



CHINA HUIZHAN DAIRY HOLDINGS COMPANY LIMITED

Stock Code: 6863

ANNUAL RESULTS
for the year ended 31 March 2014



HIGHLY RESTRICTED



About Huishan Dairy



Key financials highlights



Review of operations



Outlook and strategies

About Huishan Dairy



Huishan

Fully integrated
dairy company
With
self-operated farm
“Grass to Glass”

Safe and high
quality premium
Dairy Product
(3.6gm protein)

Most trusted brand
with a full range of
premium dairy
products



Key financials highlights



Highlights



- Turnover reached RMB3,530m, + 38.8% yoy
- Gross profit margin⁽¹⁾ improved from last year's 54% to 62.4%
- Operating profit⁽²⁾ +46.9% yoy to RMB1,401m
- Net profit was RMB1,249m vs RMB945m last year, +32.1% yoy
- Earnings per share were RMB10 cents, vs last year's RMB8 cents, +25% yoy
- Proposed final dividend per share of RMB2.16 cents, representing a payout ratio of 25%

Remark:

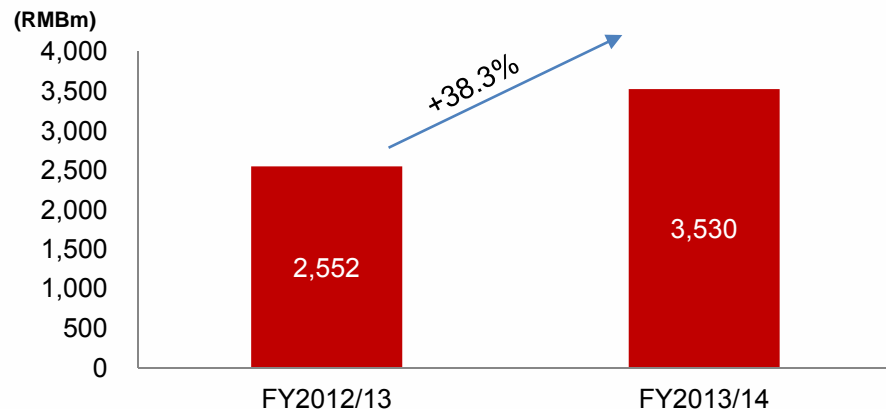
(1) Before biological fair value adjustments

(2) Profit net of equity-settled share option expenses and IPO expenses. Equity-settled share option expenses are non-cash in nature and IPO are non-recurring in nature

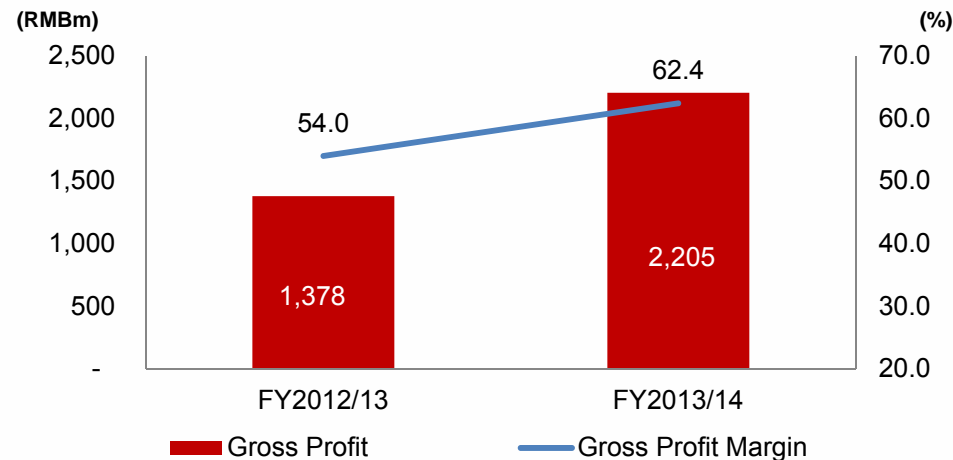
Financial Performance Overview



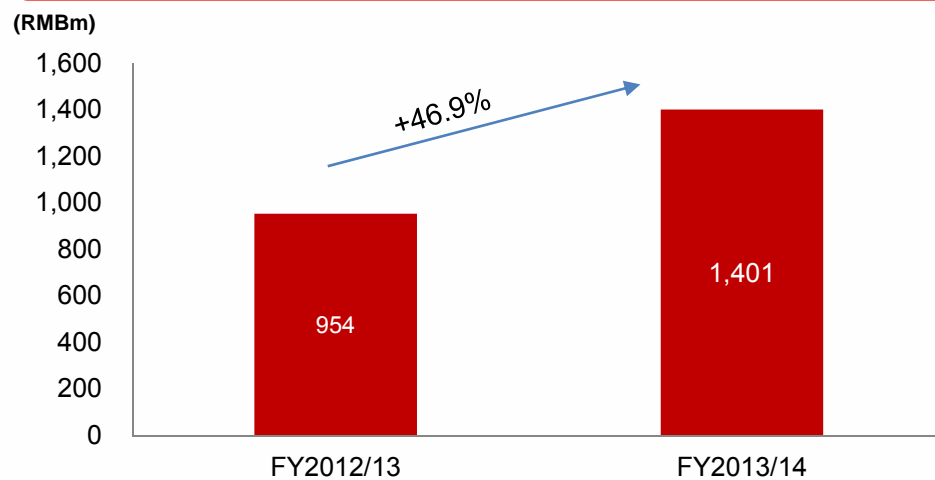
Turnover



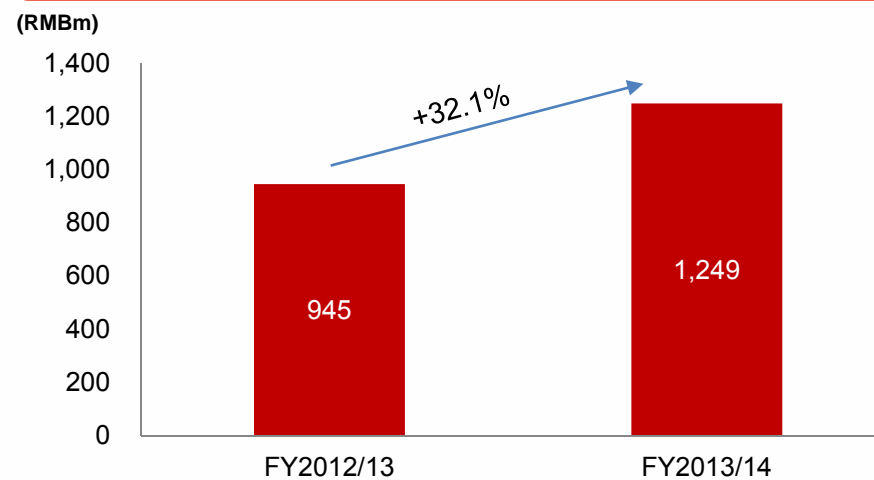
Gross profit and gross profit margin⁽¹⁾



Operating Profit⁽²⁾



Net Profit⁽³⁾



Notes:

(1) Before biological fair value adjustments

(2) Profit net of equity-settled share option expenses and IPO expenses.

