

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)



2014 Interim Announcement



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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



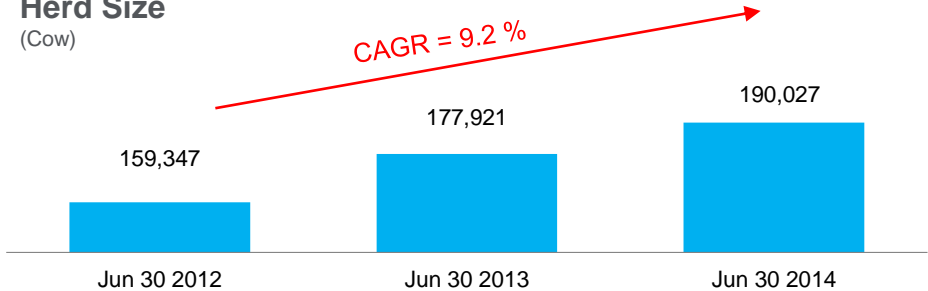
Eco-friendly production, achieving environmental conservation and operation cost reduction



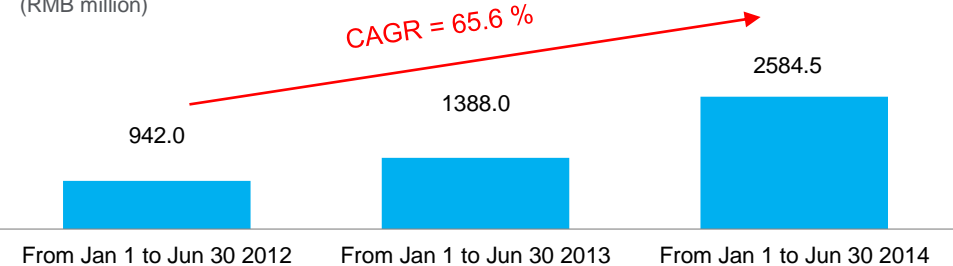
Keep providing highest-quality raw milk in China as a solution to the quality crisis faced by the raw milk industry

Outstanding Performance

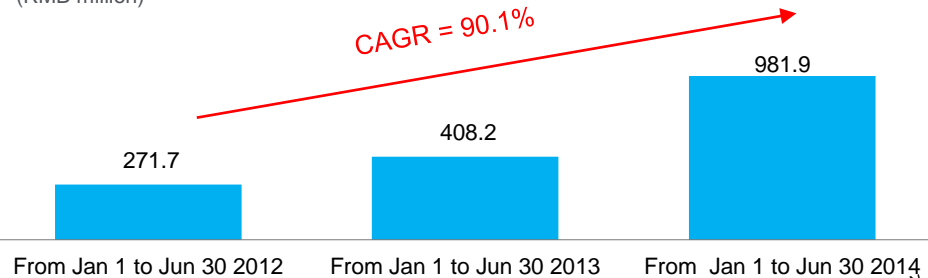
Herd Size (Cow)



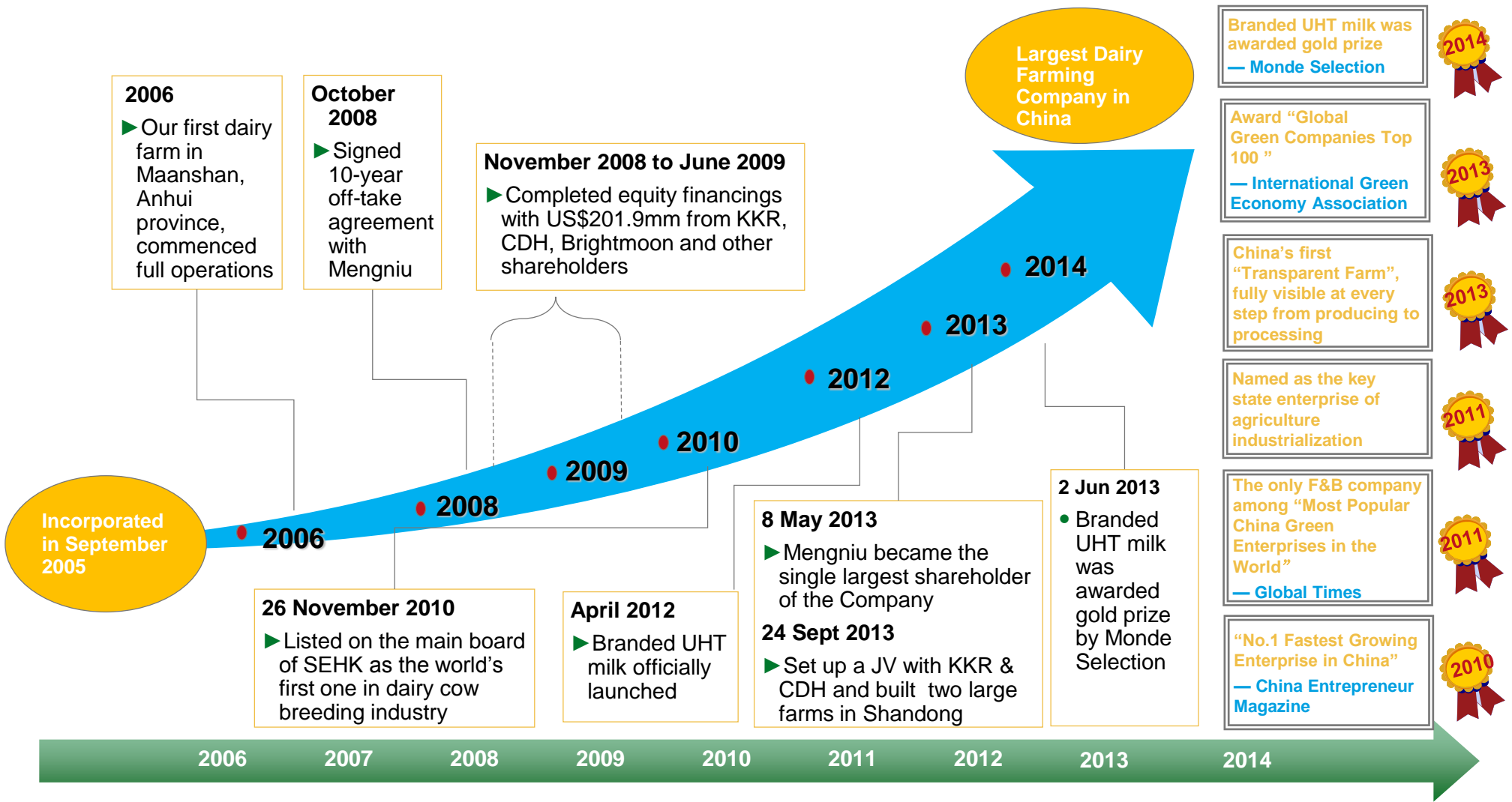
Sales (RMB million)



Cash EBITDA (RMB million)







Our History and Development



The Largest Dairy Farming Company in China

Founded in 2005 and listed on SEHK in 2010, CMD is the largest dairy farming company in China, which the market value is over US 2.2 billion.

Calculation According to Raw Milk Output²

Ranking	Company Name	Production Volume in 2013 ('0000 ton)
1	 China Modern Dairy 现代牧业	67.9
2	 中国辉山乳业控股有限公司 Huishan China Huishan Dairy Holdings Company Limited	48.2
3	富源牧业	24.3
4	 首农 SUNLON	23.0
5	 圣牧高科	21.6

Calculation According to Herd Size²

Ranking	Company Name	Herd Size in 2013 ('0000 cow)
1	 China Modern Dairy 现代牧业	18.7
2	 中国辉山乳业控股有限公司 Huishan China Huishan Dairy Holdings Company Limited	14.4
3	富源牧业	7.0
4	 首农 SUNLON	6.6
5	 圣牧高科	6.0

