

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)



2013 Results Announcement



现代牧业

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Company Overview

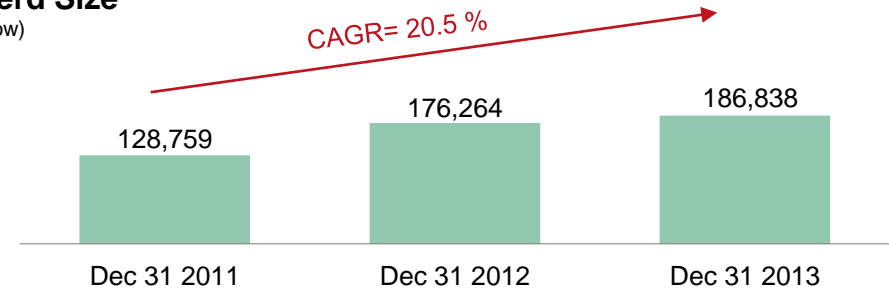
China Modern Dairy-- The Largest Dairy Farming Company in China

Company Overview

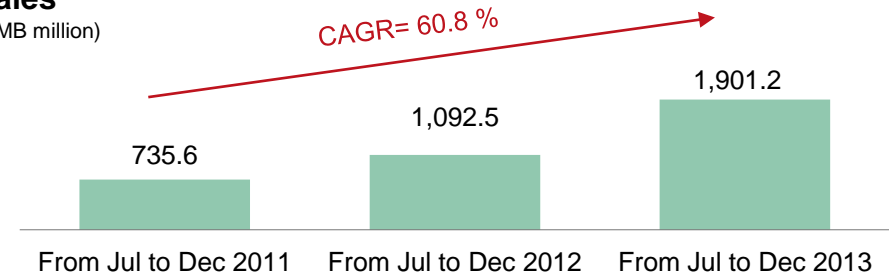
- ✓ The largest dairy farming company in China and the first listed company focused on dairy cow breeding
- ✓ Advanced breeding and feeding techniques and facilities
- ✓ Stringent standards on quality assurance and comprehensive quality control
- ✓ Industrialized free-stall dairy farming business model and standardized operational procedures and farm design, realizing sustainable economies of scale
- ✓ Eco-friendly production, achieving environmental conservation and operation cost reduction
- ✓ Keep providing highest-quality raw milk in China as a solution to the quality crisis faced by the raw milk industry

Outstanding Performance

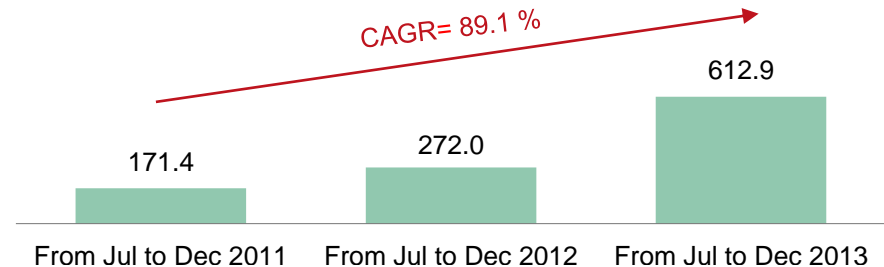
Herd Size
(Cow)



Sales
(RMB million)



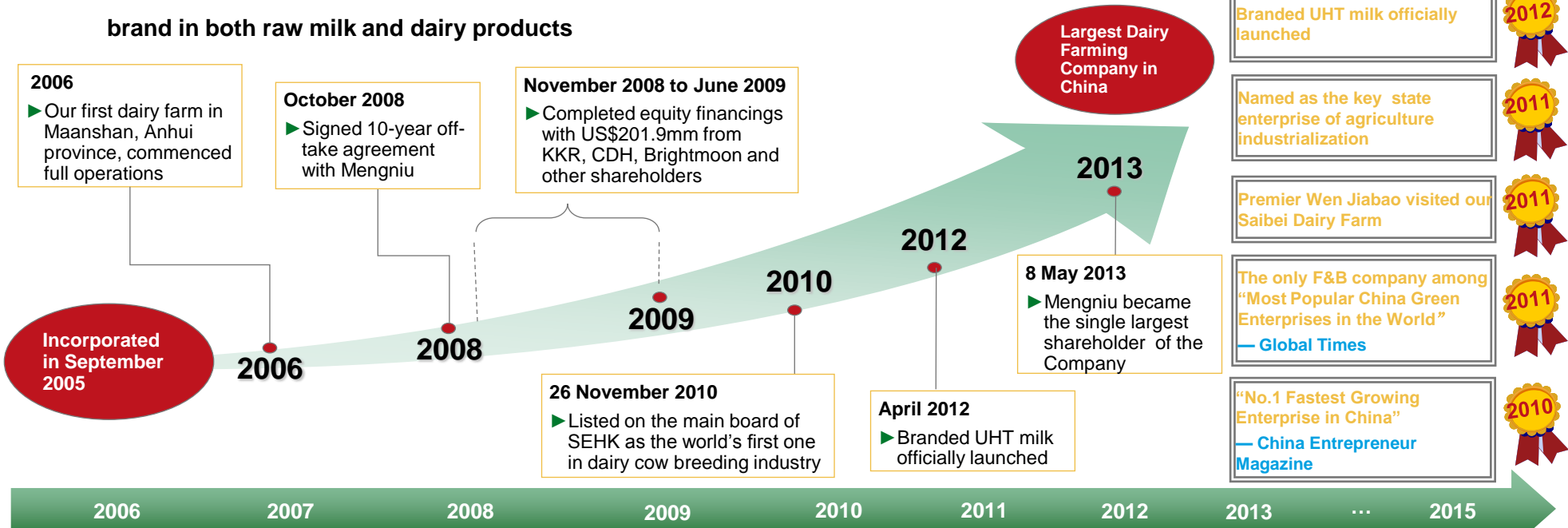
Cash EBITDA
(RMB million)



Our History and Vision

China Modern Dairy's Mission and Vision

- ❑ To positively respond to Central File No.1, to keep developing breeding and genetic engineering and further expand the scale of standardized farming for livestock and aquaculture
- ❑ To become the world's most advanced farm operator while remain environmentally friendly
- ❑ To produce the highest-quality milk in the world with scientific breeding and feeding
- ❑ To provide the most reliable and safest source of dairy milk with best-in-class management practices and technology
- ❑ To build the full industry chain from breeding and feeding to processing and to establish China's No.1 brand in both raw milk and dairy products