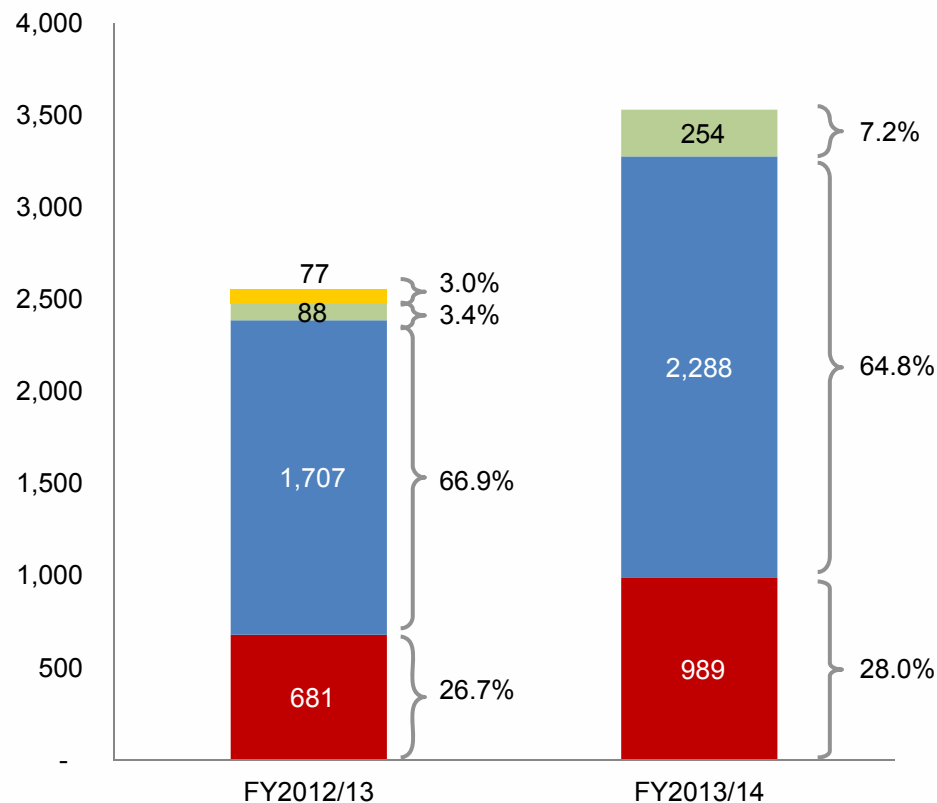
(3) After biological fair value adjustments

Financial Performance By Segment



Turnover breakdown by segment

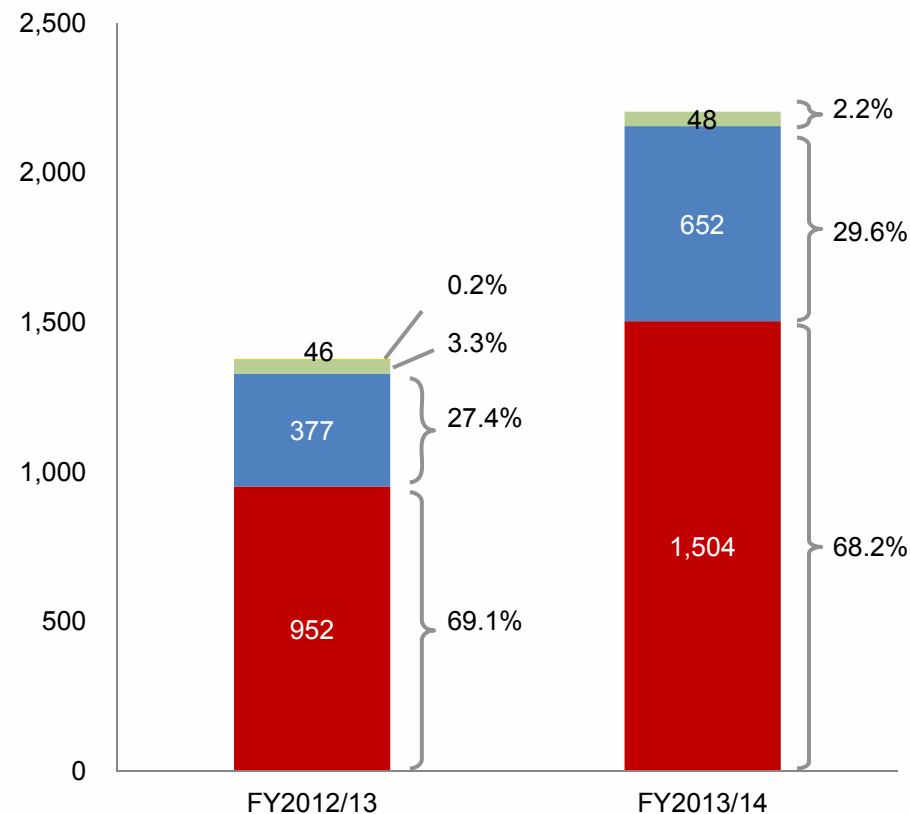
(RMBm)



- Dairy Farming
- Liquid Milk
- Milk Powder
- Grain Processing and Trading

Gross profit breakdown by segment

(RMBm)

