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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 75% EQUITY INTERESTS  
IN AIYANGNIU TECHNOLOGY**

The Board announces that on March 15, 2022 (after trading hours), the Purchaser entered into the Equity Transfer Agreement with the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology at a total consideration of RMB287,774,900.

As at the date of this announcement, Inner Mongolia Mengniu, being one of the Shareholder Sellers, is 99.99% owned by Mengniu, which is a substantial shareholder and connected person of the Company and therefore, Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Accordingly, the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement exceeds 5% but is less than 25%, the Acquisition thereunder is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Equity Transfer Agreement. A circular containing (i) further details of the Equity Transfer Agreement and the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders on the terms of the Equity Transfer Agreement and its recommendation on voting; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the same, together with the notice of the EGM of the Company, will be despatched to the Shareholders within 15 Business Days from the date of this announcement.

**As completion of the transactions contemplated under the Equity Transfer Agreement is subject to the fulfillment of certain conditions precedent, the Acquisition may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board announces that on March 15, 2022 (after trading hours), the Purchaser entered into the Equity Transfer Agreement with the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology at a total consideration of RMB287,774,900 (equivalent to approximately HK\$355,377,654).

### **The Equity Transfer Agreement**

The principal terms of the Equity Transfer Agreement are as follows:

#### **Date**

March 15, 2022

#### **Parties**

- (i) Purchaser (as the purchaser);
- (ii) Shareholder Sellers (as the sellers); and
- (iii) Aiyangniu Technology (as the target company).

## **Subject Matter**

An aggregate of 75% of the equity interests in Aiyangniu Technology, a company established in the PRC in 2015 and is principally engaged in the operation of animal husbandry e-commerce platform, animal husbandry service cloud platform, animal husbandry service business, sale of feedstuffs, additives and veterinary medicine, and trade consulting of agricultural and livestock products in the PRC.

## **Consideration**

The Consideration payable by the Purchaser is RMB287,774,900 (equivalent to approximately HK\$355,377,654) and are payable in two tranches in the following manner:

- (1) RMB258,997,410, being 90% of the Consideration, within five (5) PRC Business Days upon the fulfillment or waiver of the relevant conditions precedent; and
- (2) RMB28,777,490, being the remaining 10% of the Consideration, within five (5) PRC Business Days upon the fulfillment or waiver of the relevant conditions precedent.

Please refer to the sub-section headed “Conditions Precedent” for the details of the conditions precedent for each tranche.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Shareholder Sellers after taking into account: (1) the business prospect of Aiyangniu Technology; and (ii) the appraised fair value of the entire equity interest in Aiyangniu Technology of RMB388,320,323 as at December 31, 2021. The valuation was carried out by an independent valuer using the market approach, further details of which will be set out in the Circular.

The Consideration shall be satisfied by the internal resources of the Group.

## **Conditions Precedent**

The Acquisition is subject to customary conditions precedent as stipulated in the Equity Transfer Agreement.

In respect of the first tranche payment, including but not limited to:

- (i) all approvals, consents and filings necessary for the Acquisition have been obtained by all parties to the Equity Transfer Agreement;
- (ii) the Acquisition being approved by the Independent Shareholders;

- (iii) all transaction documents being duly signed by all parties to the Equity Transfer Agreement; and
- (iv) a new memorandum and articles of association being duly adopted by Aiyangniu Technology.

In respect of the second tranche payment, the updated Value-added Telecommunications Business License (增值電信業務經營許可證) being approved by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

When there are changes to the shareholders of a telecommunication operator, the operator shall file an application with the original issuing authority to update the Value-added Telecommunications Business License (增值電信業務經營許可證). The updated capital contribution certificate and register of members of Aiyangniu Technology shall be delivered on the day following the day on which the Purchaser pays 90% of the Consideration, allowing Aiyangniu Technology to file an application to update the Value-added Telecommunications Business License (增值電信業務經營許可證).

### **Completion**

Completion will take place on the day on which the Purchaser pays the first tranche payment. Upon Completion, Aiyangniu Technology will become a non-wholly owned subsidiary of the Company. The financial results of Aiyangniu Technology will be consolidated into the financial statements of the Group.

### **Indemnity**

Upon signing of the Equity Transfer Agreement until one year after the conditions precedent of the first tranche payment aforementioned being fulfilled, the Shareholder Sellers undertake to indemnify the Purchaser, against all liabilities or actual losses (including but not limited to fine and reasonable expenses such as legal fees and accounting fees) directly suffered or incurred by the Purchaser, provided that such liabilities or actual losses exceed RMB2 million (on an aggregate basis), as a consequence of the Shareholder Sellers’:

- (i) breach of any representations or warranties made by each Shareholder Sellers under the Equity Transfer Agreement; or
- (ii) breach of any covenant made or obligations to be fulfilled by each Shareholder Sellers under the Equity Transfer Agreement.

The Shareholder Seller in breach will be fully liable to indemnify the Purchaser up to an amount equivalent to the consideration it received from the Purchaser under the Equity Transfer Agreement. If there are multiple Shareholder Sellers who are in breach, on a pro-rata basis corresponding to their equity interests transferred to the Purchaser.