✓ The largest dairy farming company in China, our business across the country

✓ Achieved economies of scale according to the high-efficiency industrialization

✓ The quality branded milk processing is completed within 2 hours

✓ Best Partner of the leading of milk processing factory in China

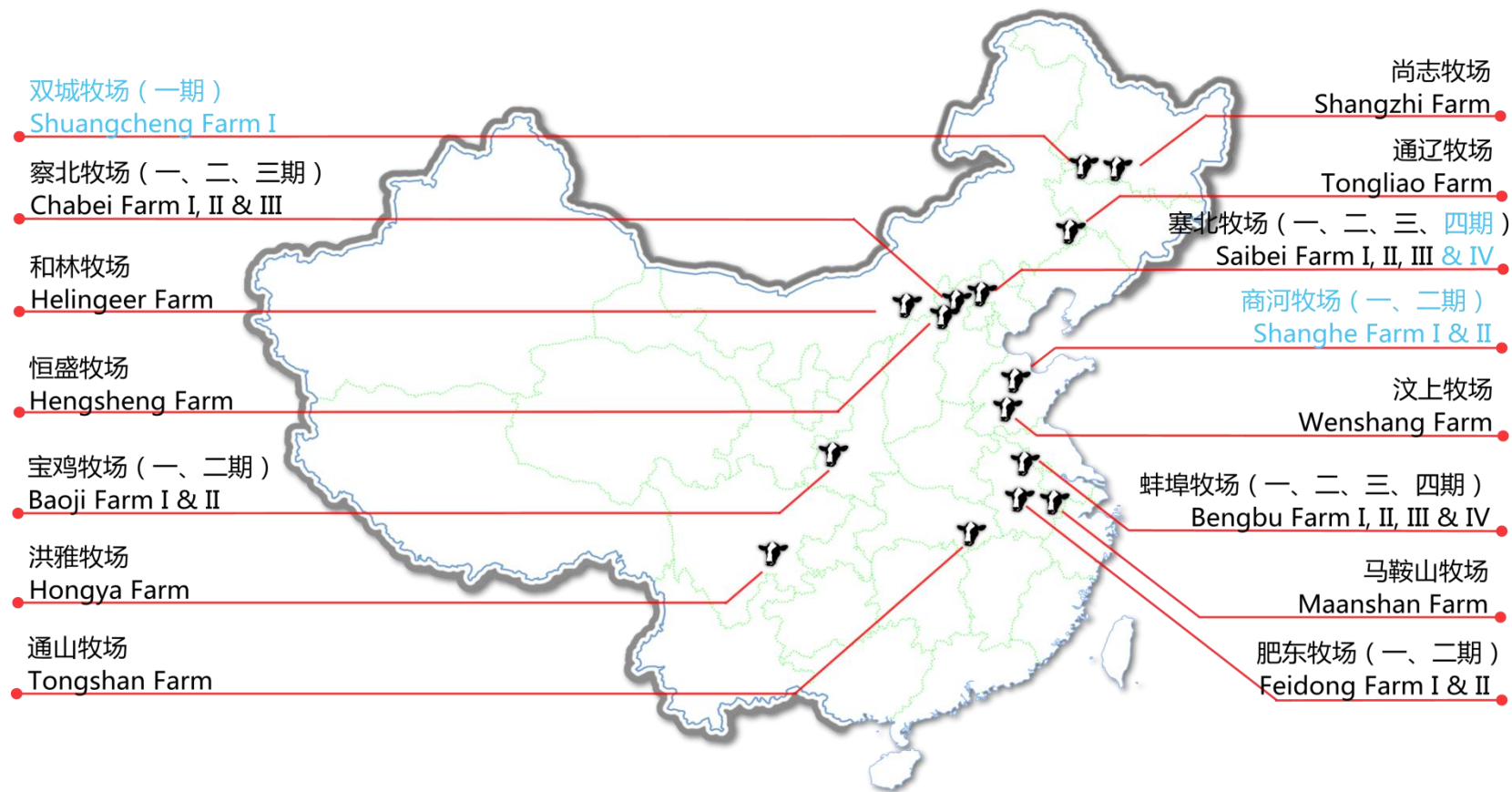
Source: Bloomberg and the Summary of Dairy Association of China

1. According to Bloomberg's data on 5 Aug 2014.

2. Huishan Dairy according to the 2013 annual report of Huishan (as at 31 Mar 2014) and the other according to the summary of dairy association of china in 2014

Diagram of Farm Distribution

Farm Distribution



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

As at 30 June 2014, the Company had 26 in China, which had 22 farms operating and 4 farms under construction by the Company. The Company had 190,027 dairy cows in total, among which, 107,516 are milkable cows, an increase of 23.99% when compared with compounding period last year.

High-quality Raw Milk Benefits Our Pricing

Advanced Techniques

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

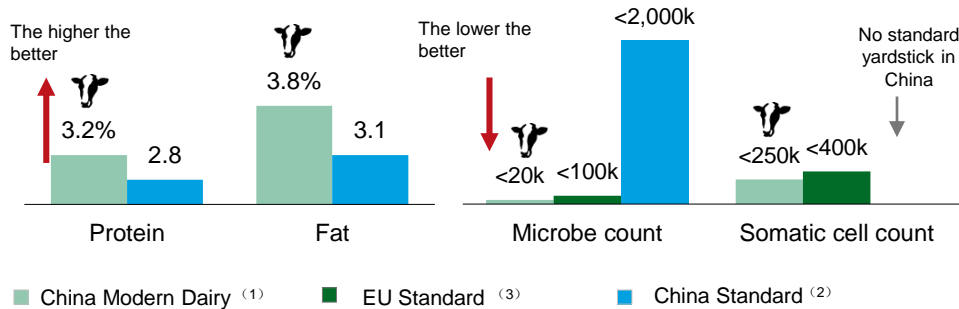
Optimizing feeding techniques

Improving the gene combinations of milkable cows

Strengthening feed mix research and managing

Enhancing the feed nutrients and energy

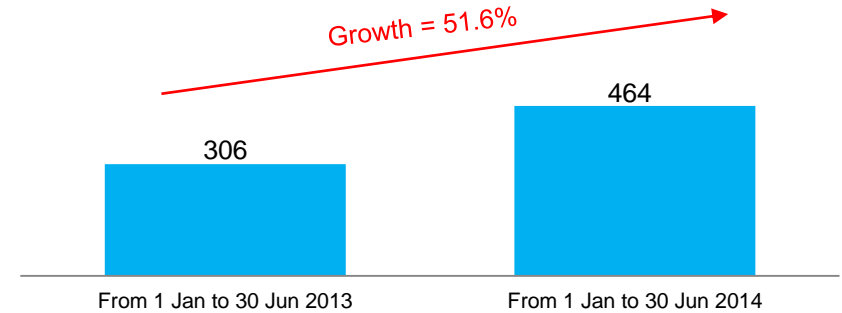
Strive to Improve Raw Milk Quality



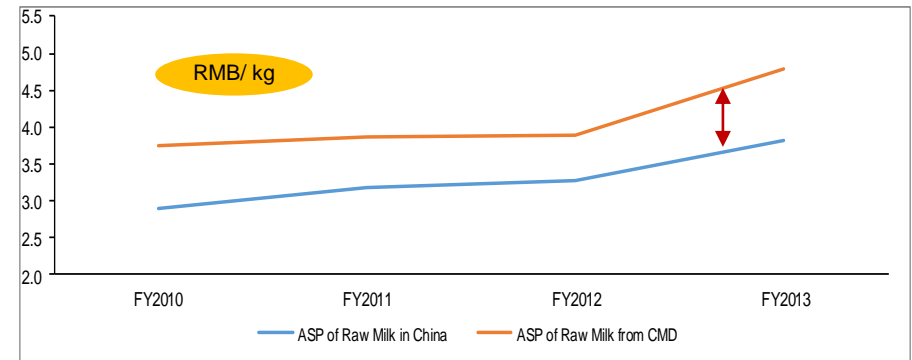
Notes: (1) In terms of herd size and raw milk output
 (2) National Food Safety Standard — Raw Milk was published on March 26, 2010.
 (3) Raw Milk quality standards in Council Directive 92/46/EEC was adopted in 15 number of EU comprising member countries.

Rapid Growth in Raw Milk Sales

Sales Volume ('000 tons)



Higher Raw Milk ASP Driven by Premier Quality and Nutrition Standard



Source: Company data, Wind.



Latest Development

Increasing Brand Value

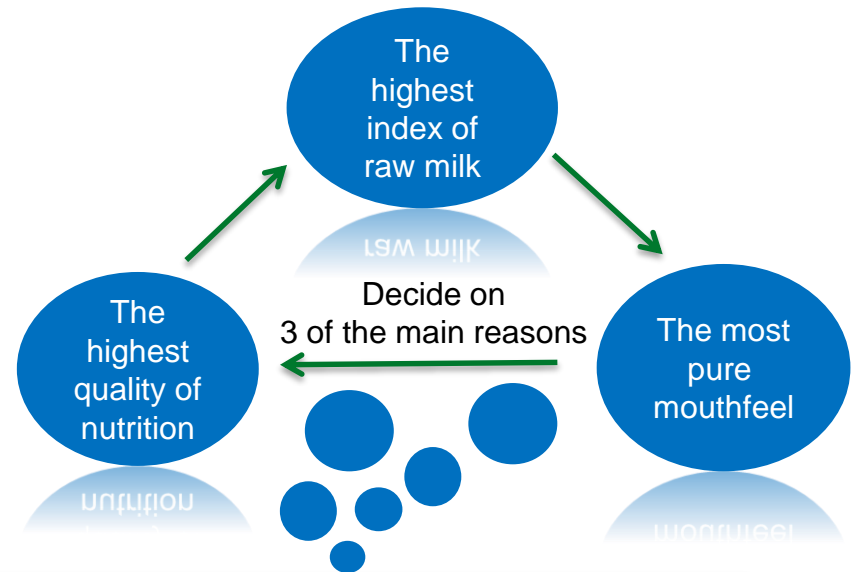
HONOUR



Monde Selection
世界食品品质评鉴大会
金奖

Monde Selection's 53rd Award Ceremony was to take place in the French capital of wines, Bordeaux. CMD's self-branded milk was awarded gold prize in the food category by Monde Selection. This is first time that the China's Branded UHT was acquired its honor. The pure milk was gained gold prize in the world in the past fifty years.