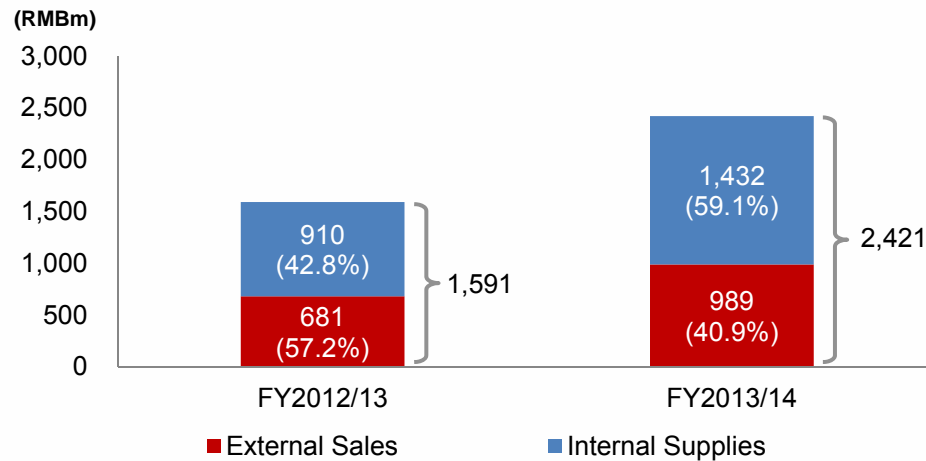


- Dairy Farming
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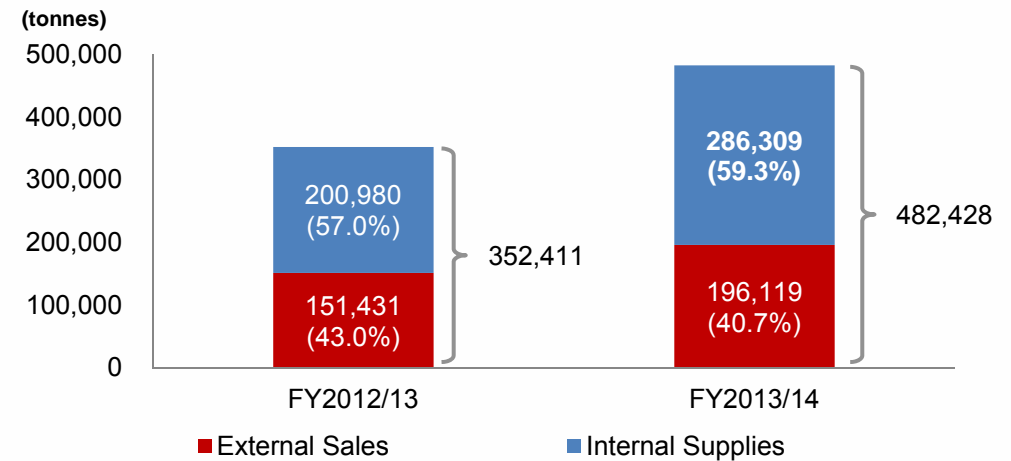
Dairy Farming



