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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)**

**UPDATE ANNOUNCEMENT  
ON  
SUPPLEMENTAL AGREEMENT  
IN RELATION TO  
ACQUISITION OF 100% EQUITY INTERESTS IN  
ZHONGYUAN MUYE COMPANY LIMITED\***

Reference is made to the announcement of the Company dated April 8, 2021 (the “**Previous Announcement**”) in relation to, among other things, the acquisition of 100% of the equity interests in the Target Company at the Consideration of no more than RMB815,246,680 (equivalent to approximately HK\$969,980,500 based on the exchange rate of RMB1.00 to HK\$1.1898 as at the date of the Previous Announcement), subject to the terms and conditions of the Sale and Purchase Agreement. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Previous Announcement.

**THE SUPPLEMENTAL AGREEMENT**

As disclosed in the Previous Announcement, the Consideration will be adjusted if the Target Company’s liabilities incurred prior to December 31, 2020 could not be settled prior to the second tranche payment of the Consideration. The Purchaser has the discretion to take up such liabilities and in which case, the settlement amount would be deducted from the Consideration.

On July 20, 2021 (after trading hours), the Purchaser, a non-wholly owned subsidiary of the Company, entered into a supplemental agreement (the “**Supplemental Agreement**”) with the Seller, the Target Company and Mr. Zhang Dinghong and Ms. Song Lihua (as the Seller’s guarantors) to amend the terms of the Sale and Purchase Agreement as follows:

### **Amendments to the Consideration and Payment Schedule**

Pursuant to the Supplemental Agreement, the Consideration will be adjusted downwards from no more than RMB815,246,680 (equivalent to approximately HK\$969,980,500) to no more than RMB722,994,339.67 (equivalent to approximately HK\$860,218,665.34) (the “**Adjusted Consideration**”) after taking into account the amount of certain unsettled liabilities of the Target Company incurred prior to December 31, 2020.

The Adjusted Consideration represents the sum of:

- (i) The three-tranche payments in the aggregate amount of RMB472,994,339.67 (equivalent to approximately HK\$562,768,665.34), payable by the Purchaser in the following adjusted manner:
  - 1. the first tranche payment of RMB169,500,000 (equivalent to approximately HK\$201,671,100) has already been made by the Purchaser to the Seller in accordance with the original terms of the Sale and Purchase Agreement;
  - 2. the second tranche payment of RMB274,997,659.67 (equivalent to approximately HK\$327,192,215.48) shall be satisfied by:
    - (a) the offset of certain receivables payable from the Seller to the Target Company in the amount of RMB212,106,485.77 (equivalent to approximately HK\$252,364,296.77) which the Target Company has transferred to the Purchaser; and
    - (b) the payment by the Purchaser of RMB62,891,173.90 (equivalent to approximately HK\$74,827,918.71) to the Seller on the Completion Date;

3. the final tranche payment of RMB28,496,680 (equivalent to approximately HK\$33,905,350) is payable within ten (10) business days of the later of:
  - (a) the date on which certain matters are completed, including certain non-compliance defects having been duly rectified by the Seller and/or the Target Company (such as payment of administrative penalty and settlement of civil cases); or
  - (b) the date that is the first anniversary of the Completion Date.

If the non-compliance defects have not been rectified by the first anniversary of the Completion Date, the Purchaser is entitled to deduct RMB10,000,000 from the final tranche payment, reducing the final tranche payment to RMB18,496,680 (equivalent to approximately HK\$22,007,350); and

- (ii) The estimated amount of damages of RMB250,000,000 (equivalent to approximately HK\$297,450,000) in relation to the Proceeding (the “**Estimated Amount of Damages**”), which shall be adjusted and settled in the manner as disclosed under the section headed “Amendments to Adjustments to Consideration and Related Special Arrangements” below.

### **Amendments to Adjustments to Consideration and Related Special Arrangements**

Pursuant to the Supplemental Agreement, the arrangements as disclosed under the section headed “Adjustments to Consideration and Related Special Arrangements” in the Previous Announcement are replaced in entirety with the following:

1. if the Estimated Amount of Damages is higher than the aggregate of (i) the Final Amount of Damages and (ii) the amount of certain unrecognized expenses and/or unresolved liabilities of the Target Company prior to the Completion Date (the “**Unresolved Amount**”), the Purchaser shall pay the difference to the Seller in a lump sum within twenty (20) business days from the effective date of the arbitral award; or
2. if the Estimated Amount of Damages equals to the aggregate of (i) the Final Amount of Damages and (ii) the Unresolved Amount, the Purchase shall have no obligation to make any further payment to the Seller; or
3. if the Estimated Amount of Damages is lower than the Final Amount of Damages or the aggregate of (i) the Final Amount of Damages and (ii) the Unresolved Amount, the Seller shall pay the Unresolved Amount plus the difference between the Final Amount of Damages and the Estimated Amount of Damages to the Target Company within twenty (20) business days from the effective date of the arbitral award. Mr. Zhang Dinghong and Ms. Song Lihua, as the Seller’s guarantors, jointly and severally guaranteed the payment obligations of the Seller to the Target Company in such event.

Save as disclosed above, all the other terms and conditions of the Sale and Purchase Agreement shall remain unchanged and continue to be in full force and effect.

Completion of the change of business registration records of the Target Company with the relevant Administrations for Industry and Commerce in the PRC to reflect the transfer of Seller's interests to the Purchaser is expected to take place within two (2) business days from the date of the Supplemental Agreement.

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

\* *For identification purpose only*

Hong Kong, July 21, 2021

*As of the date of this announcement, the executive Director is Mr. SUN Yugang, the non-executive Directors are Mr. LU Minfang (Chairman), Mr. ZHAO Jiejun, Mr. ZHANG Ping, Mr. ZHU Xiaohui and Ms. GAN Lu, and the independent non-executive Directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. CHOW Ming Sang.*