Monde Selection is praised as world's most representative and authoritative quality selection institute with the longest history, which is well known as the "Nobel Prize of Food."



Our Branded Milk : Zero Distance 、 No Addictive 、 The quality milk processing is completed within 2 hours which compliance with the above 3 requirements

Effectively Public Praise

The Report Summary of the China's branded milk brand reputation in the first quarter in 2014 :



As a dark horse, branded milk products of China Modern Dairy has risen sharply in China's dairy industry. Hence in the first quarter of the year, its public praise index ranked the sixth among all dairy businesses in China.



Source: CSISC and Xiamen Municipal Information Office issued "The research report of China's liquid milk brand reputation in the first quarter in 2014"



Key Financials

Results Highlights for the Six Months Ended 30 June 2014

For the six months ended 30 June 2014, Cash EBITDA increased by 140.5% YoY and Net Profit excluding changes in fair value increased by 217.2%

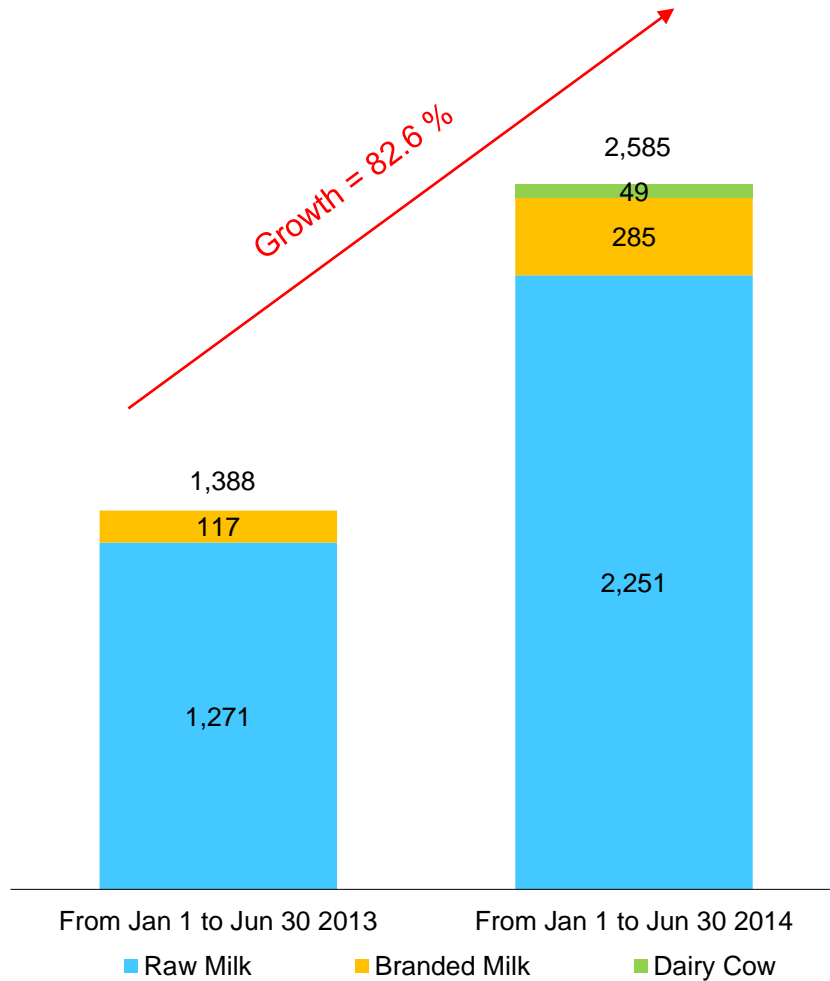
Items	From Jan 1 to June 30 2014	From Jan 1 to June 30 2013	Change
	RMB'000	RMB'000	%
Turnover	2,584,535	1,388,033	86.2%
Cash EBITDA ⁽¹⁾	981,897	408,213	140.5%
Cash EBITDA margin	38.0%	29.4%	8.6ppt
Gains or loss from changes in fair value	-184,486	-66,343	178.1%
Net profit	545,377	163,737	233.1%
Net profit without considering gains or loss from changes in the fair value	729,863	230,080	217.2%
Basic earnings per share(RMB cent)	10.84 cent	3.19 cent	239.8%

Note : (1) Cash EBITDA is the earnings before interest expenses, taxation, depreciation, amortization, net loss on disposal of property, plant and equipment and gains or loss arising from changes in fair value.

Strong Financial Indicators – Sales Revenue, Gross Profit and Gross Profit Margin

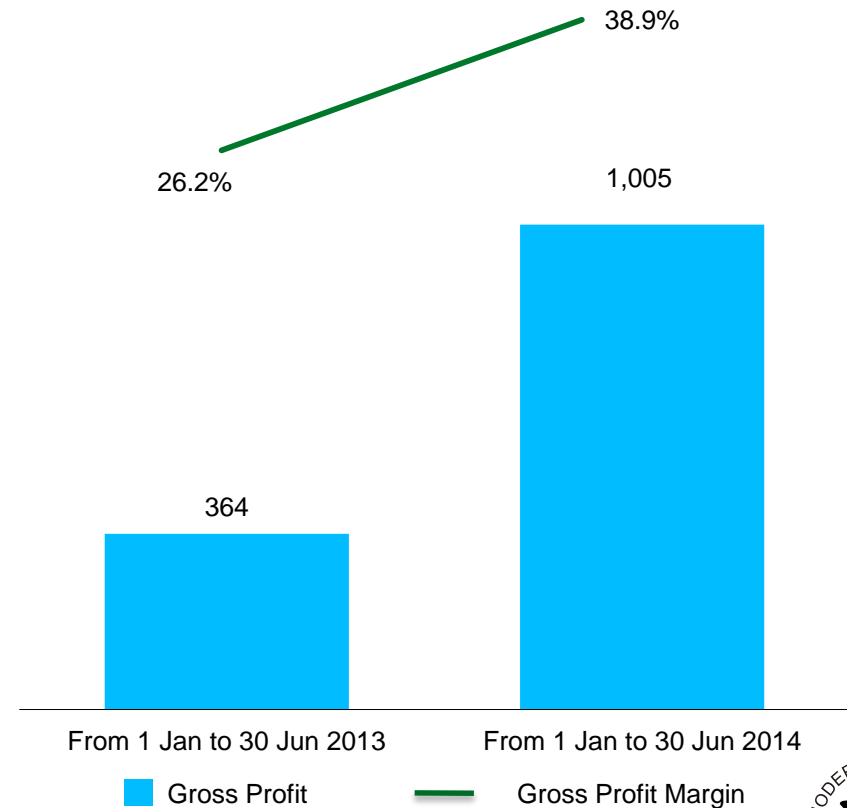
Turnover

(RMB million)



Gross Profit and Gross Profit Margin

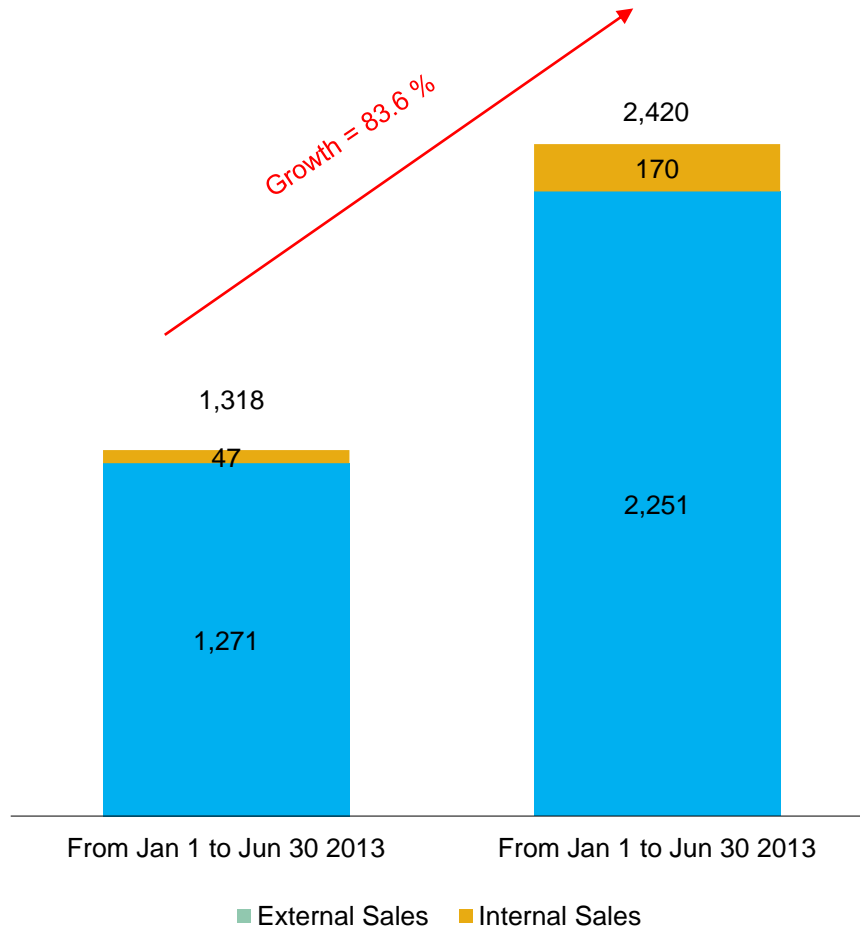
(RMB million)