Latest Development

Formation of Joint Venture

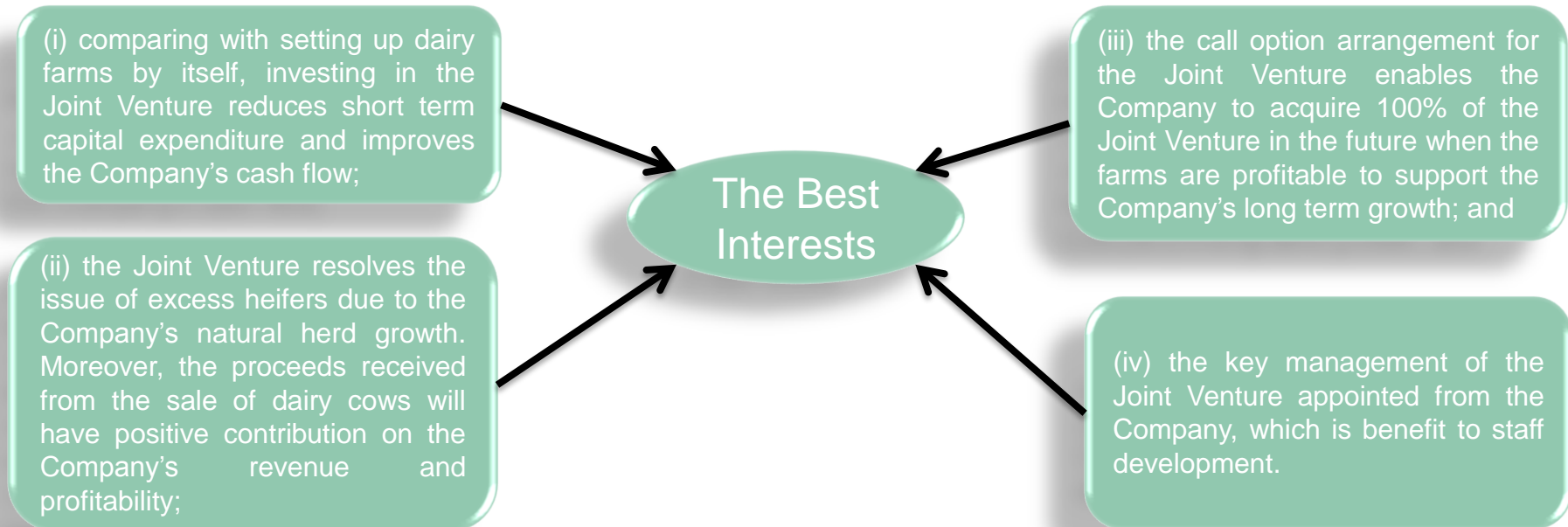
About Formation of Joint Venture

- On 23 September 2013, China Modern Dairy Holdings Ltd. ("Modern Dairy", 1117.HK) entered into the Joint Venture Agreement with Success Dairy, we have agreed to invest in the JVco as a joint venture company which will provide the high-quality raw milk for the Chinese consumers. According to Agreement, Modern Dairy and Success Dairy have agreed to build two dairy farms in the future, the total investment is US 140 million dollars.
- Success Dairy and Modern Dairy will own 82% and 18% of the issued share capital of the JVco respectively.
- The JVco will purchase approximately 13,200 dairy cows from Modern Dairy.

About Success Dairy

Success Dairy is a joint venture entity ultimately held by New Dairy Investment Ltd and Crown Dairy Holdings Limited. New Dairy Investment Ltd is a subsidiary of KKR China Growth Fund L.P. Crown Dairy Holdings Limited is a wholly-owned subsidiary of CDH Fund IV.

The Company believes that the formation of the Joint Venture is in the best interests of the Group :



Results Highlights for the six months ended 31 December 2013

**For the six months ended 31 December 2013,
2013 Cash EBITDA increased by 125.4% compared to corresponding period in 2012
Net Profit excluding changes in fair value increased by 170.5%.**

Item	From Jul 1 to Dec 31 2013	From Jul 1 to Dec 31 2012	Change
	RMB'000	RMB'000	%
Sales of raw milk produced	1,901,248	1,092,528	74.0%
Cash EBITDA⁽¹⁾	612,944	271,984	125.4%
Cash EBITDA margin	32.2%	24.9%	7.3%
Gains or loss from changes in fair value	-58,039	27,744	-309.2%
Net profit	327,487	170,269	92.3%
Net profit excluding changes in fair value	385,526	142,525	170.5%
Basic earnings per share (RMB cent)	6.79 cents	3.55 cents	91.3%

Note: (1) Cash EBITDA is the earnings before interest expenses, taxation, depreciation, amortization, gain/loss arising from changes in fair value less cost of sales of dairy cows and other gains and losses.

Results Highlights for the twelve months ended 31 December 2013

For the twelve months ended 31 December 2013,
2013 Cash EBITDA increased by 87.8 % compared to corresponding period in 2012
Net Profit excluding changes in fair value increased by 93.4%

Project	From Jan 1 to Dec 31 2013	From Jan 1 to Dec 31 2012	Change
	RMB'000	RMB'000	%
Sales of raw milk produced	3,289,281	2,034,503	61.7%
Cash EBITDA⁽¹⁾	1,021,157	543,691	87.8%
Cash EBITDA margin	31.0%	26.7%	4.3%
Gains or loss from changes in fair value	-124,382	95,717	-229.9%
Net profit	481,050	408,817	17.7%
Net profit excluding changes in fair value	605,432	313,100	93.4%
Basic earnings per share (RMB cent)	9.99 cents	8.52 cents	17.3%