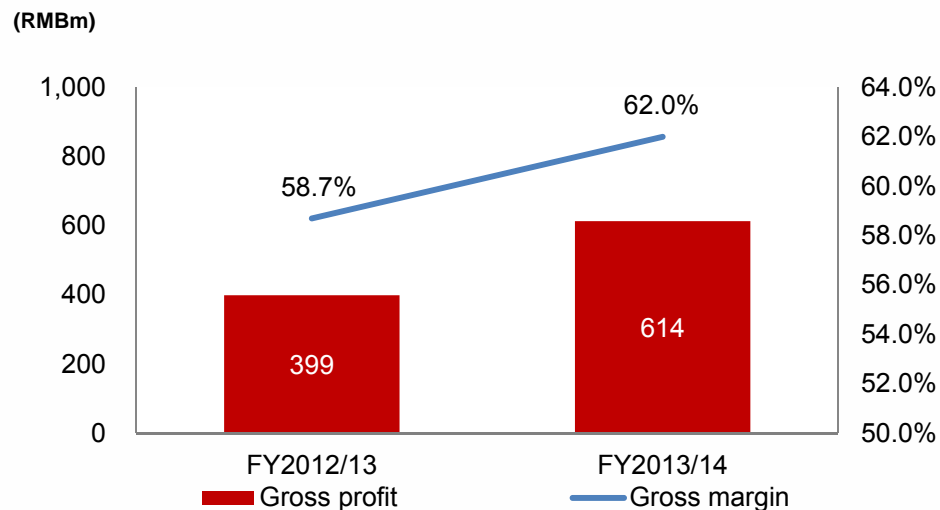
Turnover



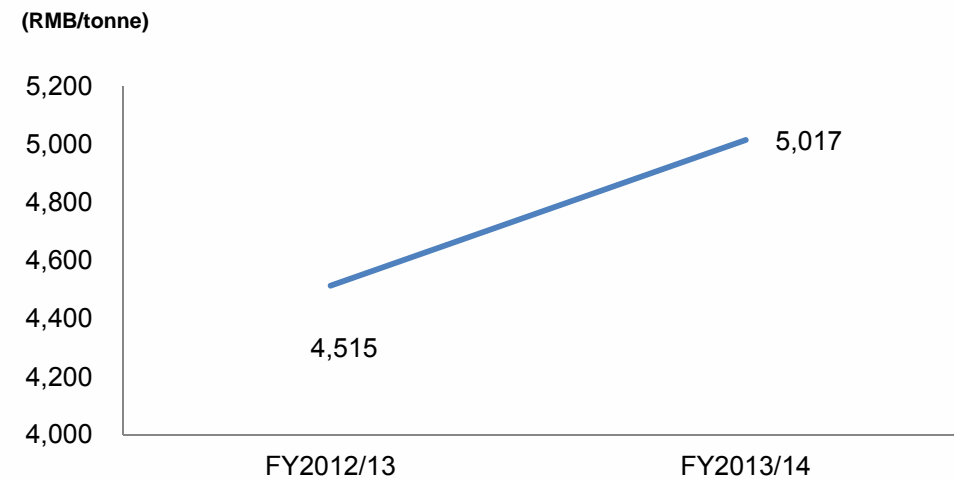
Raw milk sales volume



Gross profit and gross profit margin



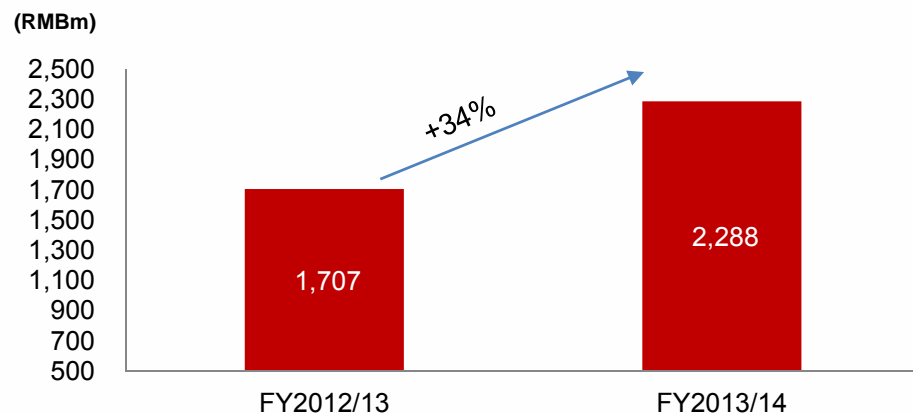
Raw milk ASP



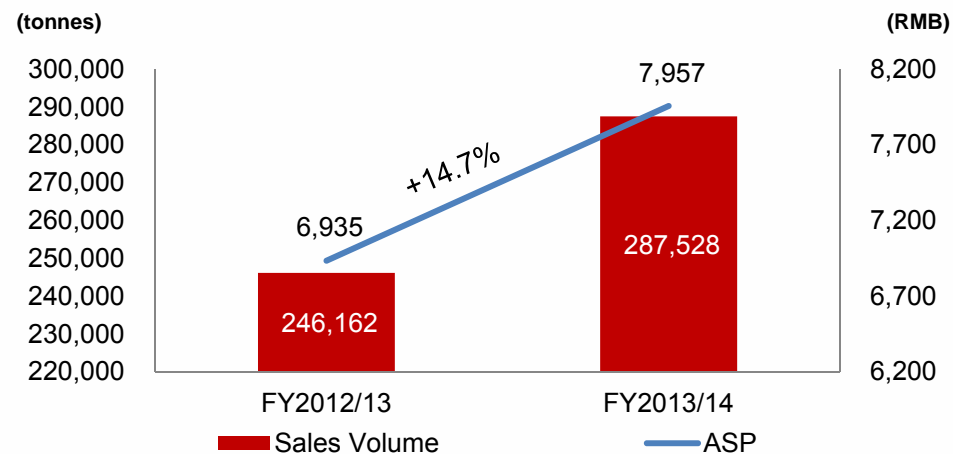
Liquid Milk



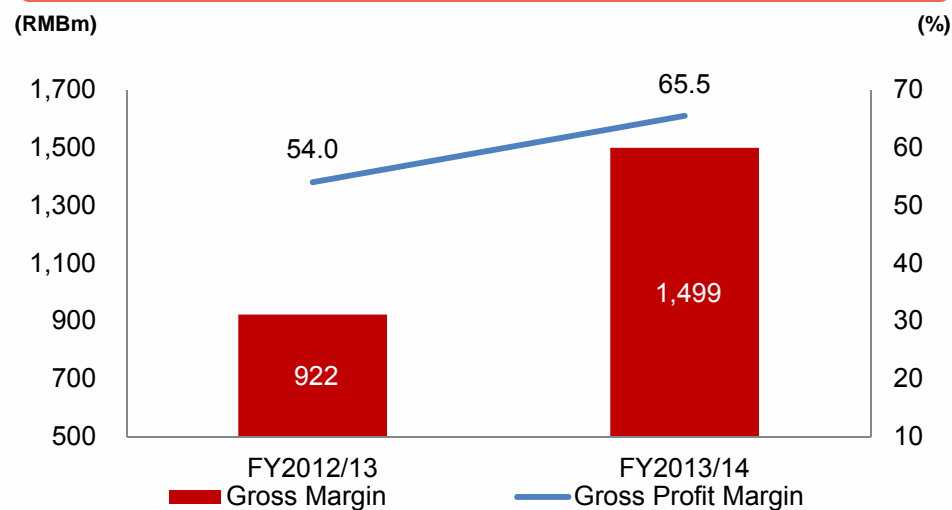
Turnover



Sales Volume and ASP



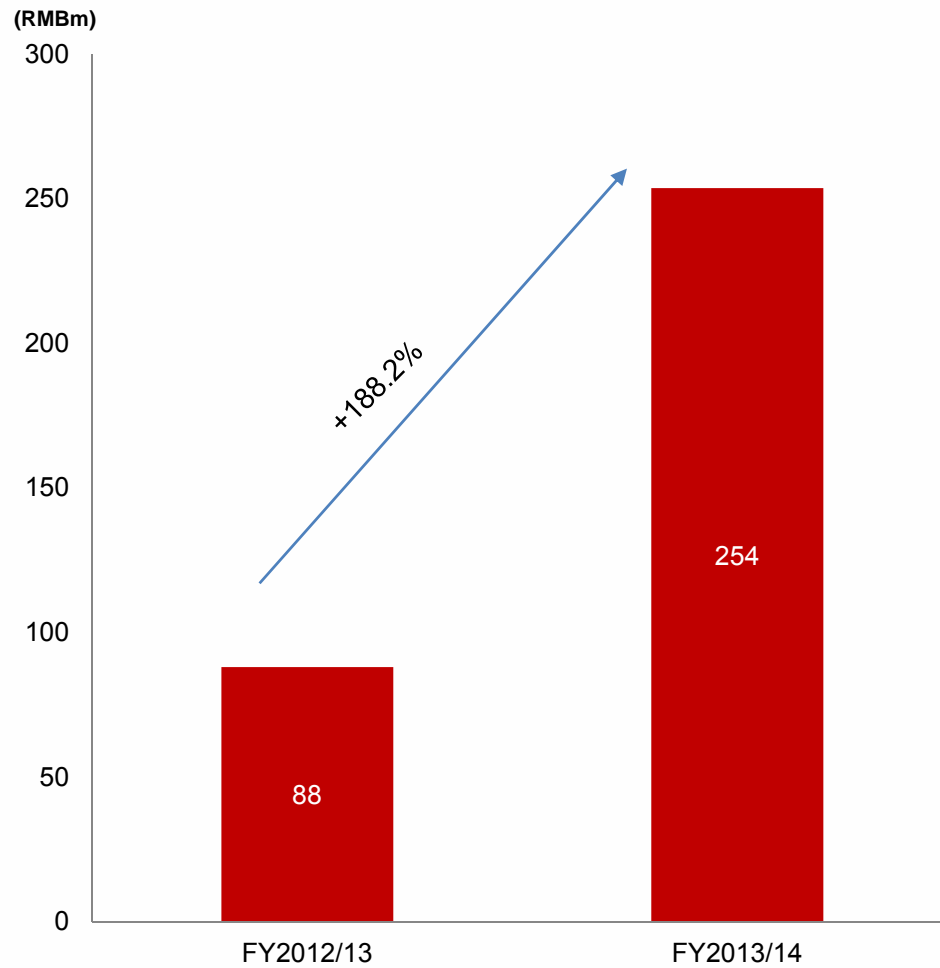
Gross profit and gross profit margin



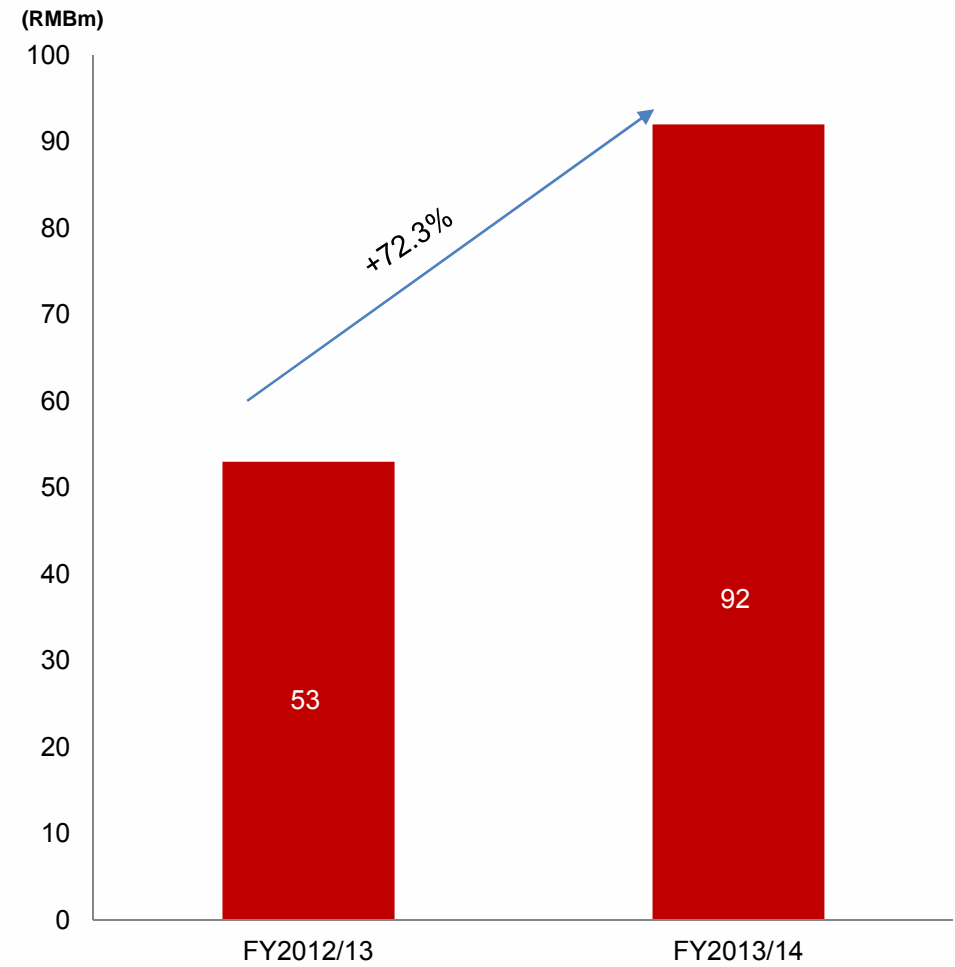
Milk Powder



Turnover



Gross profit



Note: We began to sell our milk powder products and dairy ingredients in January 2013



Review of operations



Business overview

Grass to Glass



Feeds growing and processing



- The largest commercial alfalfa plantation field in China (total 140,000mu)

- Total 480,000mu of plantation field



- Significant cost benefits

- Scaled plantations with fixed rents and strategically located in the Golden Corn Belt



- Secured safety from the origin

Liquid milk



No.1 Market Share in Northeastern China



- Only major dairy company in China using solely self-produced raw milk for production