Strong Financial Indicators – Sales of Raw Milk

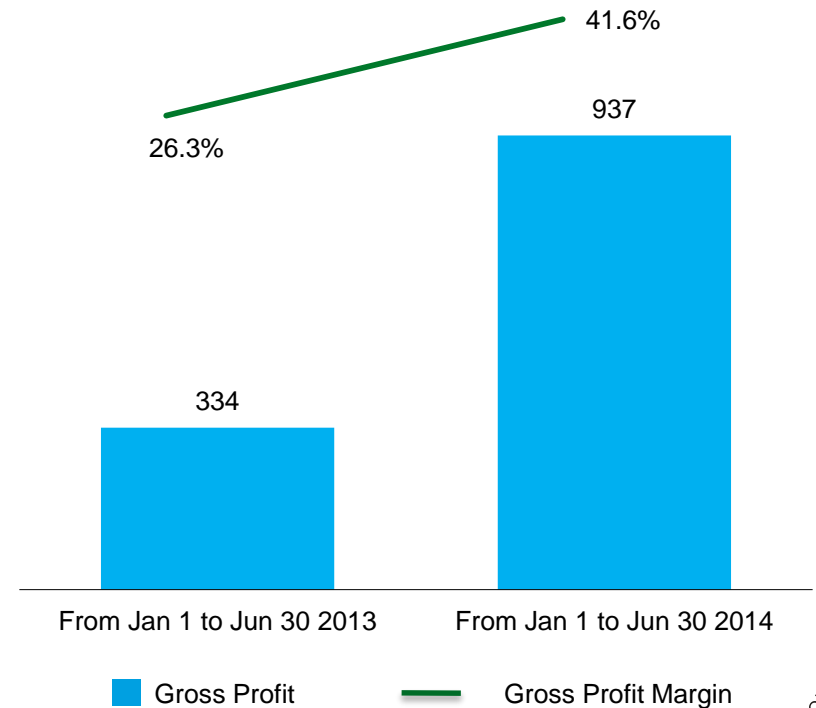
Sales of Raw Milk

(RMB million)



Raw Milk Gross Profit and Gross Profit Margin

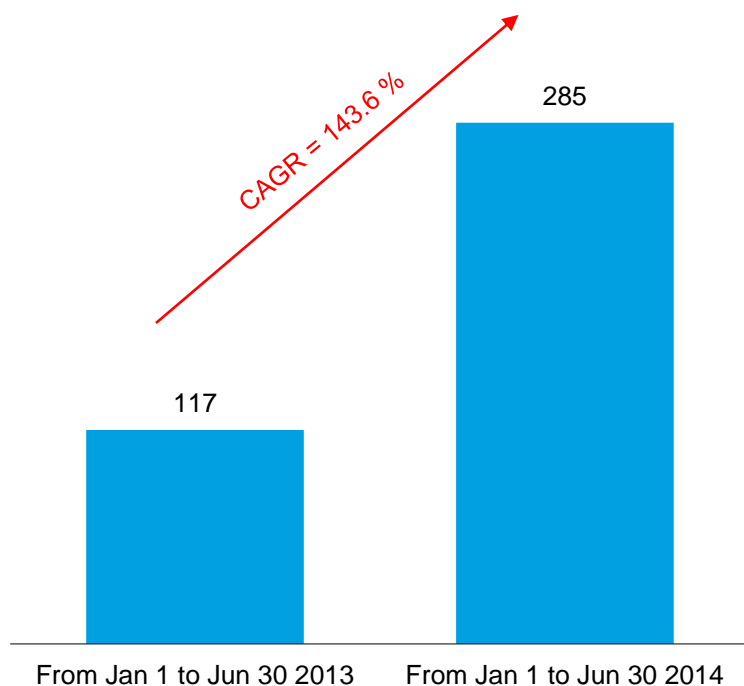
(RMB million)



Strong Financial Indicators – Sales of Branded Milk

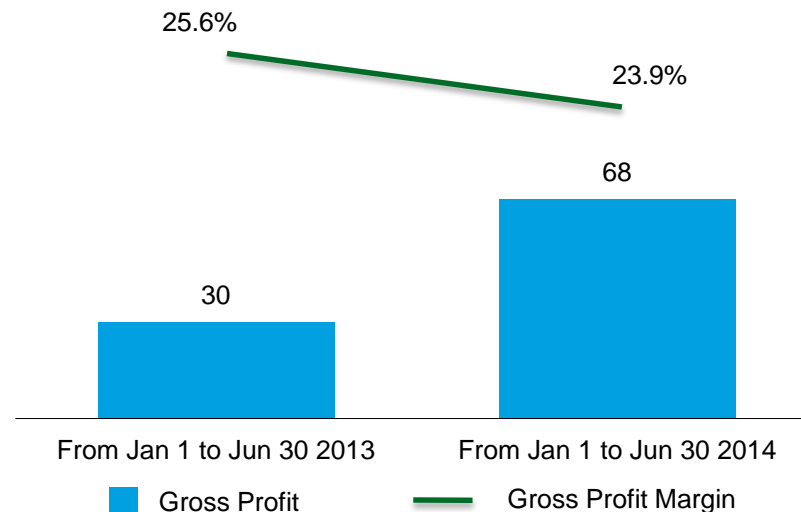
Sales of Branded Milk

(RMB million)



Branded Milk Gross Profit and Gross Profit Margin

(RMB million)

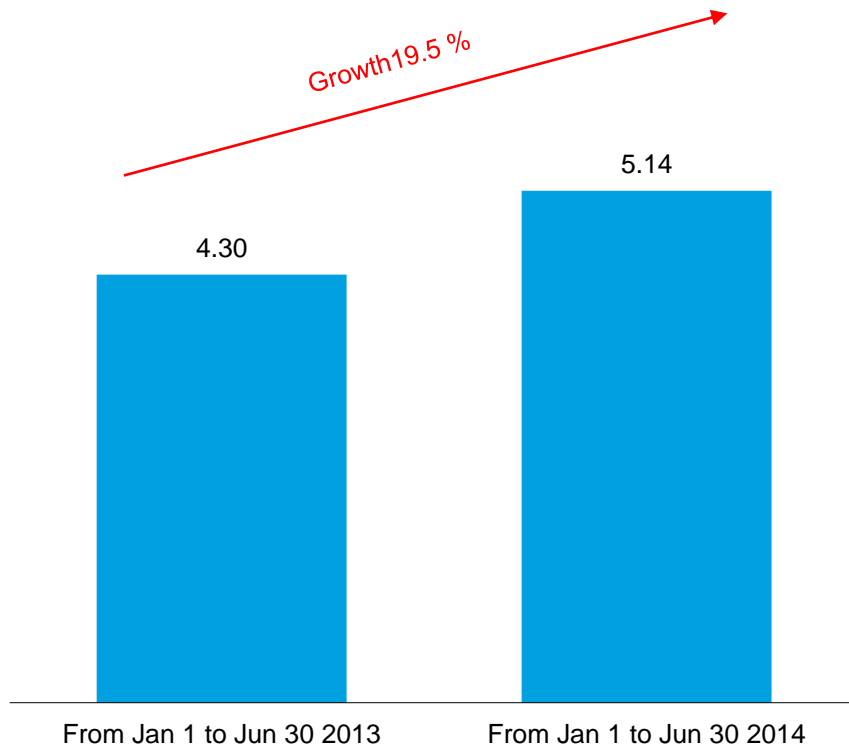


Due to strong market demand for our branded milk products, the revenue of branded milk increased by 143.6% from 117 millions in the corresponding period last year to 285 millions for the six months ended 30 June 2014. The gross profit margin of Branded milk decreased from 25.6% in the corresponding period last year to 23.9% for the six months ended 30 June 2014 because raw milk price increased.