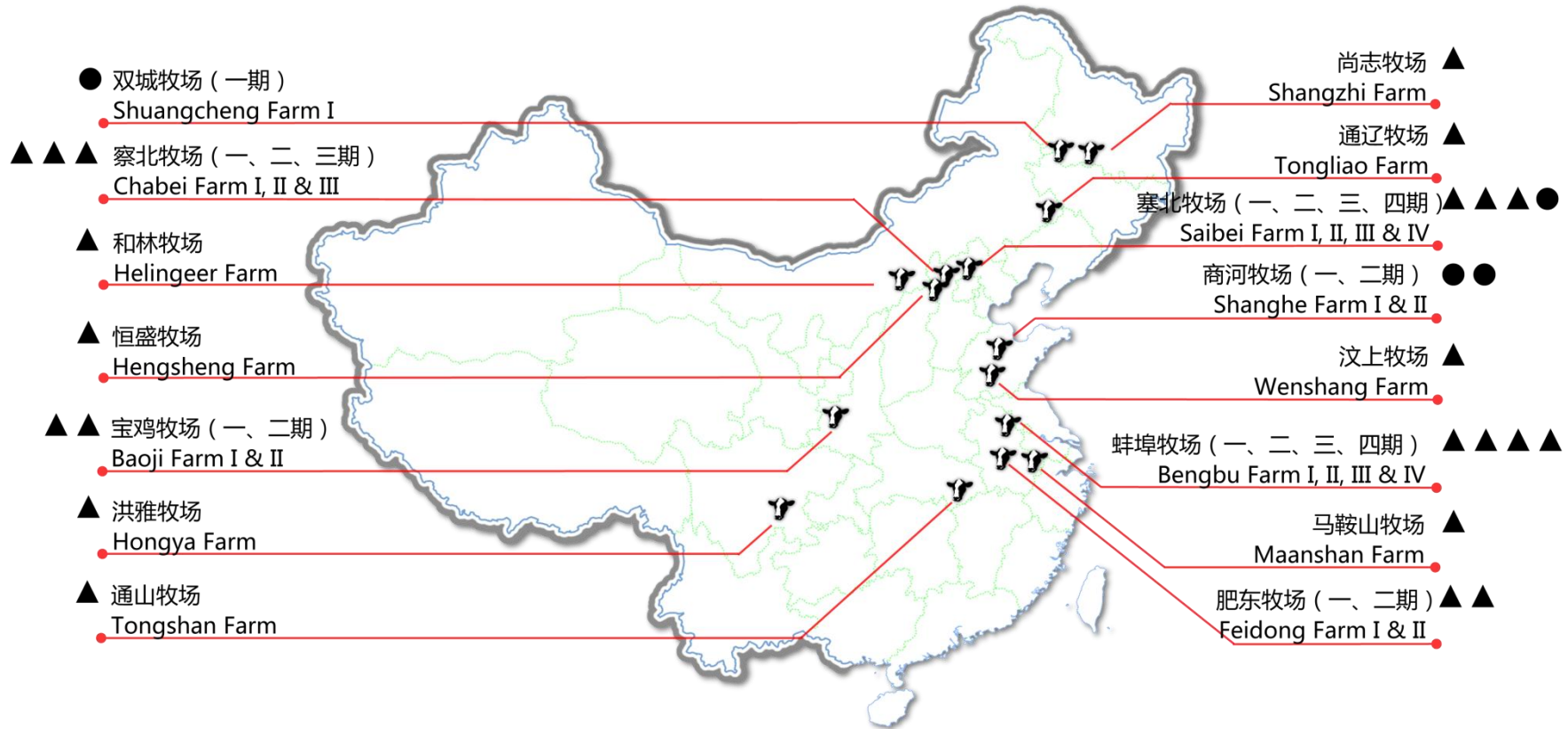
Note: (1) Cash EBITDA is the earnings before interest expenses, taxation, depreciation, amortization, gain/loss arising from changes in fair value less cost of sales of dairy cows and other gains and losses.



Operation Indicators

Largest Dairy Farming Company in China

Farm Distribution



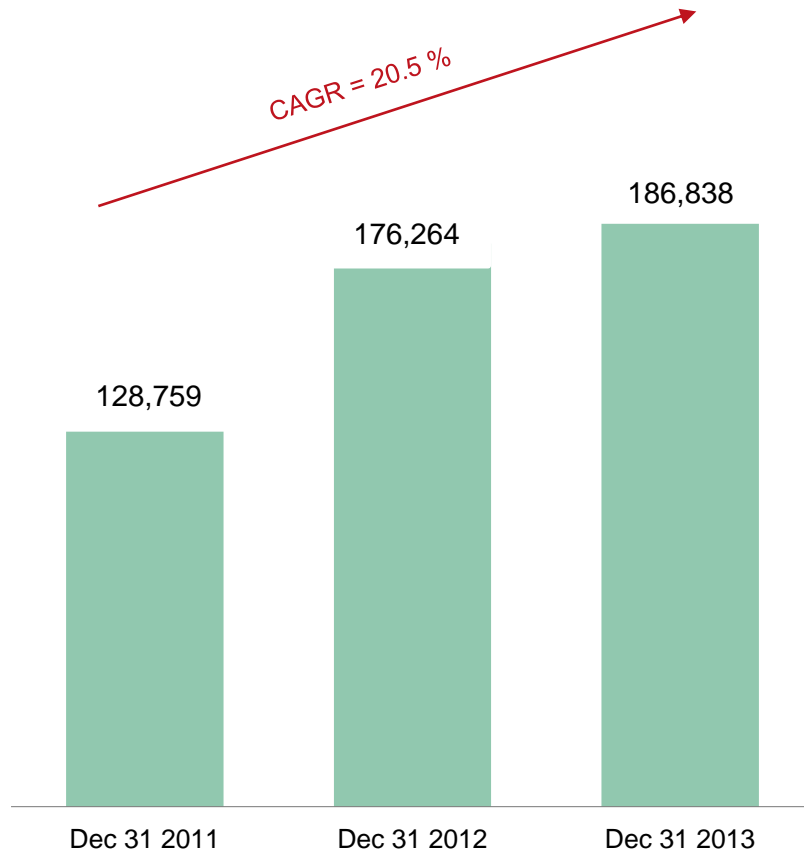
Note: ▲ Farms in operation, a total of 22 farms , ● Farms under construction , a total of 4 farms

As at 31 December 2013, the Company had 26 farms in China, which had 22 farms operating and 4 farms under construction by the Company. The Company had 186,838 dairy cows in total, among which, 98,791 are milkable cows, representing an increase of 6% and 26.7% when compared with those of last year respectively.

Largest Dairy Farming Company in China

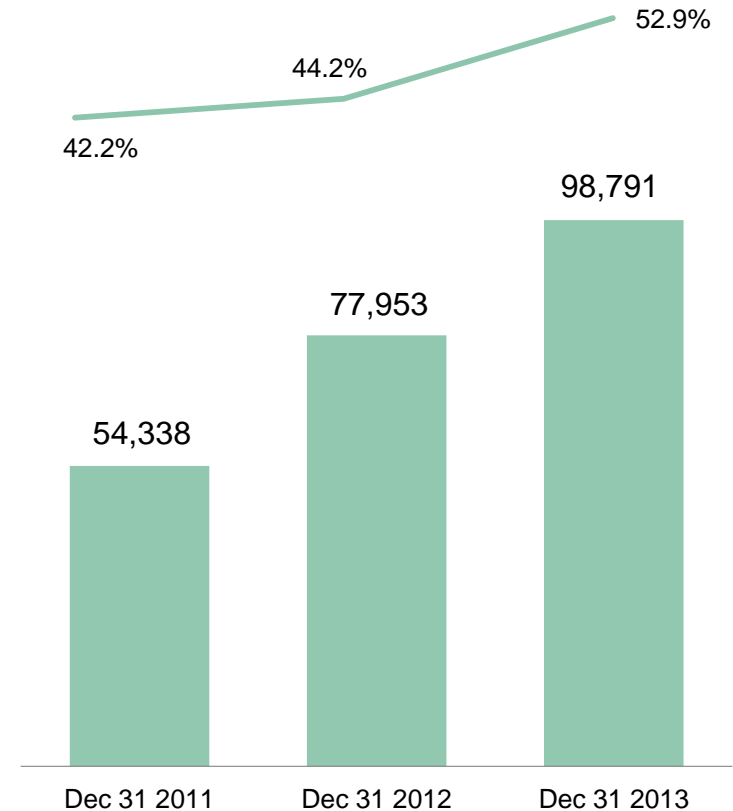
Steady Growth in Herd Size

Herd Size(Cow)



