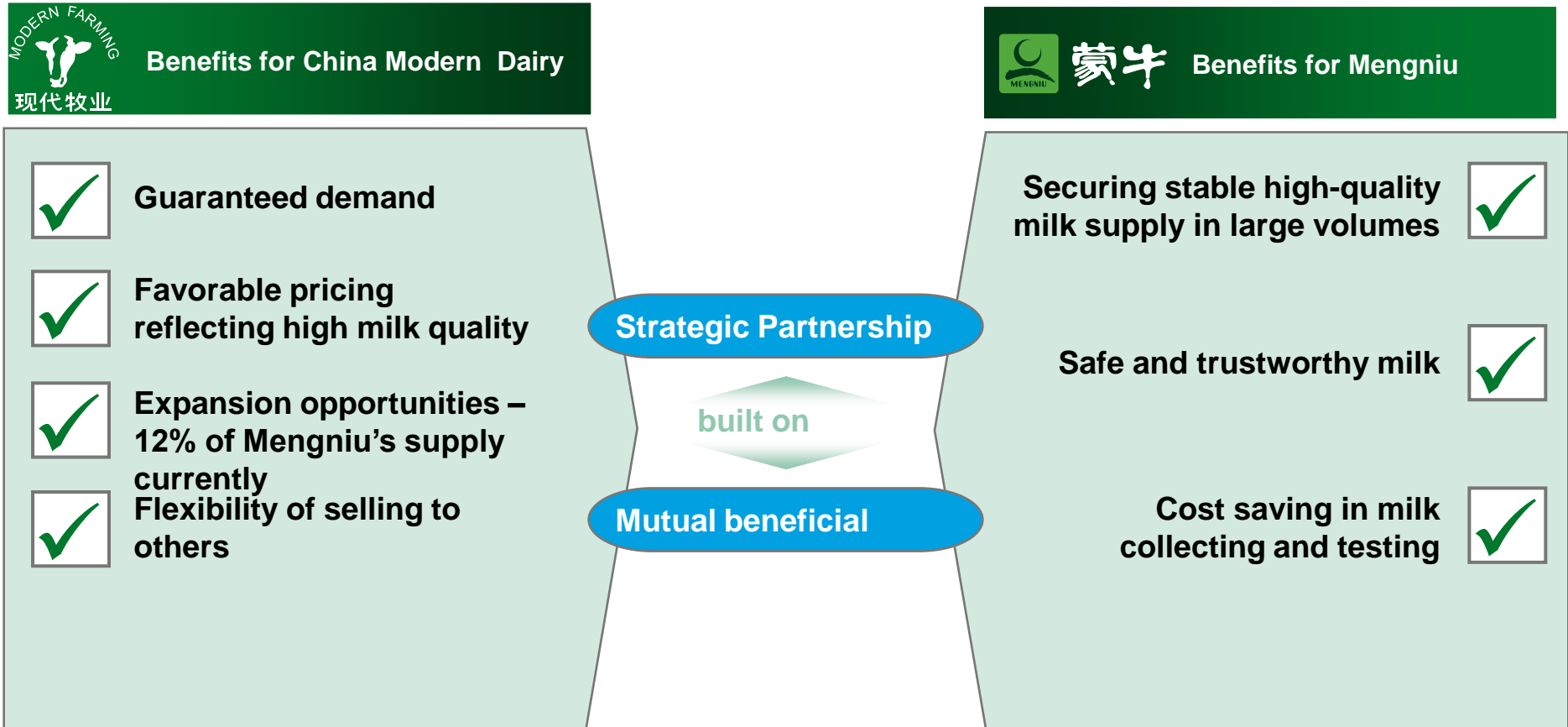
Brightmoon

- ▶ 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

- ▶ 20 farms have been built as at FY2012
- ▶ More dairy cows in 3rd & 4th lactation, more 2nd generation cows with gene improvement
- ▶ Milkable cows increased from 43% of total herd in FY11 to 44% in FY12

New Farm Expansion

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

Off-take Agreement with Mengniu

- ▶ Guarantees sales of all raw milk produced
- ▶ Current production is only 12% 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

Optimize Feed Mixing

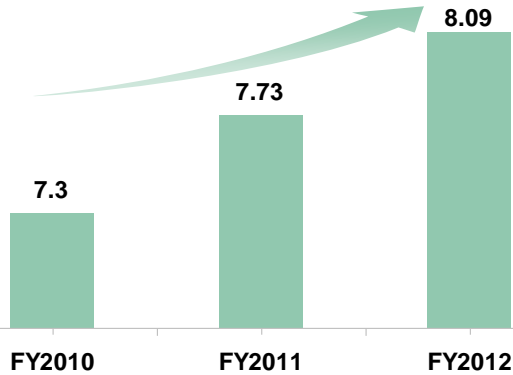
Optimize Breeding Techniques

Penetrate Regions with High Demand Growth

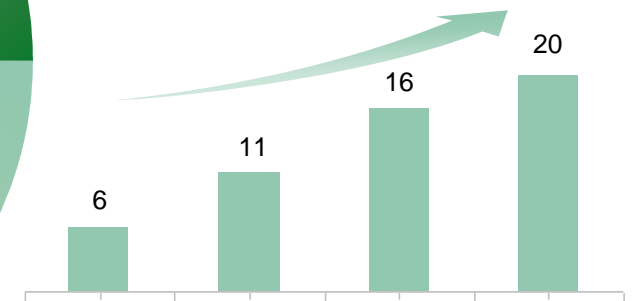
Replicate Successful Business Model

Strengthen and Broaden Customer Base

Milk yield growth (ton/annum)