- #1 in Northeastern China (market share of 19.5%)



- Nationwide: #5 by retail value

- Brand well known in Northeastern China for its quality and safety assurance

Huishan
Unique "Grass to Glass" Business Model



Dairy cow farm



Alfalfa/other feeds plantation



Liquid milk/milk powder production facility

Golden Corn Belt

Suitable weather, particularly precipitation



- Second largest herd in China with 144,191 dairy cows
- 59 dairy farms in operation
- Industry leading milk yield
- Premium quality raw milk with high nutritional value
- Transportation cost savings from strategic layout of production base

Dairy farming



A China-based major IMF brand

- Only IMF brand in China using solely self-produced raw milk for production
- Only company in China with official approval for production and sales of D90 whey powder
- Faku milk powder facility GMP certified. In process of having all facilities GMP certified



Milk powder and dairy ingredients

Note: 1. 1 mu ≈ 666.7 m²

Feeds growing and processing



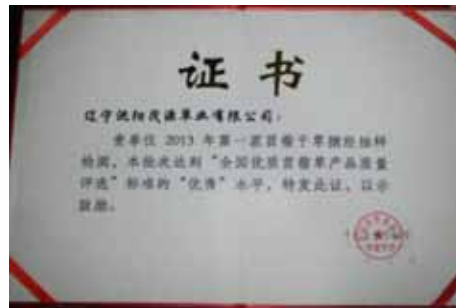
Continue to secure upstream resources for expanding planation of alfalfa and supplementary feeds