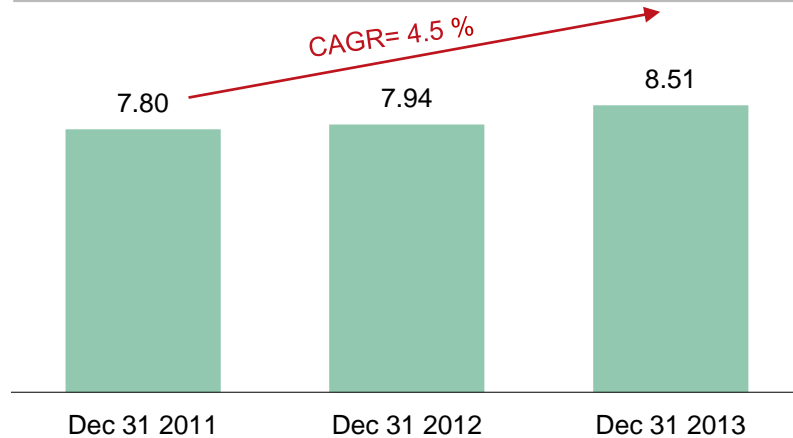
Rapid Growth in number of Milkable Cows Cow Herd Structure Tends to be Reasonable

Milkable Size and Percentage(Cow)

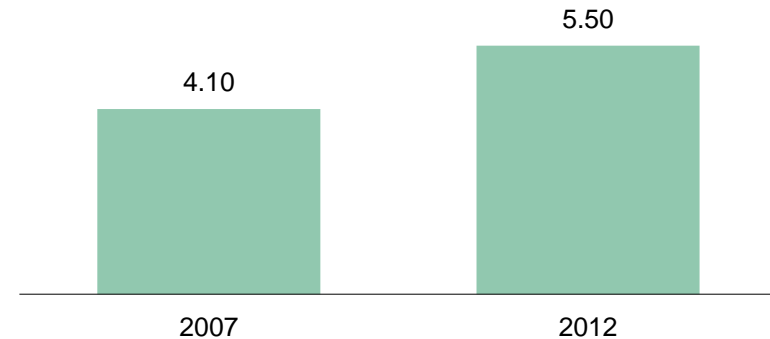


Continued Rise in Raw Milk Prices

Continued Improvement of the yield of Milkable Cow



Industrial Situation



Source: National Bureau of Statistics of China, Frost & Sullivan

Calculation Method for the yield of Milkable Cows

Item	Milk yield per cow per day (kg/day)
Milkable Cow	23.31
Lactating Cow	27.90

- ▶ Milk yield refers to milk yield of cow which is producing milk ("milk yield of lactating cow"), but lactating cow needs a dry period of around 60 days annually for give birth cattle, thus 305 days shall be applied when calculate the annual milk yield.
- ▶ E.g., milk yield of the Company during the period amounts to 8.51 tons, it shall be 27.9×305 days, but not $27.9 \times 365 = 10.18$ tons;

High-quality Raw Milk Benefits Our Pricing

Advanced Techniques

- ▶ Adopting the leading edge breeding and feeding techniques to improve the milk yield and quality

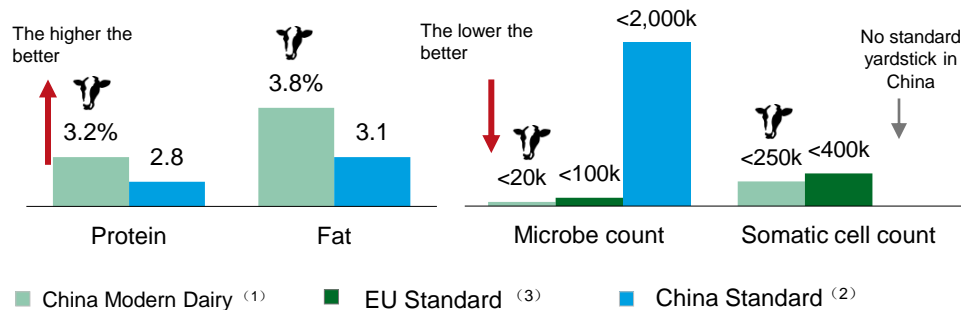
Optimizing feeding techniques

Improving the gene combinations of milkable cows

Strengthening feed mix research and managing

Enhancing the feed nutrients and energy

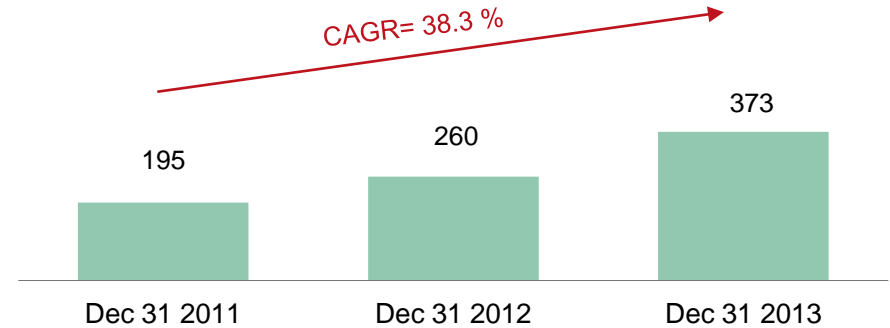
Strive to Improve Raw Milk Quality



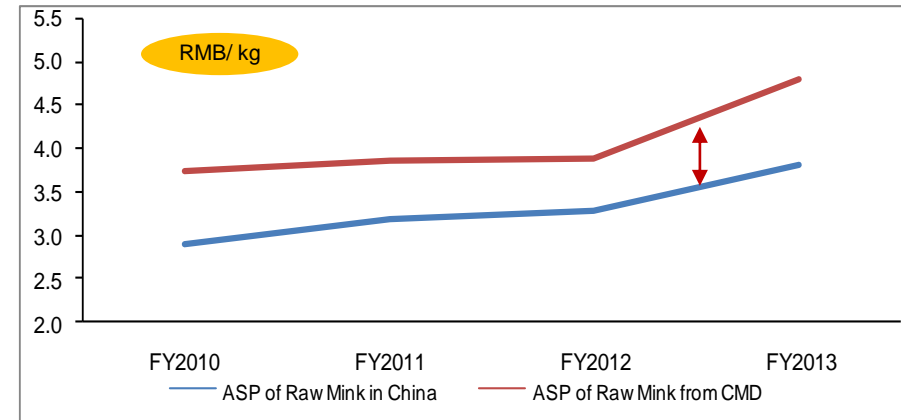
Notes: (1) in terms of herd size and raw milk output
 (2) National Food Safety Standard — Raw Milk was published on March 26, 2010.
 (3) Raw Milk quality standards in Council Directive 92/46/EEC was adopted in 15 number of EU comprising member countries.