Part of Our Raw Milk Cost have transferred to Raw Milk Price

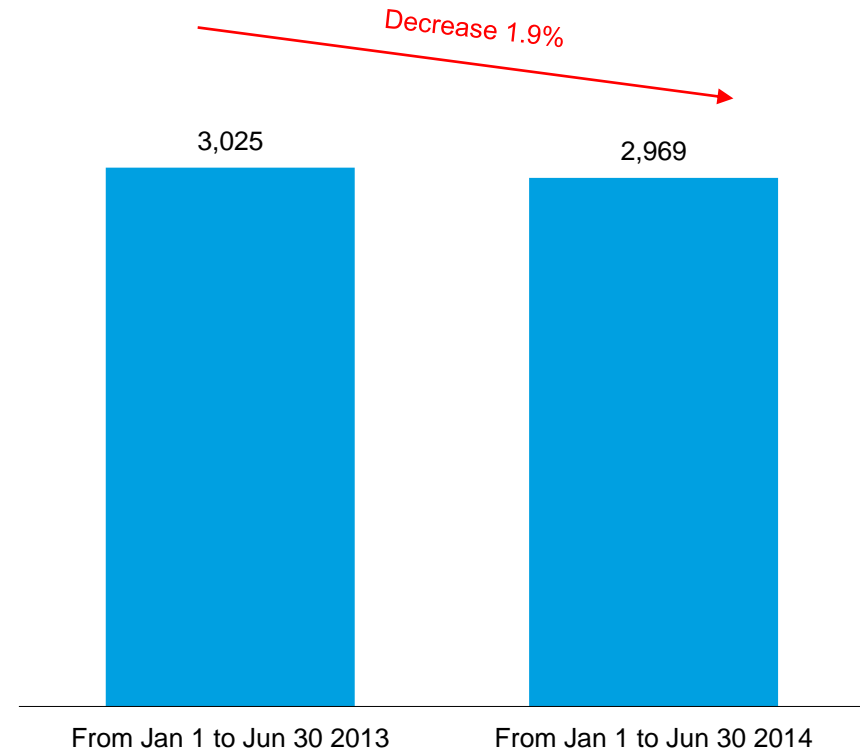
Raw Milk Price

(RMB/kg)



Raw Milk Cash Cost¹⁾

(RMB/ton)

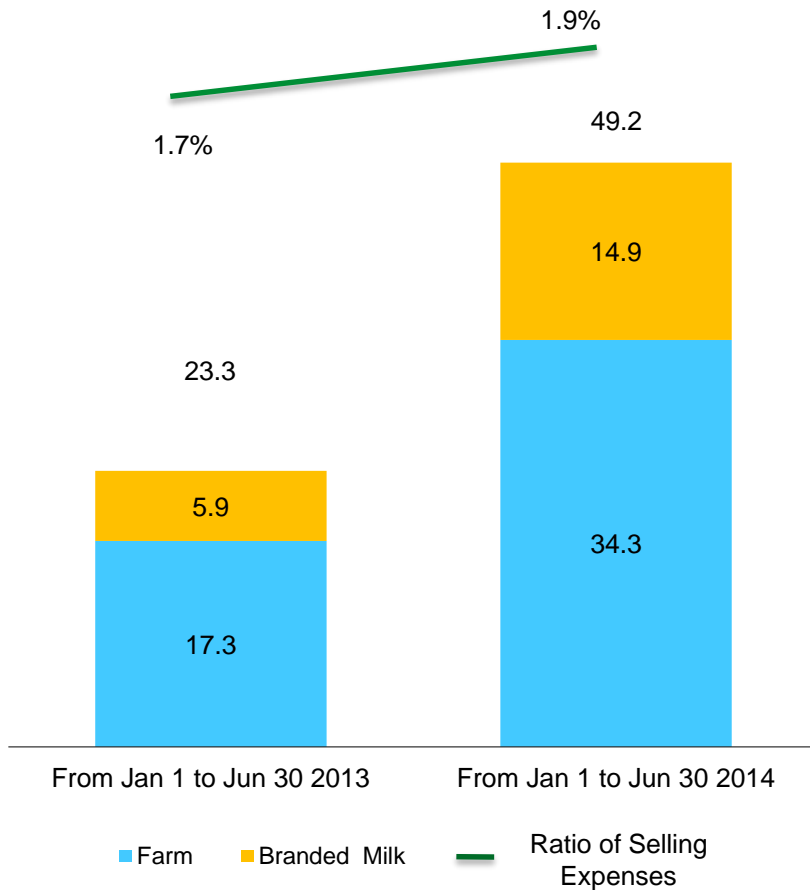


Noted: (1) The cost of sales raw milk (before offsetting the internal relative costs of sales of the supply of raw milk exclude) the depreciation divided by the sales volume of raw milk (before offsetting the internal relative sales volume from the supply of raw milk.)

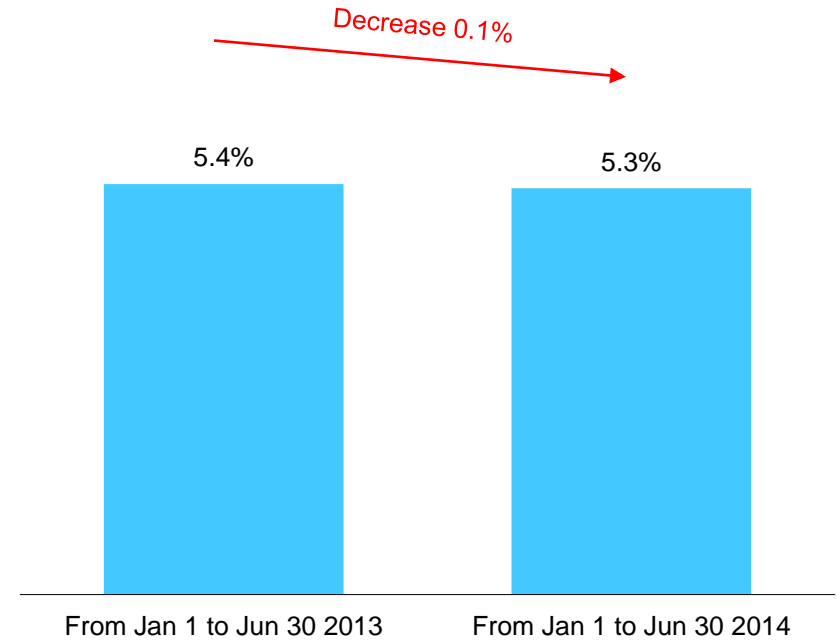
Selling Expense and Ratio of Selling Expenses

Selling Expense and Ratio of Selling Expenses

(RMB million)



Ratio of Branded Milk Selling Expenses to Sales

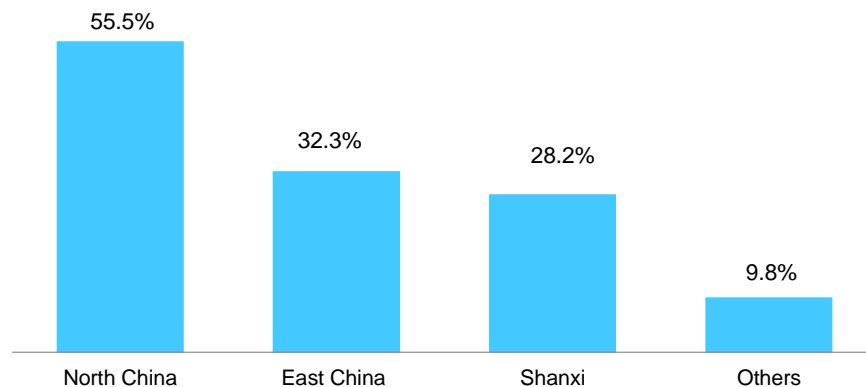


Distribution Rate of KA Branded Milk and Market Development

THE
WINNING
PRODUCTS



Distribution Rate of KA

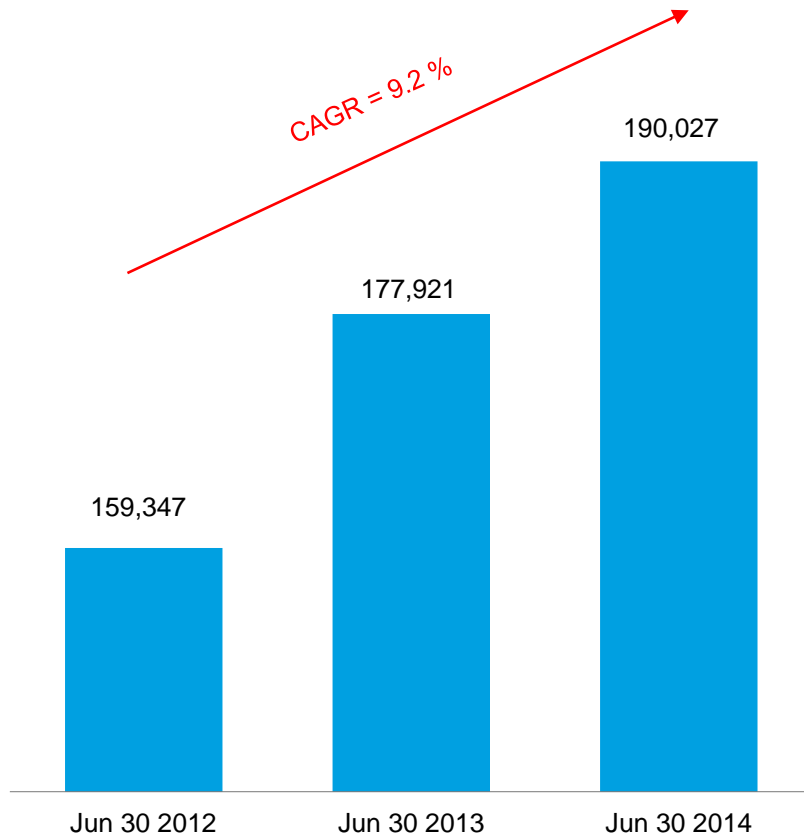


- ▶ Sales Center in North China: Beijing, Tianjin, Hebei, Shandong, Anhui, Inner Mongolia which belong to 50 first to four-tier cities;
- ▶ Sales Center in East China: Shanghai, Zhejiang, Jiangxi, Jiangsu, Fujian which belong to 31 first to four-tier cities;
- ▶ Sales center in Shanxi :All first to four-tier cities in Shanxi Province;
- ▶ Other sales centers: a municipality, 17 provinces which have been developed 104 first to four-tier cities; (New Market Developing)

