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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)

**PLACING OF NEW SHARES
UNDER GENERAL MANDATE**

Settlement Agent



Placing Managers



* for identification only

The Board is pleased to announce that on 20 January 2021 (before trading hours), the Company and the Placing Managers entered into the Placing Agreement, pursuant to which the Company agreed to appoint the Placing Managers, and the Placing Managers each, (on a several but not joint nor joint and several basis) agreed to act as placing agent for the purpose of procuring on a best efforts basis, as agent of the Company, purchasers to purchase 650,000,000 Placing Shares at the Placing Price of HK\$2.40 per Placing Share, on the terms and subject to the conditions set out in the Placing Agreement.

The number of the Placing Shares represents: (a) approximately 10.06% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 9.14% of the enlarged total number of Shares in issue upon the completion of the Placing (assuming there will be no change to the total number of Shares in issue from the date of this announcement up to the Closing Date, other than the issue by the Company of the Placing Shares). The aggregate nominal value of the Placing Shares will be HK\$65,000,000.

The gross proceeds from the Placing are expected to be approximately HK\$1,560 million and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately HK\$1,552 million. On this basis, the net price per Placing Share will be approximately HK\$2.39.

The Placing Shares are to be issued under the General Mandate. As such, the allotment and issue of the Placing Shares is not subject to approval of the Shareholders.

Application will be made to the Stock Exchange for approval for the listing of, and permission to deal in, the Placing Shares.

Completion of the transactions contemplated under the Placing Agreement is subject to such agreement not being terminated in accordance with the terms thereof and the satisfaction of the conditions precedent under the Placing Agreement. Therefore, the Placing may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.

PLACING OF NEW SHARES

The Board is pleased to announce that on 20 January 2021 (before trading hours), the Company and the Placing Managers entered into the Placing Agreement, pursuant to which the Company agreed to appoint the Placing Managers and the Placing Managers each, (on a several but not joint nor joint and several basis) agreed to act as placing agent for the purpose of procuring on a best efforts basis, as agent of the Company, purchasers to purchase 650,000,000 Placing Shares at the Placing Price of HK\$2.40 per Placing Share, on the terms and subject to the conditions set out in the Placing Agreement.

The principal terms of the Placing Agreement are summarized below:

Date: 20 January 2021

Parties: (i) the Company; and
(ii) the Placing Managers.

The Placing Shares

The number of the Placing Shares represents: (a) approximately 10.06% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 9.14% of the enlarged total number of Shares in issue upon the completion of the Placing (assuming there will be no change to the total number of Shares in issue from the date of this announcement up to the Closing Date, other than the issue by the Company of the Placing Shares). The aggregate nominal value of the Placing Shares will be HK\$65,000,000.

The Placing Shares shall, when issued and fully paid, rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the Closing Date including the rights to all dividends declared, made or paid on a record date which falls on or after the date of issue of the Placing Shares.

The Placing Managers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Placing Managers is an Independent Third Party.

Placees

It is expected that the Placing Shares will be placed to not fewer than six Placees who are professional, institutional or other investors selected and procured by the Placing Managers and whose ultimate beneficial owners are Independent Third Parties. The choice of placees for the Placing Shares has been determined solely by the Placing Managers, subject to the applicable laws and regulations (including Listing Rules). It is not expected that any such investor will become a substantial shareholder of the Company as a result of the Placing.

Placing Price

The Placing Price is HK\$2.40 per Placing Share, which represents:

- (i) a discount of approximately 12.09% to the closing price of HK\$2.73 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) and a discount of approximately 10.11% to the average closing price of HK\$2.67 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day; and
- (iii) a discount of approximately 4.76% to the average closing price of HK\$2.52 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Managers, with reference to the prevailing market price of the Shares.

Condition and Completion of the Placing

Completion of the Placing is conditional upon, inter alia, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to the completion of the Placing).

The Placing is expected to be completed on the Closing Date (or such other time and date as may be agreed between the Company and the Placing Manager). If the above conditions are not fulfilled at or prior to 8:00 a.m. (Hong Kong time) on the Closing Date, the Placing Managers and the Company shall have no obligations or liabilities to each other under the Placing and neither the Company nor the Placing Managers shall have any claim against the other for any costs, damages, compensation or otherwise arising under the Placing Agreement save for antecedent breaches.