Rapid Growth in Raw Milk Sales

Raw Milk Sale Volume (1,000 tons)



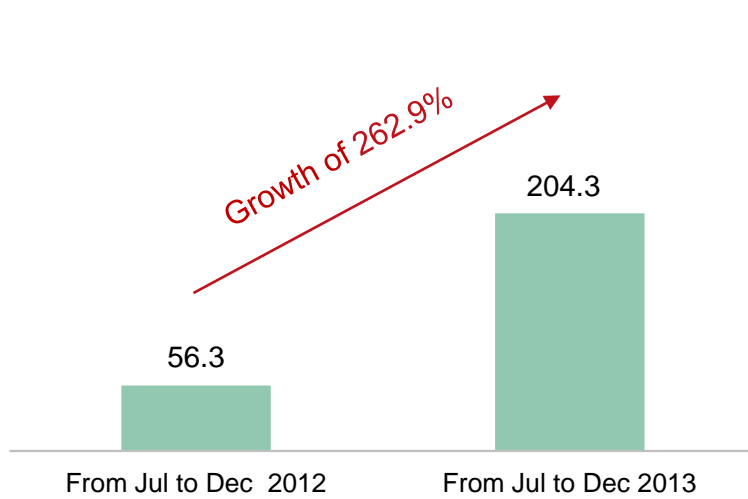
Higher Raw Milk ASP Driven by Premier Quality and Nutrition Standard



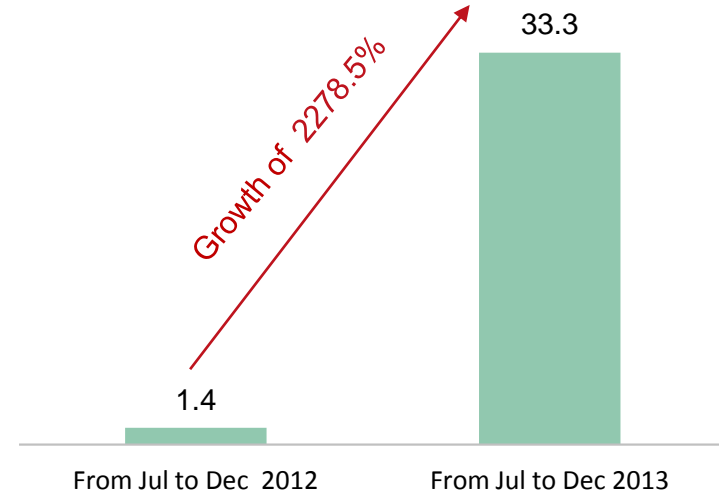
Source: Company data, Wind.

Develop Self-owned Branded Milk Business

Significant Growth in Branded UHT Milk Sales (RMB million)



Significant Growth in Profit of Branded UHT Milk Profit (RMB million)



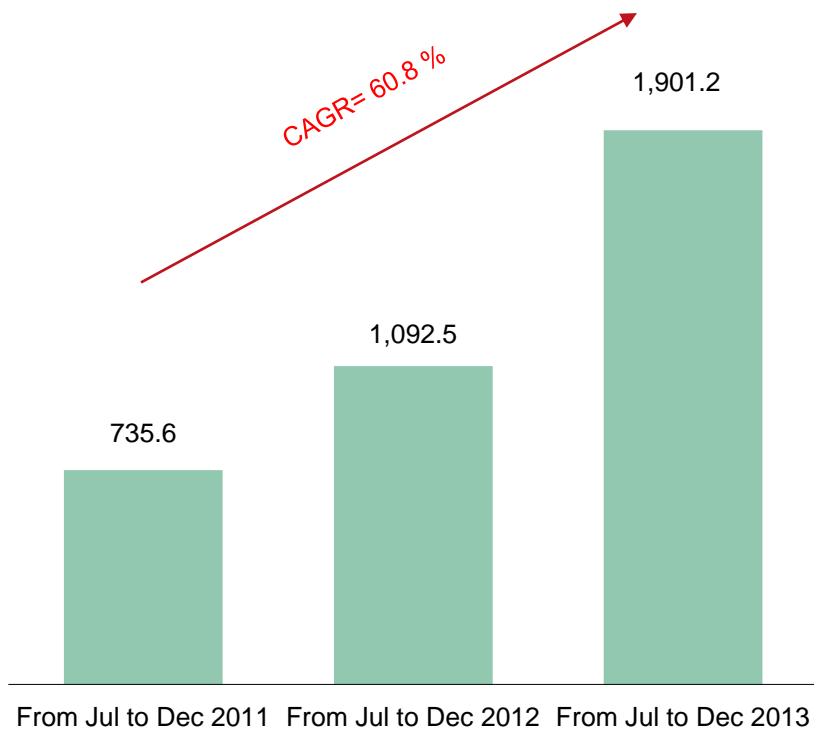


Key Financials

Strong Track Record of Growth

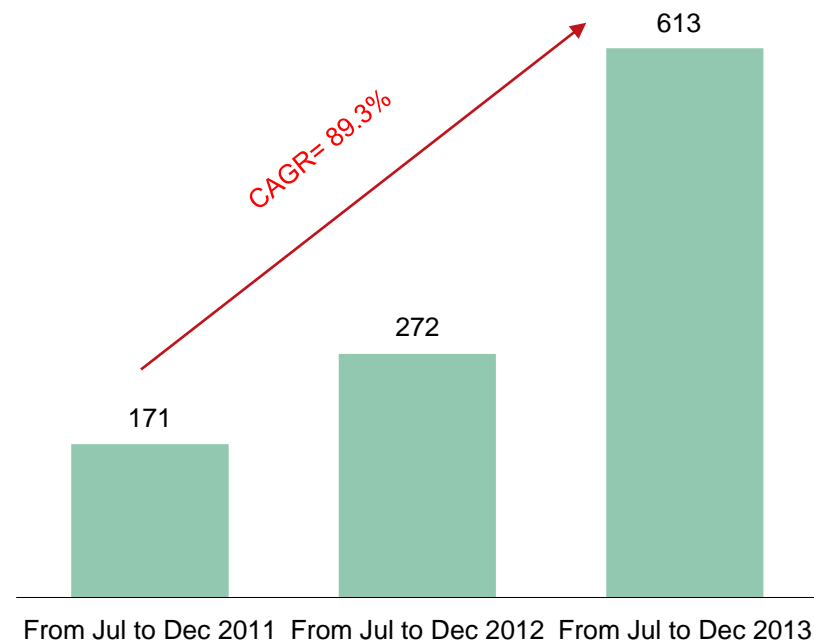
Sales

(RMB million)



Cash EBITDA⁽¹⁾

(RMB million)