Largest Dairy Farming Company in China

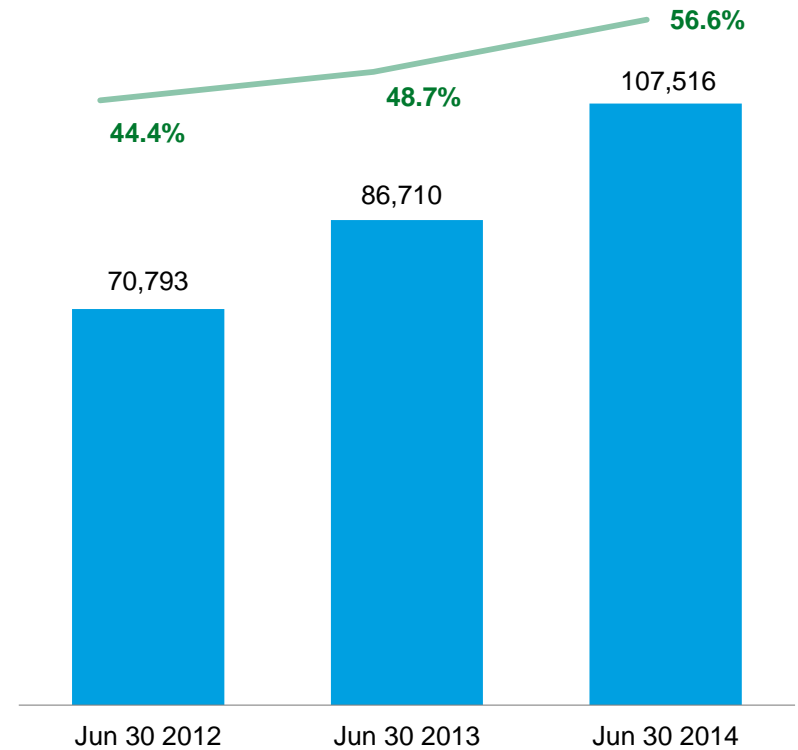
Steady Growth in Herd Size

Herd Size (Head)



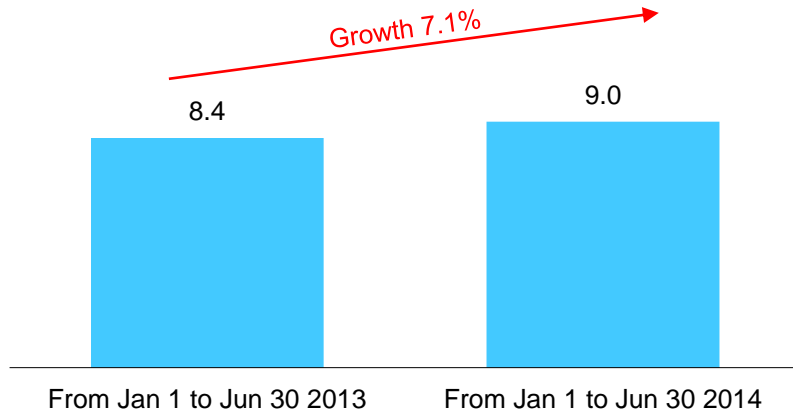
Rapid Growth in Number of Milkable Cows Herd Structure Tends to be Reasonable

Milkable Cow Herd Size (Head) and Percentage

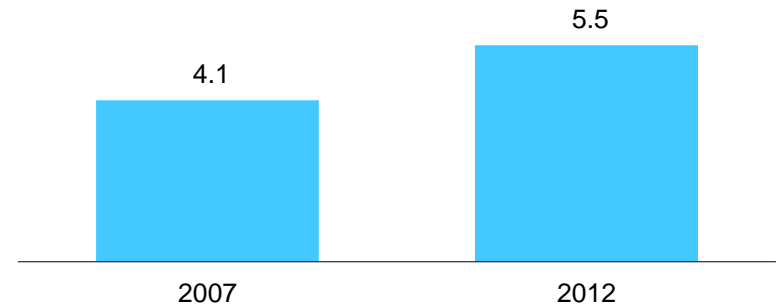


Continued Rise in Raw Milk Prices and Sales Volume

Continued Improvement of the yield of Milkable Cow



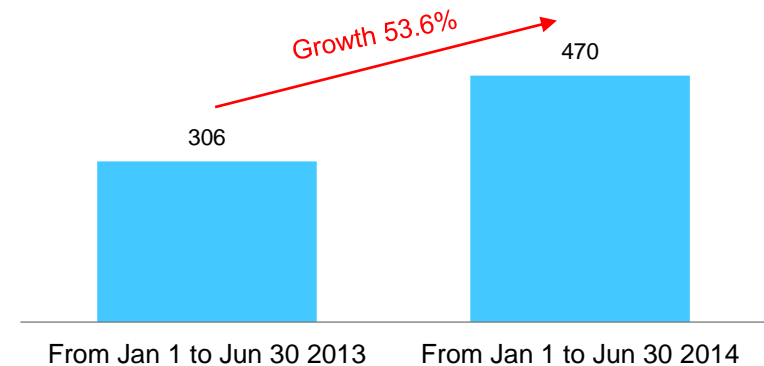
Industrial Situation⁽¹⁾



Yield of Milkable Cow

Item	Milk yield per cow per day (kg/day)
Milkable Cow	24.6
Lactating Cow	28.1

Continued Rise in Sales Volume of Raw Milk⁽²⁾



Noted: (1) Source: National Bureau of Statistics of China, Frost & Sullivan
 (2) Include internal sales of raw milk

Continued Growth of Assets Scale and Debt Ratio Slightly Decrease

Items	Jun 30 2014	Dec 31 2013	Change
	RMB'000	RMB'000	%
Biological assets	6,297,959	5,954,363	5.8%
Fixed assets	4,113,612	4,032,642	2.0%
Total assets	13,179,089	12,493,821	5.5%
Total liabilities	6,756,010	6,633,087	1.9%
Total borrowing	5,125,277	4,948,666	3.6%
Debt ratio⁽¹⁾	44.9%	46.3%	-1.4 ppt
Cash balance⁽²⁾	1,014,984	799,576	26.9%
Bank facilities (not yet utilized)	7,565,266	3,668,079	106.2%

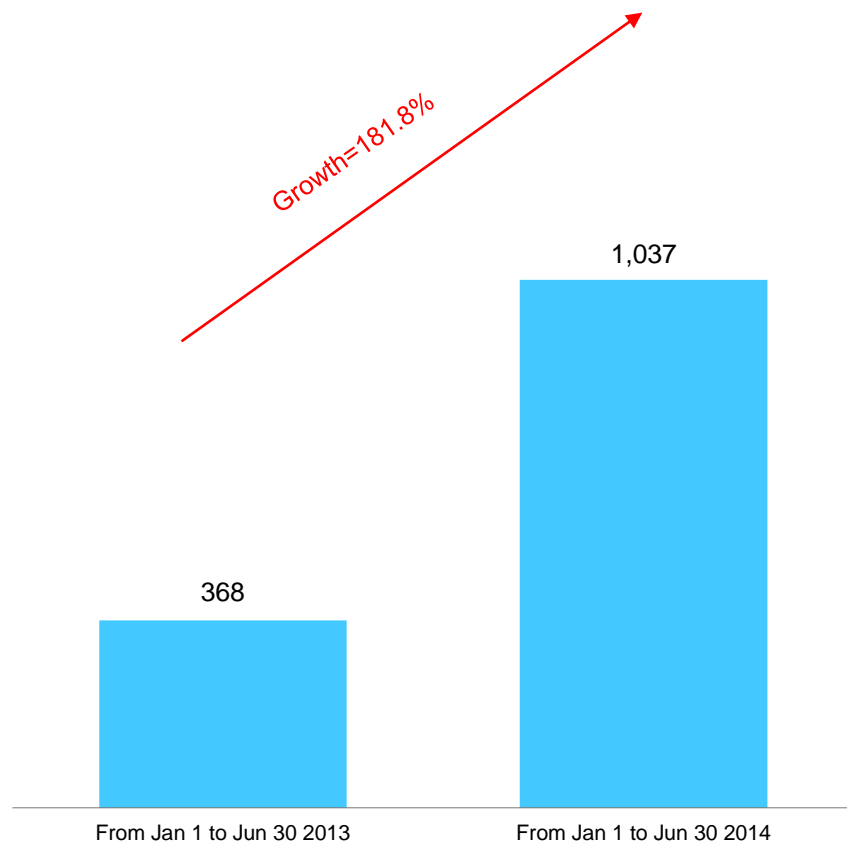
Note: (1)Debt ratio=Interest bearing liabilities / (Interest bearing liabilities + book value of total equity).

