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優然牧業
YOURAN DAIRY

China Youran Dairy Group Limited

中國優然牧業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9858)

PROFIT WARNING

This announcement is made by China Youran Dairy Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) 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 (the “**Shareholders**”) and potential investors of the Company that, based on the preliminary assessment of the Group’s unaudited consolidated management accounts for the six months ended June 30, 2023 (the “**2023 Interim Period**”) and currently available information, the loss attributable to the owners of the Company for the 2023 Interim Period is expected to be approximately RMB950 million to RMB1,030 million (profit attributable to the owners of the Company for the six months ended June 30, 2022 (the “**2022 Interim Period**”): RMB219 million) and the cash EBITDA^(Note 1) of the Group for the 2023 Interim Period is expected to be basically the same as that of the 2022 Interim Period, approximately RMB1,802 million to RMB1,818 million (2022 Interim Period: RMB1,838 million).

Note 1: EBITDA represents profit/ loss for the period excluding finance costs, interest income, income tax expense, depreciation and amortisation, loss/gain arising from changes in fair value less costs to sell of biological assets, other gains and losses and impairment loss under expected credit loss model, net of reversals.

The expected loss attributable to the owners of the Company is mainly attributable to:

I. Decline in the selling price of raw milk in the PRC and high costs of feed, resulting in decrease in the gross profit margin of the Group's raw milk business.

- (i) After the pandemic, the phased imbalance in the supply and demand of raw milk in the PRC led to a downward trend in the price of raw milk. The average selling price per kilogram of raw milk of the Group in the 2023 Interim Period decreased by approximately 5% as compared to the 2022 Interim Period.
- (ii) Prices of soybean meal, corn and alfalfa hay were high during the 2023 Interim Period. Although the Group alleviated certain cost pressure through the in-depth implementation of the strategy of purchasing bulk raw and auxiliary materials and by the innovative and technological means, the feed costs of the Group per kilogram of raw milk in the 2023 Interim Period still increased by approximately 2.5% as compared to the 2022 Interim Period.

II. The sales volume of raw milk of the Group increased by approximately 24% in the 2023 Interim Period as compared to the 2022 Interim Period, which was unable to fully offset the impact of the decrease in the gross profit margin on profits.

- (i) The Group continued to promote lean management to enhance operational efficiency. The annualised average milk yield per milkable cow in the Group's premium raw milk dairy farms (excluding SKX^(Note 2)) was approximately 12.8 tons in the 2023 Interim Period, representing an increase of approximately 7.6% as compared to the 2022 Interim Period.
- (ii) The Group's forward-looking dairy farms were partially put into operation during 2023 Interim Period, and as at June 30, 2023, the Group had a herd size of dairy cows of nearly 540,000 heads, representing an increase of approximately 20.6% as compared to the same period in 2022. In addition, as at June 30, 2023, the milkable cows of the Group accounted for approximately 47%, representing a slight increase over the same period in 2022, but the herd structure was relatively young. As the proportion of milkable cows continues to increase, the potential for raw milk production and the Group's sustainable development will be further unleashed.

Note 2: Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been the Group's subsidiary since January 8, 2020.

III. Losses arising from changes in fair value less cost to sell of biological assets increased significantly.

It is expected that the Group will record a loss of approximately RMB2,220 million to RMB2,300 million (2022 Interim Period: loss of RMB852 million) from the changes in fair value less cost to sell of biological assets for the 2023 Interim Period, which is primarily due to the decrease in the selling price of raw milk, the increase in the cost of feeds, and the decrease in the market price of the beef in the PRC during the 2023 Interim Period, and the high proportion of the Group's reserve cows.

The Company is in the process of finalizing the Group's results for the 2023 Interim Period. The information contained in this announcement is solely based on the preliminary assessment by the management of the Company with reference to the unaudited consolidated management accounts of the Group for the 2023 Interim Period and currently available information, which has not been audited or reviewed by the Company's auditors or the audit committee of the Company, and is subject to possible adjustments arising from further review. Shareholders and potential investors of the Company should refer to the interim results announcement of the Company for the final interim results of the Group for the 2023 Interim Period, which is expected to be published in late August 2023.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
China Youran Dairy Group Limited
Wu Xiang
Chairman and Non-executive Director

Hong Kong, July 28, 2023

As at the date of this announcement, the executive directors are Mr. Yuan Jun and Mr. Dong Jiping, the non-executive directors are Mr. Wu Xiang, Mr. Xu Jun, Mr. Xu, Zhan Kevin and Mr. Qiu Zhongwei, and the independent non-executive directors are Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Shen Jianzhong.