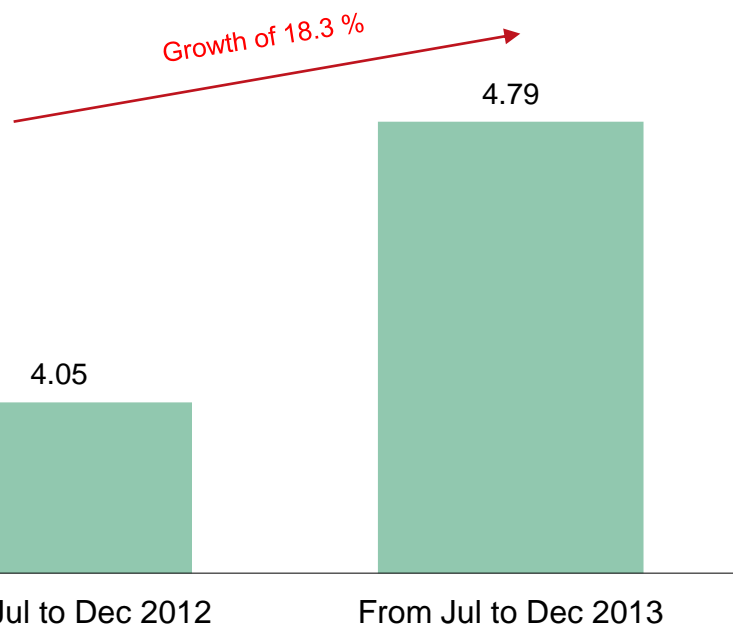
Note: (1) Cash EBITDA is the earnings before interest expenses, taxation, depreciation, amortization, gain/loss arising from changes in fair value less cost of sales of dairy cows and other gains and losses.

The Rising Cost has shifted to the Price of Raw Milk

During the period, the Company faced the pressure of rising feed cost, but our raw milk price also increased correspondingly, which enable the Company to rapid growth of profit margin.

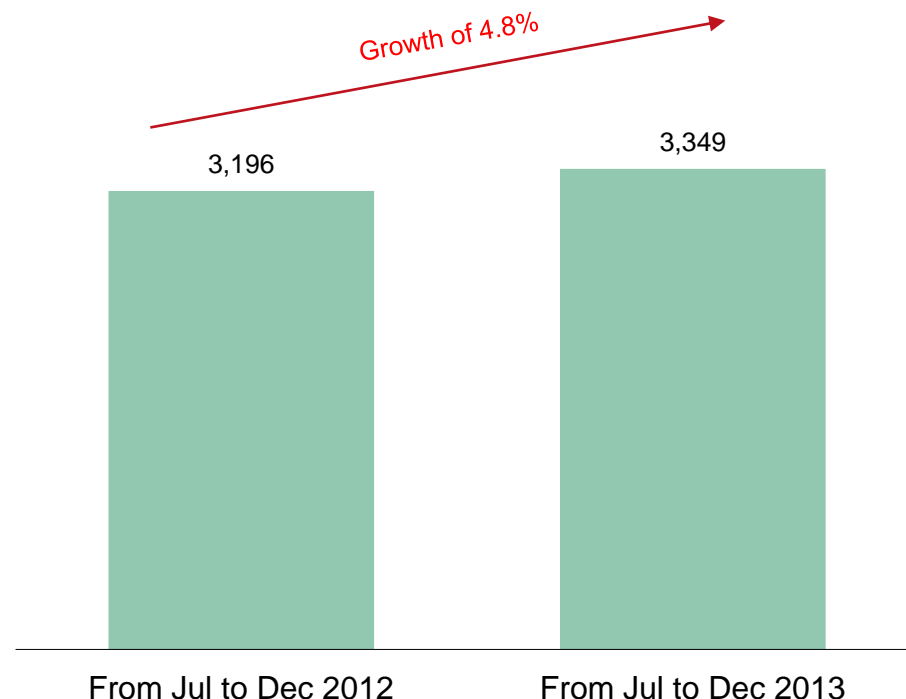
Raw Milk Price

(RMB/ kg)



Raw Milk Cash Cost

(RMB/ ton)



Rapid Expansion of Assets

Item	Dec 31 2013	Jun 30 2013	Change
	RMB'000	RMB'000	%
Biological assets	5,954,363	5,465,008	9.0%
Fixed assets	4,032,642	3,772,270	6.9%
Total assets	12,493,821	11,163,663	11.9%
Total liabilities	6,633,087	5,654,939	17.3%
Total borrowing	4,948,666	4,279,041	15.6%
Leverage ratio⁽¹⁾	46.3%	44.2%	2.1%
Cash balance⁽²⁾	799,576	820,777	-2.6%
Bank facilities (not yet utilized)	3,668,079	2,216,902	65.5%

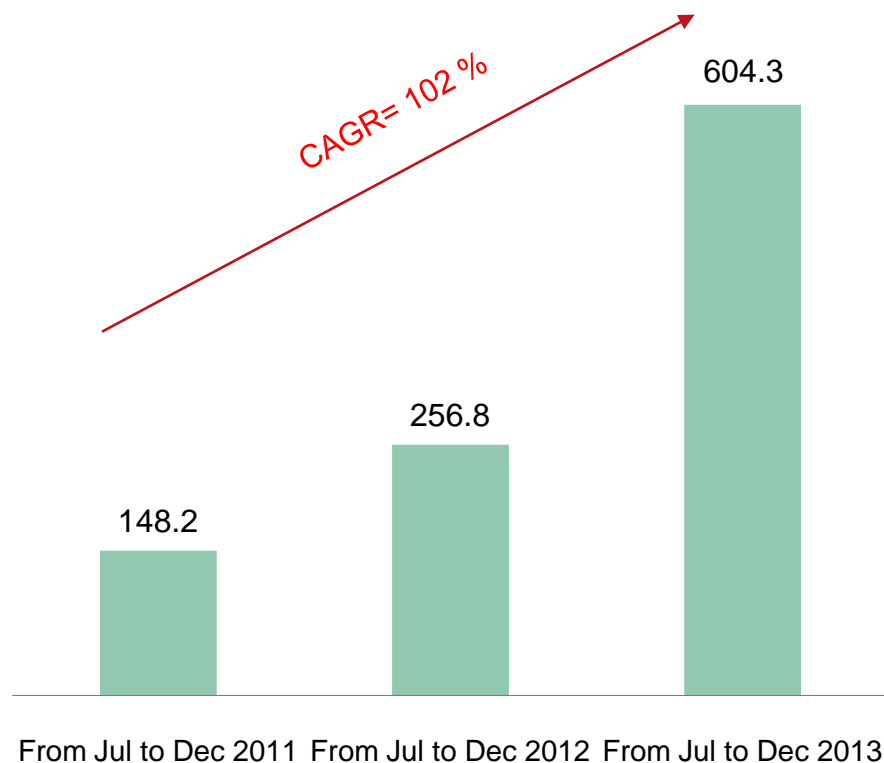
Note: (1) Leverage ratio=Interest bearing liabilities / (Interest bearing liabilities + book value of total equity).

(2) Including pledged bank balances.