(2) Including pledged bank balances.

Asset Utilization Rate

Operating Cash Flows Generated from Operating Activities

(RMB Million)



Turnover Days

Items	From Jan to Jun 2014	From Jan to Jun 2013
Inventories	61	48
Trade Receivable	38	35
Trade Payable	77	85

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

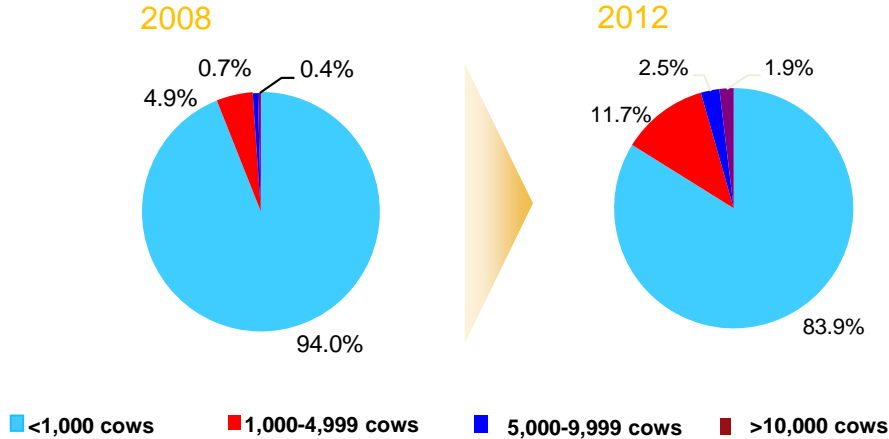


Business Outlook

Benefit from the Growing Demand for Raw Milk and Consolidation Trends of Dairy Industry

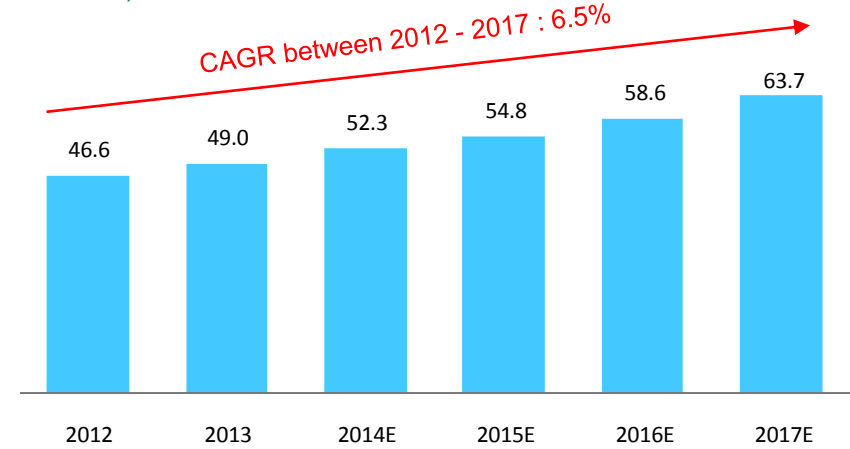
全行业整合趋势

Raw Milk Production Volume According to Farm Size



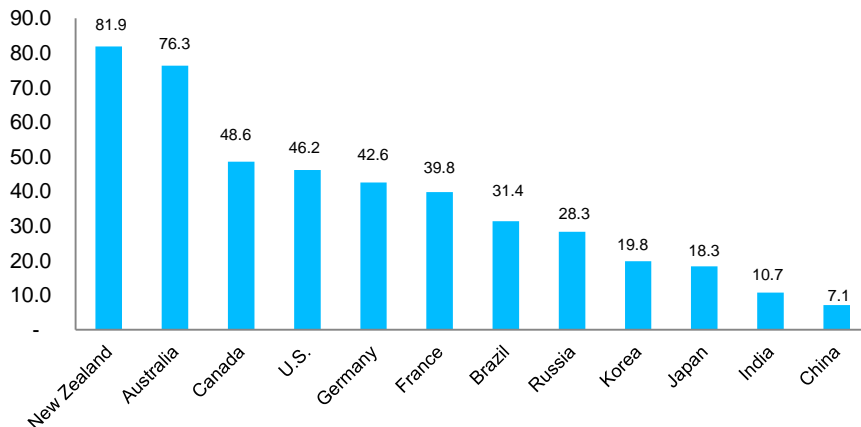
Growing Demand for Raw Milk

Demand for Raw Milk in China (Million tons)



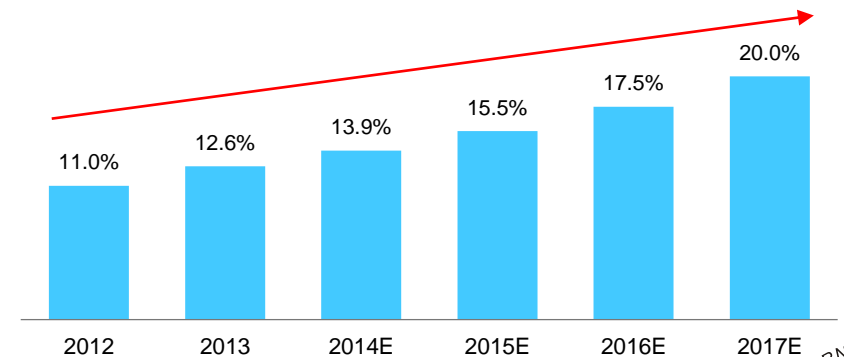
China's Per Capita Dairy Consumption is still at Growing Stage

Per Capita Liquid Milk Consumption, 2013 (kg/ person)



Especially the Raw Milk

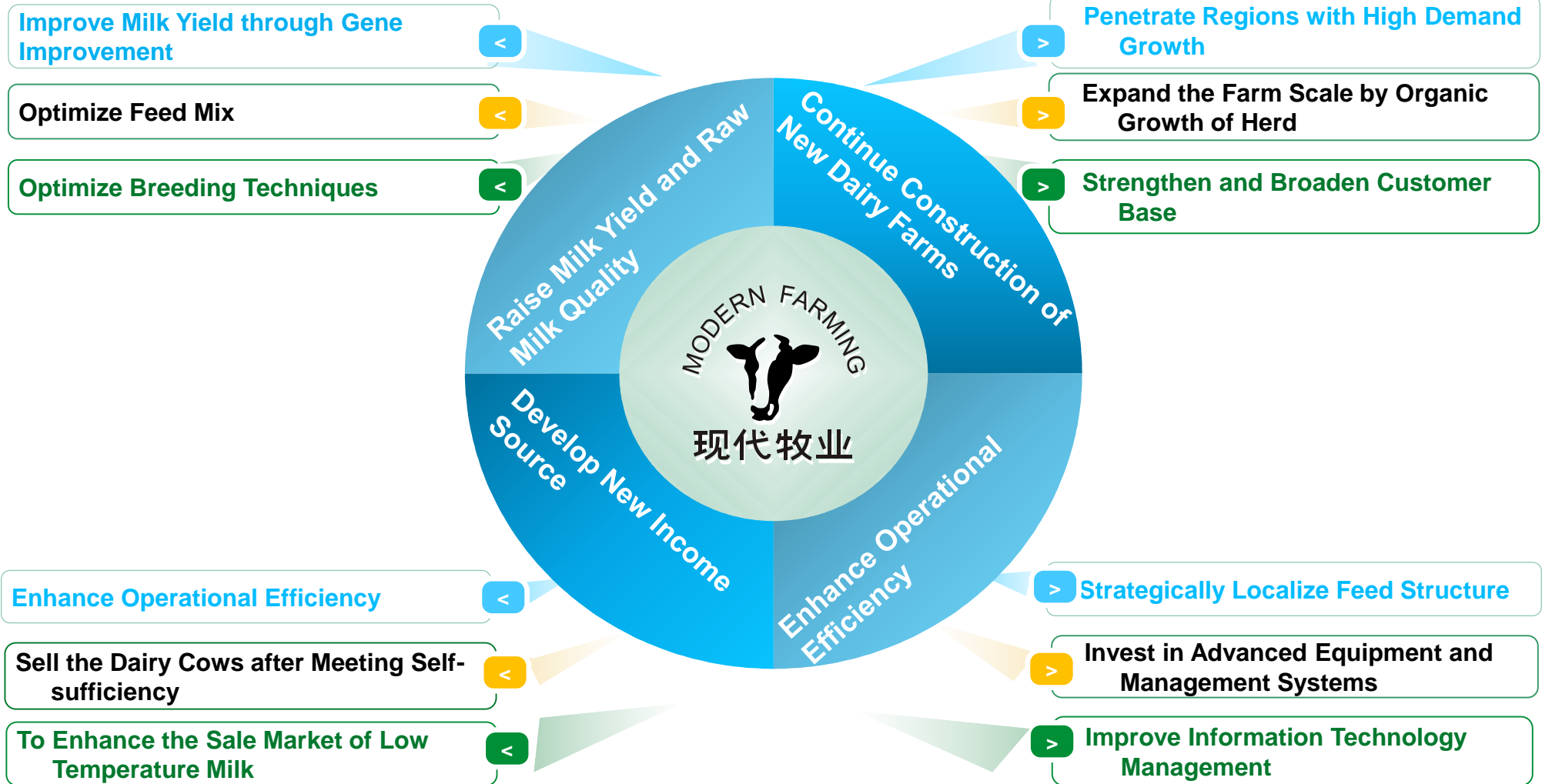
The Percentage of Premium Raw Milk Accounts Among Total Raw Milk Output



Source: National Bureau of Statistics of the People's Republic of China, Frost & Sullivan and Euromonitor International.