Termination

Notwithstanding anything contained in the Placing Agreement, if at any time prior to 8:00 a.m. (Hong Kong time) on the Closing Date:

- (1) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the sole opinion of the Placing Managers is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
 - (ii) any event, or series of events beyond the control of the Placing Managers (including, without limitation, any calamity, act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease (excluding the coronavirus disease 2019), outbreak or escalation of hostilities, act of terrorism and act of God) in or affecting Hong Kong, the People's Republic of China, the Cayman Islands, the United Kingdom, the European Union (or any member thereof) or the United States, or the declaration by any of the Relevant Jurisdictions of war or a state of emergency or calamity or crisis;
 - (iii) any change or development in local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets) which in the sole opinion of the Placing Managers is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
 - (iv) any change or development in local, national or international securities market conditions or currency exchange rates or exchange controls which in the sole opinion of the Placing Managers is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
 - (v) any suspension of dealings in the Shares during the period commencing upon the execution of the Placing Agreement and terminating at 8:00 a.m. (Hong Kong time) on the Closing Date (or such later time and date as the Company and the Placing Managers may agree in writing) whatsoever (other than as a result of the Placing);

- (vi) any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, NYSE Amex Equities, the Shanghai Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or the Shenzhen Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
 - (vii) the commencement by any state, governmental, judicial, regulatory or political body or organization of any action against any Director or an announcement by any state, governmental, judicial, regulatory or political body or organization that it intends to take any such action; or
- (2) (i) any breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement (or, in the case of any such representations, warranties and undertakings which are not qualified by materiality, any breach of any of such representations, warranties and undertakings in any material respect) comes to the knowledge of the Placing Managers; (ii) any event occurs or any matter arises on or after the date hereof and prior to the completion of the Placing on the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of the representations, warranties and undertakings set out in the Placing Agreement untrue or incorrect; or (iii) there has been a breach of, or failure to perform, any other provision of this Agreement in any material respect on the part of the Company; or
- (3) there is any change, or any development involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders' equity, results of operations or position, financial or otherwise, of the Group (other than those already disclosed to the public on or before the date of the Placing Agreement) as a whole, or any further outbreak or escalation of the coronavirus disease 2019, which in the sole opinion of the Placing Managers is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;

then and in any such case, the Placing Managers may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 8.00 a.m. (Hong Kong time) on the Closing Date.

Lock-up Arrangements of the Company

The Company has undertaken to the Placing Managers that, for a period from the date of the Placing Agreement up to 90 days after the Closing Date except (a) the allotment and issue of the Placing Shares under the Placing Agreement; (b) the grant of restricted shares under the share award schemes adopted by the Company on 9 September 2016 and 26 March 2018, respectively, or any vesting of award shares under the schemes; and (c) the issue and allotment of any Shares as consideration shares as a result of any acquisition to be conducted by the Company, neither the Company nor any person acting on its behalf will, among others:

- i. sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe for any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- ii. agree to enter into or effect any such transaction with the similar economic effect; or
- iii. announce any intention to enter into or effect any such transaction,

without first having obtained the written consent of the Placing Managers.

GENERAL MANDATE

The Placing Shares are to be issued under the General Mandate. As at the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate and therefore the Company is permitted to issue up to 1,281,527,023 Shares under the General Mandate. As such, the allotment and issue of the Placing Shares is not subject to approval of the Shareholders.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for approval for the listing of, and permission to deal in, the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The gross proceeds from the Placing are expected to be approximately HK\$1,560 million and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately HK\$1,552 million. On this basis, the net price per Placing Share will be approximately HK\$2.39.

The Group is currently the largest dairy farming operator and fresh raw milk producer in the PRC. The Company intends to apply the net proceeds from the Placing on infrastructure development and herd expansion, potential mergers and acquisitions and general working capital.