- June 2013 – Ministry of Agriculture of China (农业部) organized a national alfalfa conference at Huishan’s alfalfa plantation field in Jinzhou, Liaoning



- March 2014, a delegation from Ministry of Agriculture of China, led by Minister Han visited Huishan
- Huishan’s unique vertically-integrated dairy business model received highly favorable remarks

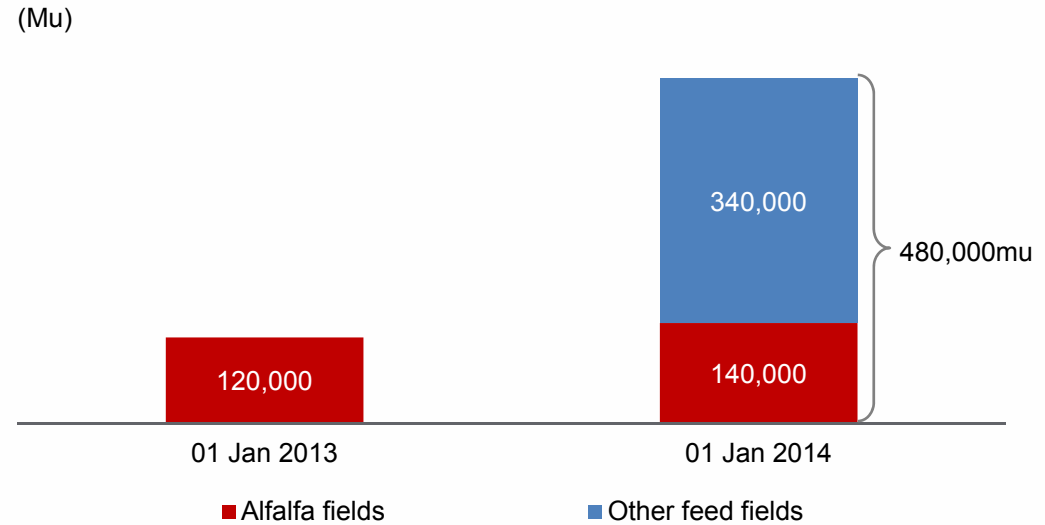


- August 2013 – Huishan alfalfa awarded “Premium” rating and obtained the highest score in a competition held at China’s Alfalfa Development Convention(中国苜蓿发展大会) organized by China Animal Agriculture Association (中国畜牧协会)

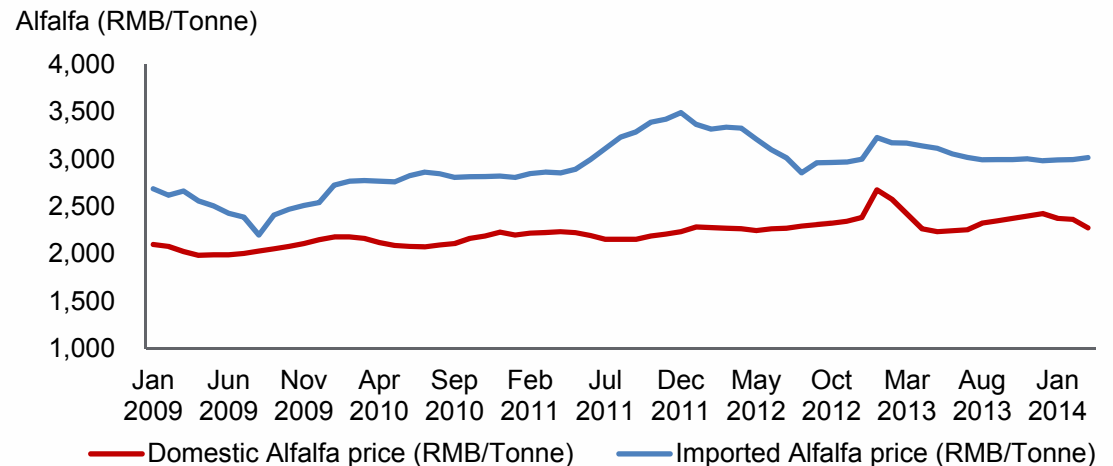
Feeds growing and processing (cont'd)



- Alfalfa plantation field of about 140,000mu, an increase of 20,000mu
- 40,000mu alfalfa plantation field was awarded the “National Demonstrative Area for High Yield and Quality Alfalfa”
- Harvested 3 times in the year with a total production volume of about 140,000 tonnes
- Cost of production was USD92/tonne, lower than the average CIF price of imported alfalfa of about USD400/tonne
- Cost saving: average domestic transportation cost of RMB600-800/tonne