Farm expansion



Develop Premium-Branded Dairy Products

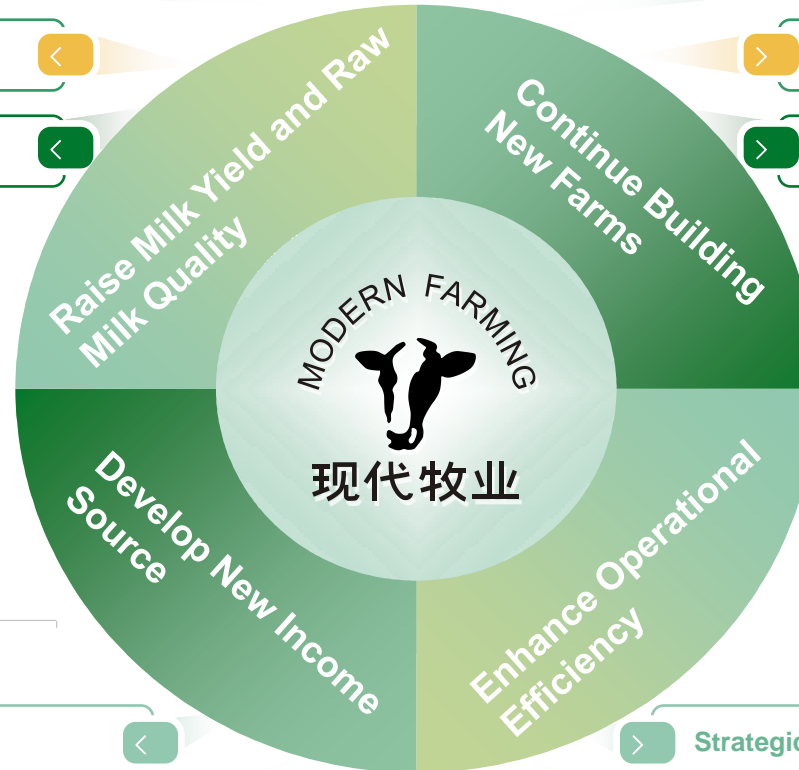
Convert Cow Waste into Organic Fertilizer Products

Commercialize Excess Bio-Electricity

Strategically Localize Feed Structure

Continuously Improve Productivity and Efficiency

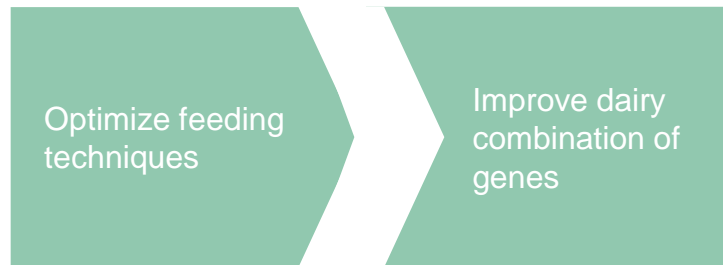
Invest in Advanced Equipment and Management Systems



Continue to raise milk yield and raw milk quality

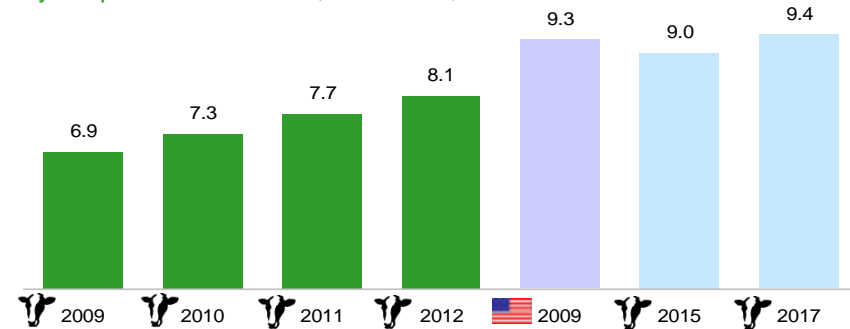
Technological means

- ▶ China Modern Dairy applies the most advanced feeding and breeding technology in the industry to raise milk yield and milk quality

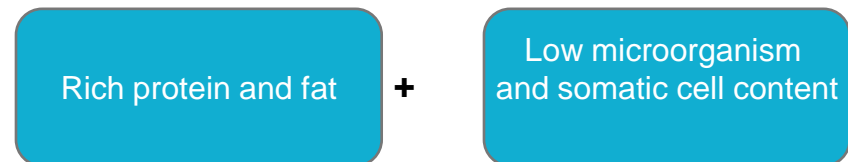


Continue to raise milk yield

- ▶ Working hard to raise milk yield to the same level of developed countries
milk yield per milkable cow (ton/annum)



Strive to improve raw milk quality



Class feeding management techniques and one of the best operators in the industry enable China Modern Dairy abreast with international standard of milk yield and quality

Enhance Operational Efficiency

Invest in advanced technology and management system

- ▶ Install and implement herd management system in all farms
- ▶ Subtotal data from all functional departments while realizing centralized monitoring and data analysis.



Develop and implement new technologies and new techniques

- ▶ Apply new technologies and techniques in farm operations
- ▶ Achieve higher operation efficiency and lower operation costs



Strengthen cooperation with local farmers and agricultural institutions

- ▶ Research and supply high-quality plants and crops
- ▶ On the basis of cost control, supply high-quality feed with special features in accordance with geographical requirements



Combining world-class equipments with the best management practice in the industry to enhance operational efficiency



Thank you!