After the domestic raw milk market has experienced a three to four year adjustment period, the industry is currently in an upward phase. Raw milk market is short in supply and the market remains optimistic about its future development due to its large consumption segment. Such confidence has also supported the growth of the Company's business and stock price recently. The Company's performance during the reporting period was satisfactory while its stock price has reached a 5-year high. The Directors consider that the Placing represents an opportunity to raise capital for the business development of the Group and to expand the Shareholder's base. The Directors (including independent non-executive Directors) are of the view that the Placing, the Placing Price and the Placing Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the Closing Date, set out below is the change in the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Placing.

Shareholder	As at the date of this announcement		Immediately after completion of the Placing	
	<i>Number of Shares</i>	<i>Approx. % of issued share capital of the Company</i>	<i>Number of Shares</i>	<i>Approx. % of issued share capital of the Company</i>
China Mengniu Dairy Company Limited	704,025,773	10.90	704,025,773	9.90
Future Discovery Limited	2,407,866,412	37.28	2,407,866,412	33.87
BOCI Financial Products Limited	613,877,227	9.50	613,877,227	8.64
GGG Holdings Limited	594,925,763	9.21	594,925,763	8.37
Jinmu Holdings Co Ltd. ⁽¹⁾	221,581,733	3.43	221,581,733	3.12
Ms. Gao Lina ⁽²⁾	40,411,058	0.63	40,411,058	0.57
Mr. Sun Yugang ⁽²⁾	1,073,663	0.02	1,073,663	0.02
<i>Public</i>				
- The Placees	-	-	650,000,000	9.14
- Other Public Shareholders	<u>1,874,804,318</u>	<u>29.03</u>	<u>1,874,804,318</u>	<u>26.37</u>
Total	<u><u>6,458,565,947</u></u>	<u><u>100.00</u></u>	<u><u>7,108,565,947</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Ms. Gao holds approximately 49.12% of the interests in Jinmu Holdings Co Ltd. (“**Jinmu**”). Hence, the 221,581,733 Shares owned by Jinmu are not held by the public.
- (2) Both Ms. Gao Lina and Mr. Sun Yugang are executive directors of the Company.

FUND RAISING DURING THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising activity through the issue of equity securities in the past twelve months immediately before the date of this announcement.

Completion of the transactions contemplated under the Placing Agreement is subject to such agreement not being terminated in accordance with the terms thereof and the satisfaction of the conditions precedent under the Placing Agreement. Therefore, the Placing may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“CICC”	China International Capital Corporation Hong Kong Securities Limited
“Closing Date”	the Business Day after the date on which the Conditions (other than those Conditions intended to be fulfilled on the Closing Date) are fulfilled (or waived, as the case may be) but in any event no later than 29 January 2021, or such other date as the Company and the Placing Managers may agree in writing
“CMBI”	CMB International Capital Limited
“Company”	China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司*), a company incorporated in the Cayman Islands with limited liability on 26 November 2010

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to ordinary resolutions duly passed by the Shareholders attending and voting by way of poll at the annual general meeting held on 3 June 2020 to allot, issue and deal with up to 1,281,527,023 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) who are not its connected persons of the Company (as defined in the Listing Rules)
“Last Trading Day”	19 January 2021, being the last trading day prior to the signing of the Placing Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placee(s)”	any professional, institutional or other investor whom the Placing Managers have procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the private placing to the Placee(s) procured by the Placing Managers of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the Placing Agreement dated 20 January 2021 entered into between the Company and the Placing Managers in respect of the Placing
“Placing Managers”	CICC and CMBI
“Placing Price”	HK\$2.40 per Placing Share
“Placing Shares”	650,000,000 new Shares to be issued by the Company and to be placed pursuant to the Placing Agreement

“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) in the capital of the Company of HK\$0.1 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America
“%”	per cent.

For presentation purpose, percentage figures presented in this announcement have been rounded to the nearest two decimal places.

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

Hong Kong, 20 January 2021

As of the date of this announcement, the executive directors are Ms. GAO Lina and Mr. SUN Yugang, the non-executive directors are Mr. LU Minfang (Chairman), Mr. ZHANG Ping, Mr. ZHAO Jiejun and Ms. GAN Lu, and the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. WOLHARDT Julian Juul.