Domestic and imported Alfalfa price (China), Jan 2009-Mar 2014

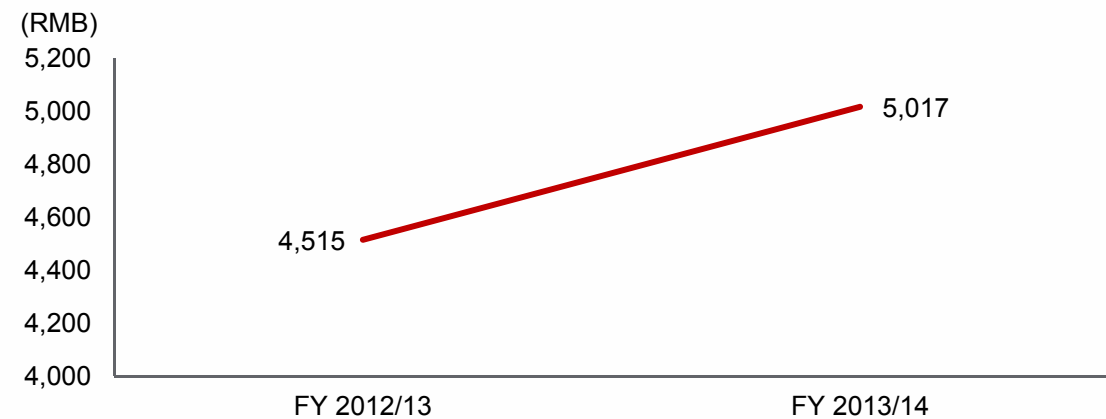


Dairy farming



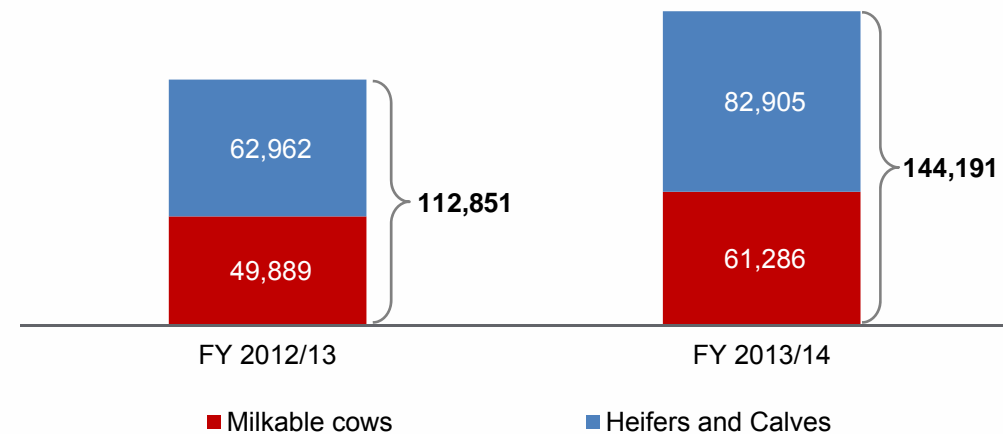
- Operated the largest number of dairy farm in China with 59 standardized dairy farms
- A herd size of 144,191 dairy cows, up from last year's 112,851 dairy cows
- Produced 501,700 tonnes of raw milk, an increase of 37.4% yoy
- Recorded an average milk yield per milkable cow of 9.0 tonnes

Average selling price of our raw milk



Rapidly expanding herd size

(Number of cows)



Liquid milk



- Produce and sell a variety of liquid milk products in 4 categories: pasteurized milk, ultra-high temperature milk (“UHT” milk), yogurt and milk beverages
- Entered into a new area of yogurt with short shelf life by introducing “10 Days” which is additive-free and natural, was well received by the market and recorded sales of over RMB100m in the year
- “10 Days” received recognition as Provincial Science and Technology Research Result by the Liaoning Provincial Department of Science and Technology
- Protein content of “Jersey Farm” series, which launched in Sept 2013, reached 3.6% compared with 3.3% in the market
- “Jersey Farm” series won the gold prize in the International Organic and Green Food Expo in May 2014
- Pasteurized milk recorded a strong sales volume growth and double than that in last year

Continue to launch different high end products



- Jersey Farm series (“杰茜牧场”)
 - Exclusive series of ultra-premium UHT products
 - Protein level at 3.6%
 - We have the largest Jersey cow herd in China
- Sharing Global Flavors (“全球甄享”) – A series of premium yogurt products

Our Market Share *

	2012	2013
Liquid Milk	13.7%	19.5%

Huishan had the largest market share in liquid milk products in NE China in 2013. *

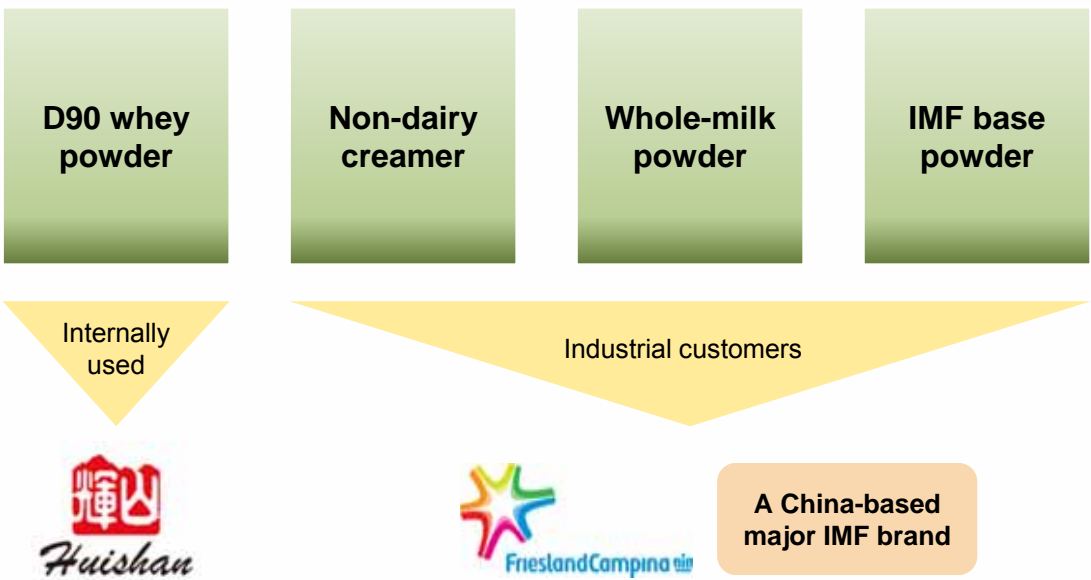
* Source: Frost & Sullivan

Milk powder and dairy ingredients



- Launched milk powder of Huishan Gold Queen and Huishan Gold Label
- In Mar 2014, we successfully launched the new infant milk formula powder series “Huishan Red Label”
- Proposed strategic partnership with FrieslandCampina, jointly operate an infant milk formula brand in China

Dairy ingredients: Launching new products



Endorsement by China Dairy Industry Association

- ✓ Unique grass to glass business model: Most innovative, quality assurance
- ✓ Recognition, assistance & long-term benefits
- Winner in IMF industry consolidation process (cut down number of brands from 300 + to 50)



Brand building



“New Safety Power in China’s Dairy Industry”
(中国乳业安全新力量)



Advertisements on TV and other media platforms



Sole Title Sponsor of Reality Program
“Miracle Audition”(奇迹梦工厂)



