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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 of the Company and potential investors that, based on the assessment of the unaudited consolidated management accounts of the Group for the year ended December 31, 2023 (the “**Management Accounts**”), the Group is expected to record a net profit for the year ended December 31, 2023 (the “**Year**”) in the range between RMB160 million to RMB200 million (2022: approximately RMB580 million), representing a decrease of approximately 66% to 72% year-on-year (“**yoy**”). The estimated range of the cash EBITDA<sup>(Note)</sup> is between RMB2,400 million and RMB2,500 million (2022: RMB2,740 million), representing a yoy decrease of approximately 9% to 12%.

While maintaining our focus on the core business of raw milk, our Group is continuously exploring new business areas such as feed business, digital intelligence platforms and forage grass planting (the “**New Business**”). The overall business continues to maintain organic development, and the synergy between various business segments continues to be deepened, as a result, the layout of the industry chain is becoming increasingly complete. During the Year, attributable to effective industrial planning, each of the key production and operation indicators of raw milk, the principal business, has recorded an obvious improvement as compared to 2022. As at December 31, 2023, the herd scale of the Group has reached around 450,000 heads of dairy cows, representing an increase of approximately 11% as compared to 2022. The average annualized milk yield per milking cow was approximately 12.6 tons, surpassing the figure from last year. During the Year, the New Business has also achieved encouraging growth, with expected revenue of the New Business reaching approximately RMB3,300 million, representing a yoy increase of approximately 40%, contributing to the Group’s continued profitability.

Nevertheless, it is expected that there will be a significant decrease in the net profit of the Company for the Year as compared to 2022, mainly attributed to the following factors:

1. The increase in loss arising from changes in fair value less costs to sell of dairy cows was mainly attributable to the decrease in market price of beef and the decrease in selling price of raw milk during the Year, which resulted in an increase in loss arising from changes in fair value less costs to sell of dairy cows by approximately RMB260 million to RMB320 million, or an increase of 26% to 32%, as compared to 2022; and
2. The decrease in gross profit margin and lower gross profit of the raw milk business was mainly attributable to the prices of bulk raw materials remained at a high level as compared to 2022, and the downward trend of selling prices in the domestic raw milk market in mainland China, which resulted in a decrease in gross profit margin of the Group’s raw milk business by approximately 3 percentage points as compared to 2022. The growth in total sales volume of raw milk during the Year could not fully offset the impact of the decrease in gross profit margin, resulting in a decrease in gross profit of the raw milk business by approximately RMB220 million to RMB300 million or 7% to 10% as compared to 2022.

Information contained in this announcement is based solely on the preliminary assessment by the Board upon reviewing the 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.

Shareholders of the Company and potential investors are advised to refer to the annual results announcement of the Company, which will be published by the end of March 2024.

**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; and iv) loss arising from changes in fair value less costs to sell of dairy cows.*

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

Hong Kong, February 16, 2024

*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, and the independent non-executive Directors are Mr. Li Shengli, Mr. Lee Kong Wai Conway and Mr. Chow Ming Sang.*