Future Strategy for Growth

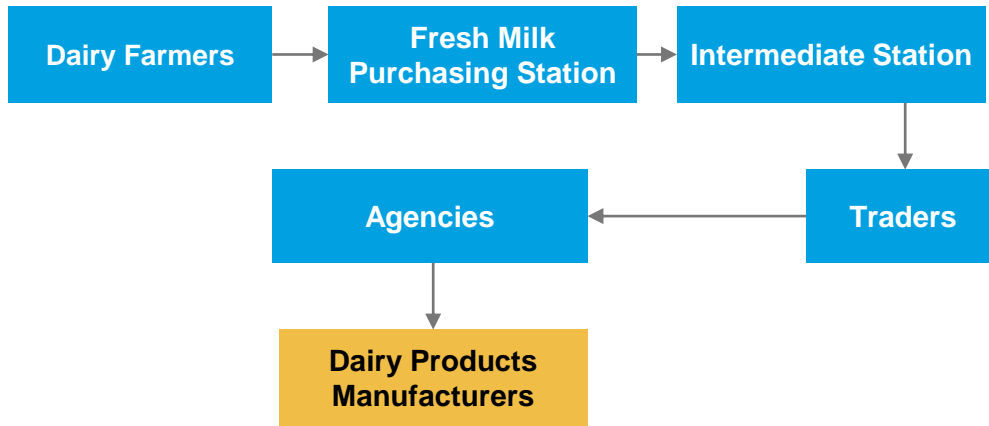
China Modern Dairy Aims to Be Recognized as the Best Dairy Farm Brand for Raw Milk in China



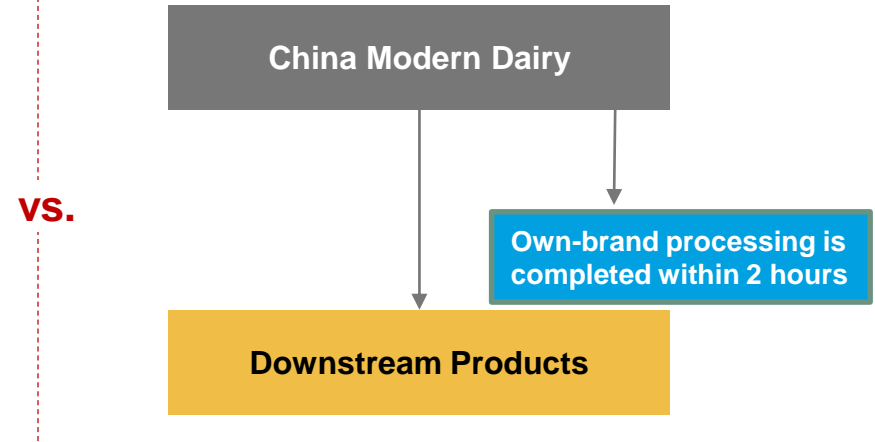
Large-scale Farms Possess Significant Competitive Edges

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

Individual Farms Operation Model

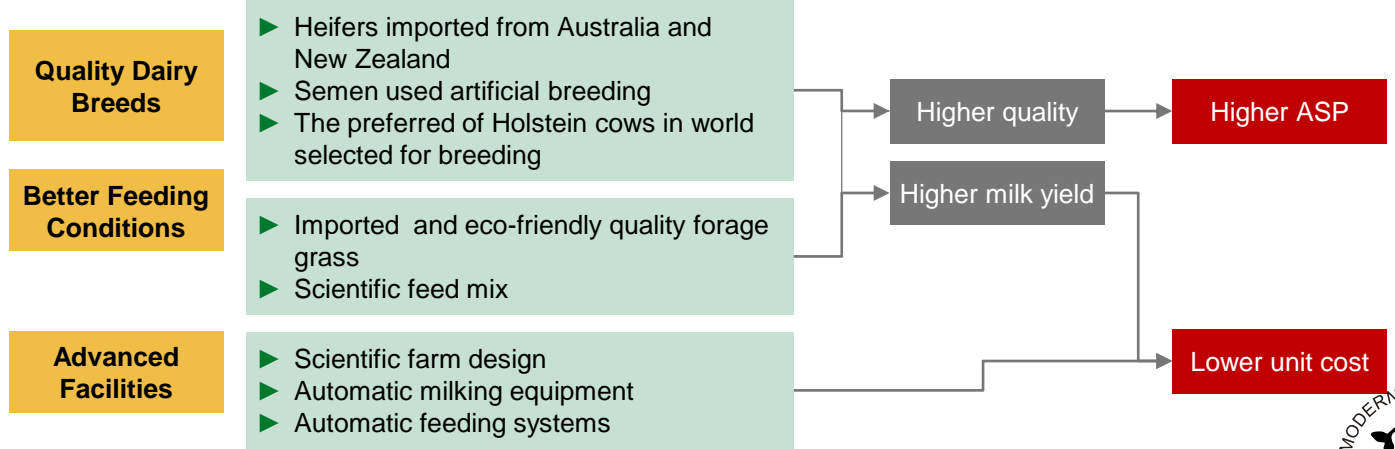


Large-scale Farm Operation Model



vs.

Competitive Edges of Large-scale Farms

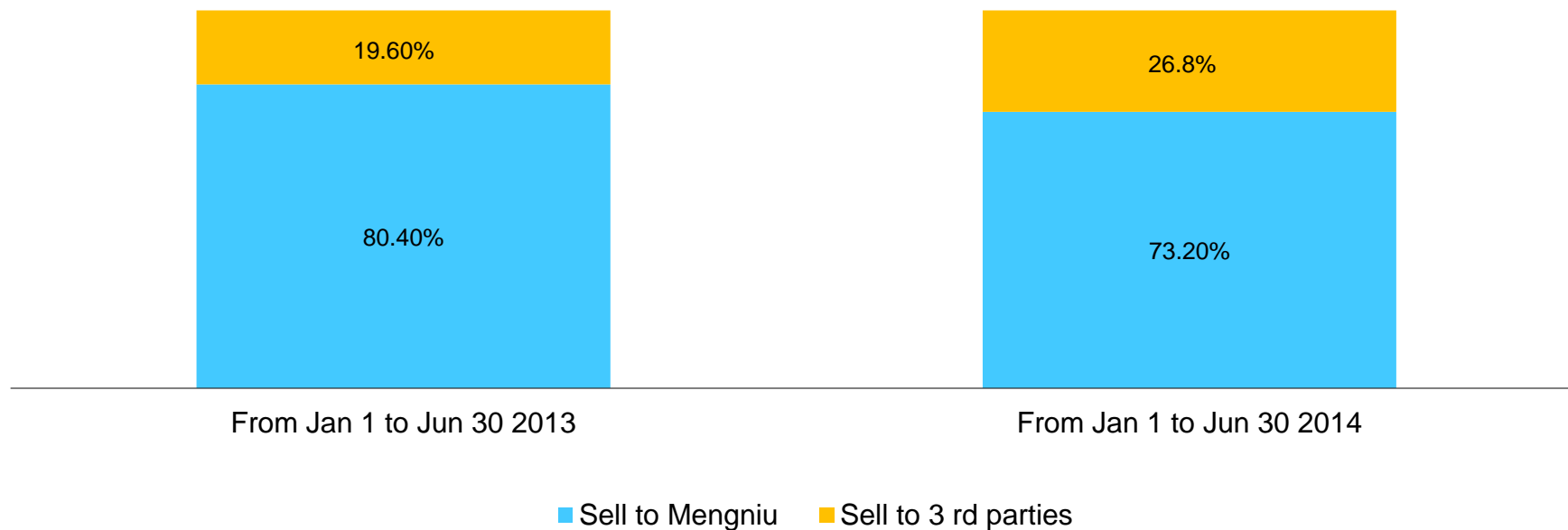


Source: Company information and research report.



Proportion of Sales(According to Customer Groups)

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 third parties and build marketing network
- ▶ In 2014, the company sold raw milk to more than 20 third-party dairy products companies



Thank you!