- Innovative advertising campaign featuring popular TV anchors

- Acting enthusiasts audition before a panel of popular actors and directors

Expanding our reaches beyond Northeastern Area

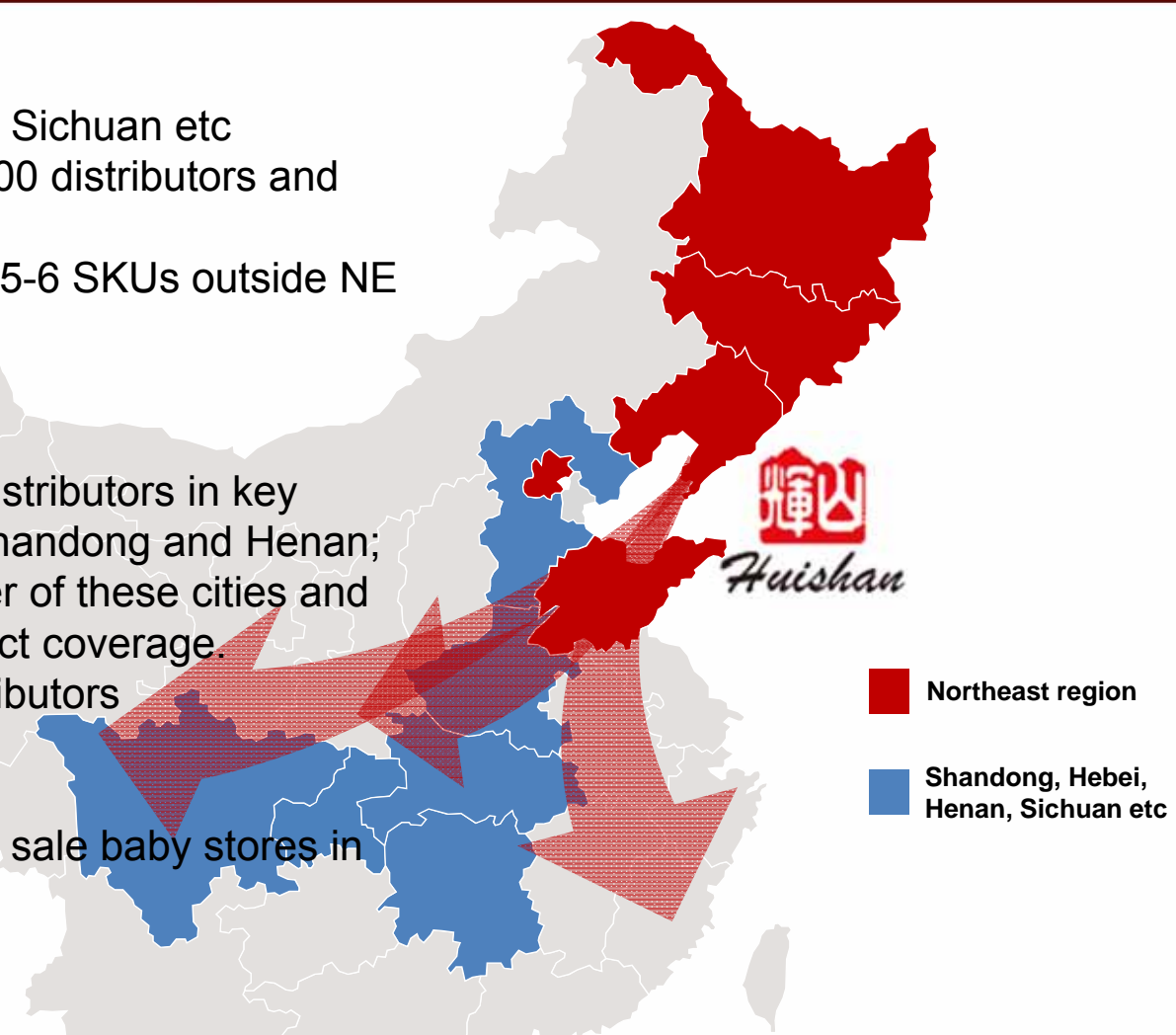


Liquid Milk

- Initial set up in Shandong, Hebei, Sichuan etc
- Distribution network comprised 400 distributors and 392 supermarkets
- 49 SKUs in Northeastern region, 5-6 SKUs outside NE (22 SKUs in Heibeii)

Milk Powder

- Initial set up by selecting major distributors in key cities for cooperation in Hebei, Shandong and Henan; will gradually increase the number of these cities and distributors to increase our product coverage.
- We have approximately 418 distributors (2013: 69 distributor)
- 21 SKUs
- We aim to have over 2,000 direct sale baby stores in the coming year



- Northeast region
- Shandong, Hebei, Henan, Sichuan etc

We will gradually increase the number of these cities and distributors to increase our market share in these new regions

Retail display of our products (Liquid milk and Milk Powder)



Retail product display of milk powder



Jiangsu Pei County
宝宝记



Fujian Quanzhou
宝贝加油站母婴用品专家



Hunan Xianyang
咸阳贵族世家



Hubei Xianning
嘉鱼县天使宝贝



Anhui Anqing
安庆金贝贝



Hunan Xianyang
咸阳成长快乐



Jiangsu SuQian
好孩子孕婴生活馆



Retail product display of liquid milk

Shandong



大润发历城店



大润发天桥店



华联大明店



华联东方家园店



家乐福



乐购经四路店

Henan



北环家乐福



世纪联华橄榄城



万果园40店



金阳光超市



天下乳业



扶沟一峰

Sichuan



北京华联江北店



新世纪鸿恩寺



重百北碚中心店



家乐福红牌楼



欧尚金牛

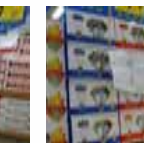


欧尚华阳

Hubei



大润发-江汉路店



大润发-姑嫂树店



大润发-荆州店



大润发-孝感店



大润发-随州店



Huishan



Outlook and strategies



Industry outlook



- Food safety still a big concern
- Big gap between supply and demand of raw milk
- Consumers looking for high quality and high protein of liquid milk
- Stringent control of infant milk formula powder
- Surging demand of milk formula powder because of the new “Two Child” policy

Strategies



Expand upstream operations and resources to uphold highest standards of product safety and quality



Continuously expand product portfolio and offer innovative products to improve profitability



Strengthen brand recognition across China and enhance consumer loyalty



Enhance distribution network and penetrate additional geographical end-markets beyond Northeastern China and expand industrial customer base



Q&A





Thank you!



Experienced management team



Mr. YANG Kai
Chairman and CEO



Ms. GE Kun
Executive
Vice President



Mr. SO Eddie
CFO



Mr. XU Guangyi
Senior
Vice President



Mr. KWOK Patrick
Vice President



Mr. CHOU Michael
Head of
Corporate Finance

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