Asset Utilization Rate

Operating Cash Flows before Movements in Working Capital

(RMB Million)



Item	Turnover Days	
	From Jul to Dec 2013	From Jul to Dec 2012
Inventories	55	49
Trade Receivable	38	32
Trade Payable	65	70

- In order to improve the quality of the feed , the Company increased storage of silage, which increased inventory turnover days; while the Company shorten payment period of silage corresponding which decreased trade payables turnover days.
- The Company commenced selling self-owned branded products and gave the customers certain trade days, which makes the total trade receivable days increased; the trade days of raw milk are 30.

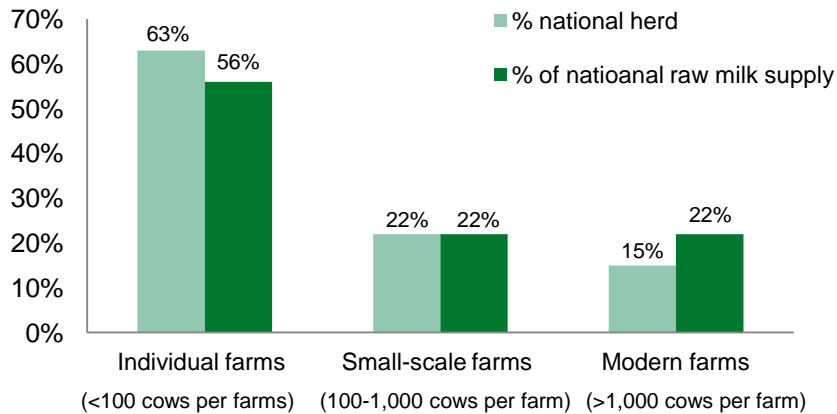


Business Outlook

Huge Development Potential of China Modern Dairy

Highly Dispersed Dairy Industry in China

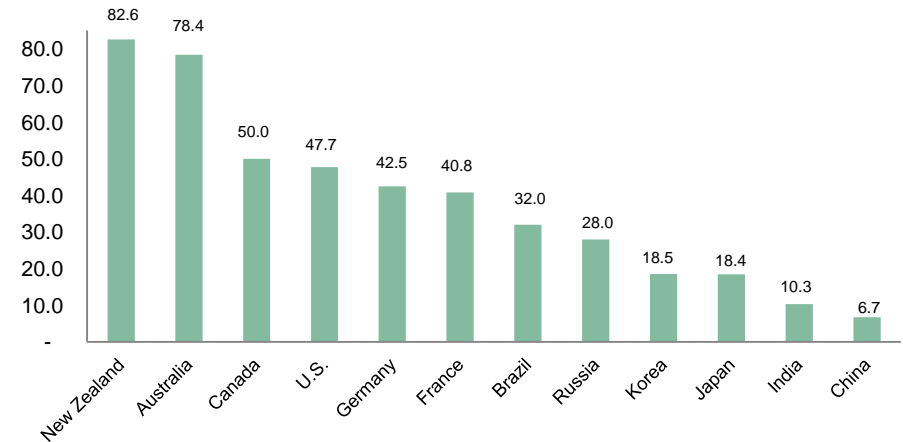
Distribution of national raw milk output and herds by farm size, 2012



Source: DAC, Research Report

China's Per Capita Dairy Consumption still has a Growth Stage

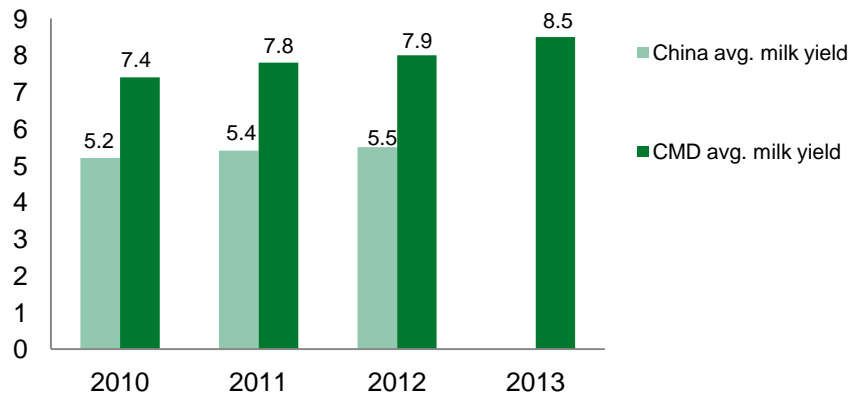
Per Capita Liquid Milk Consumption, 2012 (Litre)



Source: Euromonitor,

Development Potential of China Modern Dairy

China's avg. milk yield versus CMD avg. milk yield (Tons/ annum)



Source: : DAC, CMD, Research Report

- ▶ China has huge raw milk supply gap, especially raw milk supply from large-scale farms is still at low level. China Modern Dairy's high quality raw milk is favored by more and more dairy products manufacturers
- ▶ Significant consolidation trend is on the way to the modernization of dairy industry

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 Mix <

Optimize Breeding Techniques <

> Penetrate Regions with High Demand Growth

> Expand the Farm Scale by Organic Growth of Herd

> Strengthen and Broaden Customer Base



Develop Self-owned Branded Dairy Products and Profit Margin <

Sell the Dairy Cows after Meeting Self-sufficiency <

To Enhance the Sale Market of Low Temperature Milk <

> Strategically Localize Feed Structure

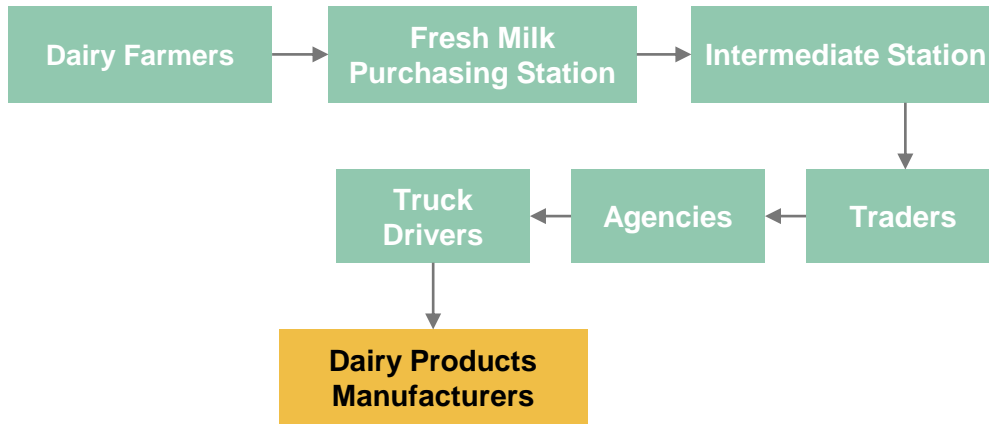
> Invest in Advanced Equipment and Management Systems

