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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)**

## **CONNECTED TRANSACTION DISPOSAL OF IDLE ASSETS**

### **THE DISPOSAL**

The Board is pleased to announce that, on December 31, 2018, Modern Farm (Saibei), an indirectly non-wholly owned subsidiary of the Company, and Mengniu (Baotou) entered into the Sales and Purchase Agreement in relation to the disposal of the Assets.

### **LISTING RULES IMPLICATIONS**

Mengniu (Baotou) is a subsidiary of Mengniu, a substantial shareholder of the Company, hence a connected person of the Company under the Listing Rules. Therefore, the transaction contemplated under the Sales and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable Percentage Ratios in respect of the transaction contemplated under the Sales and Purchase Agreement are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

\* *For identification purposes only*

## A. THE SALES AND PURCHASE AGREEMENT

The Board is pleased to announce that, on December 31, 2018, Modern Farm (Saibei) and Mengniu (Baotou) entered into the Sales and Purchase Agreement in relation to the disposal of the Assets.

The principal terms of the Sales and Purchase Agreement are as follows:

- Date** : December 31, 2018
- Parties** : (a) the seller: Modern Farm (Saibei); and  
(b) the purchaser: Mengniu (Baotou).
- Assets to be sold** : Subject to the terms and conditions of the Sales and Purchase Agreement, Modern Farm (Saibei) agreed to sell the Assets to Mengniu (Baotou).

As of December 31, 2018, the net book value of the Assets is approximately RMB5,403,400.

The Assets which have been idle were acquired from the market by Modern Farm (Saibei).

- Consideration and the payments** : The total consideration for the Assets is RMB6,267,900 (including RMB864,500 tax).

The Assets will be delivered to Mengniu (Baotou) on the date as agreed between the Parties and the consideration shall be settled via online platform or methods such as banker's acceptances or commercial acceptance bills.

The total consideration of the Assets was determined after arm's length negotiations between the Parties and with reference to: (i) net book value of the Assets and (ii) fair market value of the Assets.

## **B. INFORMATION ON MODERN FARM (SAIBEI) AND MENGNIU (BAOTOU)**

### **(a) Modern Farm (Saibei)**

The Group is the largest dairy farming company and the largest producer of fresh raw milk in the PRC in terms of herd size and quantity. As of June 30, 2018, the Group kept 225,782 dairy cows. As a nationwide farm, the Group is endowed with unique geographical advantages, and its farms are close to various downstream processing plants for dairy products and supply sources of feedstuff. The Group consistently adheres to its “innovative gene” and persists in its unique production mode of “seamless integration of forage grass planting, cow breeding and milk processing” and “zero distance and within two hours from milking to processing” to produce the distinctive quality-assured milk.

Modern Farm (Saibei) is an indirectly non-wholly owned subsidiary of the Company and is principally engaged in, among others, breeding dairy cows and production of milk. As of the date of this announcement, Modern Farm (Saibei) was indirectly owned by the Company as to approximately 98.18%.

### **(b) Mengniu (Baotou)**

Mengniu (Baotou) is a subsidiary of Mengniu, a substantial shareholder of the Company, and is principally engaged in the production and sales of, among others, dairy products.

## **C. REASONS FOR THE SALES AND PURCHASE AGREEMENT AND BENEFITS TO THE COMPANY**

The transaction contemplated under the Sales and Purchase Agreement is based on the principle of mutual benefits, i.e. to sell the idle production equipment of Modern Farm (Saibei) which, in turn, enhances the liquidity of the Group. Mengniu Group is one of the leading dairy product manufacturers and is equipped with a strong management team and a solid dairy product distribution network. The Company believes that with Mengniu’s core advantages and the favorable dairy policy introduced by the government of the PRC, this mutually beneficial partnership with Mengniu can benefit the Shareholders.

The Directors (including the independent non-executive Directors) consider that the disposal of the Assets is fair and reasonable and the terms of the Sales and Purchase Agreement, which have been reached after arm’s length negotiation between the Parties, are on normal commercial terms, fair and reasonable and, based on the reasons above, are in the interests of the Company and the Shareholders as a whole.

Mr. LU Minfang is an executive director and the chief executive officer of Mengniu. Mr. WOLHARDT Julian Juul is an independent non-executive director of Mengniu. Mr. ZHANG Ping is the chief financial officer of Mengniu. Mr. WEN Yongping is the vice president of Mengniu and the general manager of the chilled product business department of Mengniu. Accordingly, each of Mr. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping is considered to have a material interest in the Sales and Purchase Agreement and has abstained from voting on the relevant board resolutions approving the Sales and Purchase Agreement.

#### **D. FINANCIAL EFFECT OF THE DISPOSAL OF THE ASSETS**

Based on the consideration of the disposal and the net book value of the Assets as at December 31, 2018, it is expected that the Group will not record any significant unaudited gain or loss from the disposal. Such calculation is only an estimation provided for illustrative purposes and the accounting treatment of the disposal of the Assets will be subject to further review by the auditors of the Company.

The Group intends to apply the net proceeds from the disposal of the Assets as general working capital of the Group for its future business development.

#### **E. CONNECTED TRANSACTION AND THE LISTING RULES IMPLICATIONS**

Mengniu (Baotou) is a subsidiary of Mengniu, a substantial shareholder of the Company, and is a connected person of the Company under the Listing Rules. Therefore, the transaction contemplated under the Sales and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable Percentage Ratios in respect of the transaction contemplated under the Sales and Purchase Agreement are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

Unless the context requires otherwise, the following terms shall have the following meanings:

“Assets”	the Tetra Pak milk filling machine (room temperature line)* (利樂鮮奶灌裝機常溫線) owned by Modern Farm (Saibei) and its spare parts
“Board”	the board of directors of the Company
“Company”	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1117)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Mengniu”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2319), a substantial shareholder and a connected person of the Company
“Mengniu (Baotou)”	Inner Mongolia Mengniu Dairy Baotou Co., Ltd. (內蒙古蒙牛乳業包頭有限責任公司), a company incorporated in the PRC with limited liability, a subsidiary of Mengniu and a connected person of the Company
“Mengniu Group”	Mengniu and its subsidiaries

“Modern Farm (Saibei)”	Modern Farm (Saibei) Co., Ltd. (現代牧業 (塞北) 有限公司), a company incorporated in the PRC with limited liability, and an indirectly non-wholly owned subsidiary of the Company
“Parties”	Modern Farm (Saibei) and Mengniu (Baotou)
“Percentage Ratios”	the percentage ratios set out in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Purchase Agreement”	the agreement entered into between Modern Farm (Saibei) and Mengniu (Baotou) on December 31, 2018 in relation to the disposal of the Assets
“Shareholder(s)”	shareholder(s) of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

For and on behalf of the Board  
**China Modern Dairy Holdings Ltd.**  
**LU Minfang**  
*Chairman*

Hong Kong, December 31, 2018

*As of the date of this announcement, the executive directors are Ms. GAO Lina and Mr. HAN Chunlin, the non-executive directors are Mr. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping, the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. KANG Yan.*