> Improve Information Technology Management

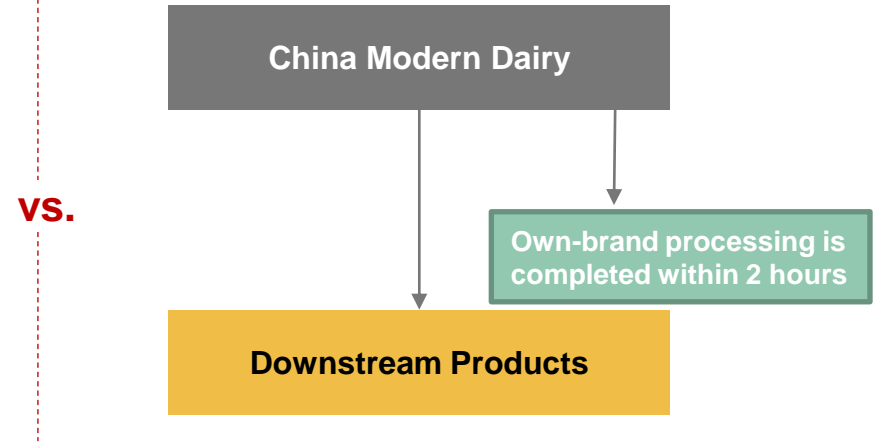
Large-scale Farms Possess Significant Competitive Edges

Avoid Polluting Milk Sources, Better Control Cost and Prevent the Risks

Individual Farms Operation Model



Large-scale Farm Operation Model

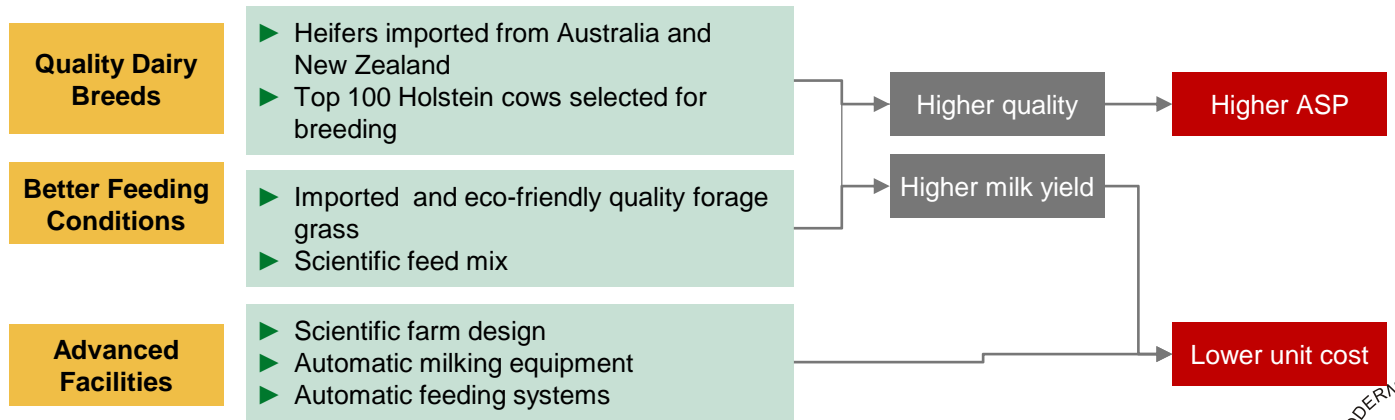


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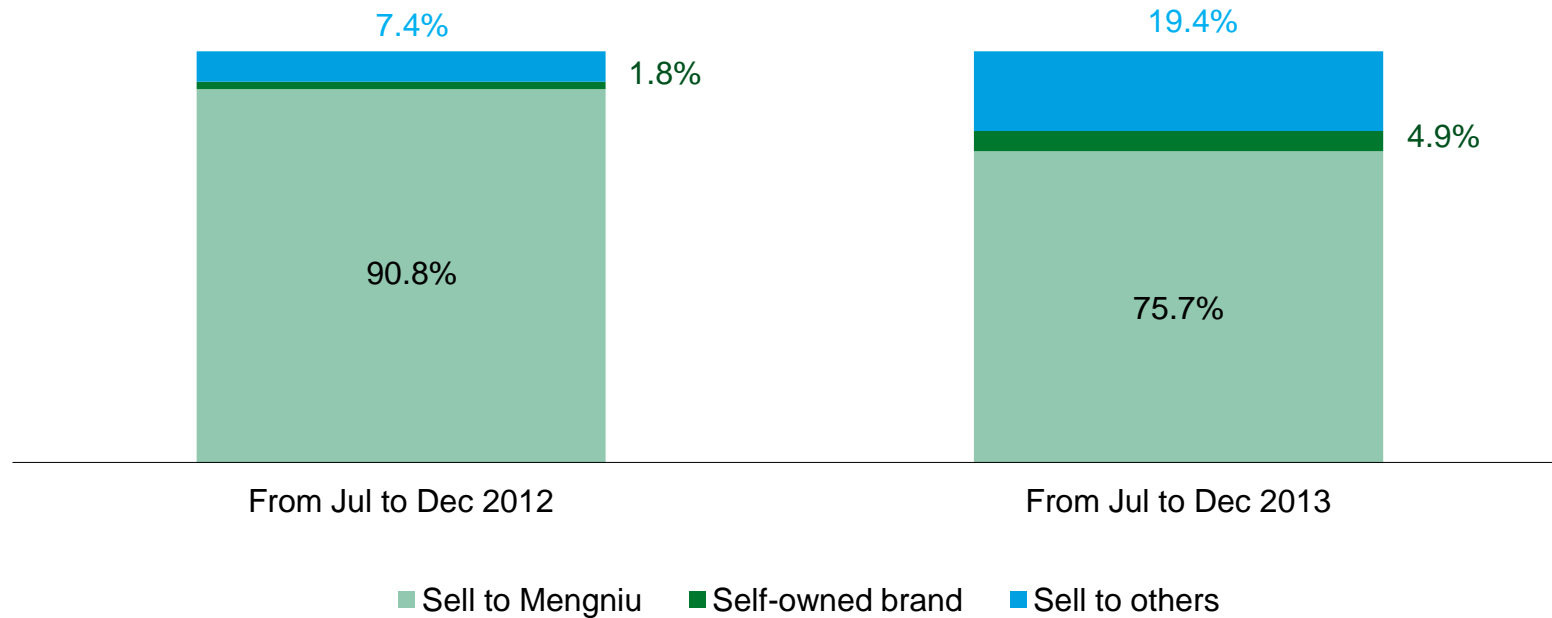
Competitive Edges of Large-scale Farms



Source: Company information and research report.



Client Diversification of Sales of Raw Milk



- ▶ Continue to cooperate with Mengniu according to the long-term strategic agreement of raw milk supply
- ▶ Proactively extend sales channels for other third parties and build marketing network
- ▶ In 2013, the company sold raw milk to 12 third-party dairy products companies (such as: Nestle, New Hope Dairy, Heilongjiang Hongxing Dairy, Junlebao, Yinqiao, Jule, etc.)
- ▶ Build free distribution network and sell branded UHT milk from 2 major cities (Beijing, Shanghai) to other in China.



Thank you!