The Purchaser also undertakes to indemnify the Shareholder Sellers, against all liabilities or actual losses (including but not limited to any fine and reasonable expenses such as legal fees and accounting fees) directly suffered or incurred by the Shareholder Sellers, as a consequence of the Purchaser's:

- (i) breach of any representations or warranties made by the Purchaser under the Equity Transfer Agreement; or
- (ii) breach of any commitment, covenant or agreement made by the Purchaser under the Equity Transfer Agreement.

### **Business Registration Records Restoration and Refund Arrangement**

The Equity Transfer Agreement will be terminated in certain circumstances as set out in the Equity Transfer Agreement, including but not limited to (i) if Aiyangniu Technology is unable to obtain the updated Value-added Telecommunications Business License (增值電信業務經營許可證) within 5 months (or such longer period as agreed by the parties to the Equity Transfer Agreement) after the business registration records of Aiyangniu Technology has been updated to reflect the Completion and filed with the competent governmental body, or (ii) if the Purchaser fails to pay the second tranche payment within fifteen (15) PRC Business Days after its due date. In such event, the Purchaser shall cooperate with Aiyangniu Technology and each Shareholder Sellers to restore the shareholding, corporate governance structure of Aiyangniu Technology to the structure as of the date of signing the Equity Transfer Agreement and update the Value-added Telecommunications Business License (增值電信業務經營許可證) (as applicable), including but not limited to effecting the relevant business registration and to provide the necessary materials for updating the Value-added Telecommunications Business License (增值電信業務經營許可證), within twenty (20) PRC Business Days from the date of termination of the Equity Transfer Agreement.

The Shareholder Sellers shall refund the first tranche payment in one lump sum to the bank account designated by the Purchaser within five (5) PRC Business Days from, the later of (i) the completion of the business registration for the aforementioned restoration; or (ii) the completion of updating the Value-added Telecommunications Business License (增值電信業務經營許可證) (as applicable) as a result of the restoration.

## FINANCIAL INFORMATION OF AIYANGNIU TECHNOLOGY

Set out below is a summary of the consolidated financial information of Aiyangniu Technology for the two years ended December 31, 2020 and December 31, 2021, as extracted from the consolidated financial statements of Aiyangniu Technology, prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended	
	December 31, 2021 <i>(unaudited)</i> RMB	December 31, 2020 <i>(unaudited)</i> RMB
Consolidated net profit (before taxation)	23,069,746.88	13,844,721.94
Consolidated net profit (after taxation)	17,217,255.65	10,293,014.33

The unaudited consolidated net asset value of Aiyangniu Technology as prepared on the above basis as at December 31, 2021 was RMB38,633,441.74.

## SHAREHOLDING STRUCTURE OF AIYANGNIU TECHNOLOGY BEFORE AND AFTER THE ACQUISITION

Name of shareholders	As at the date of this announcement <i>Equity Interest held in Aiyangniu Technology (%)</i>	Immediately after the Acquisition <i>Equity Interest held in Aiyangniu Technology (%)</i>
The Purchaser	–	75.00
Inner Mongolia Mengniu 天津眾牧諮詢服務中心(有限合夥) (Tianjin Zhongmu Consulting Service Center (Limited Partnership))	73.66	25.00
COFCO Trust Co. (中糧信託有限責任公司)	12.77	–
內蒙古晟蒙創業投資基金中心(有限合夥) (Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership))	11.79	–
	1.78	–
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

The Group believes that the acquisition of Aiyangniu Technology can further leverage the industrial chain synergy advantages of the Group as a leading dairy enterprise, and provide services such as digital technology, supply chain finance, breeding technology and other services through the ecological sharing platform to upstream and downstream customers. Aiyangniu Technology operates the Aiyangniu Platform, which integrates resources from more than 1,000 suppliers for the leading market players in the dairy farming industry in the PRC and is able to lower the purchase price of certain farm supplies through centralized procurement. The Aiyangniu Platform has the following strengths and advantages:

- (i) it has a transparent purchase price quotation system for the dairy farms to make their procurement decision;
- (ii) it consolidates market information in relation to the farm supplies and shares such information with its business partners;
- (iii) it facilitates online credit financial services through the transaction data from the platform;
- (iv) it supervises and exercises quality control over the whole delivery process of farm supplies from suppliers to dairy farms; and
- (v) it has the ability to optimize the Company's industrial chain by removing redundant intermediaries in the industrial chain, allowing the Company's products and services to reach the customers directly.

Through the acquisition of Aiyangniu Technology, the Group will be able to utilize the abovementioned strengths and advantages of Aiyangniu Technology to (i) closely follow the market trend of farm supplies; (ii) reduce its procurement costs and optimize operational capabilities; and (iii) provide digital technology, supply chain financing, breeding technology and other services through the ecological sharing platform to upstream and downstream customers, enhancing the Group's profitability.

The Directors (excluding the independent non-executive Directors whose view will be given upon receiving the advice from the Independent Financial Adviser) consider that the Equity Transfer Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the date of this announcement, (i) Mr. LU Minfang, a non-executive Director and the chairman of the Board, is also an executive director and the chief executive officer of Mengniu; (ii) Mr. ZHAO Jiejun, a non-executive Director, is also a vice president and the head of milk sourcing and supply chain business unit of Mengniu and the chairman of the board of directors of Aiyangniu Technology; and (iii) Mr. ZHANG Ping, a non-executive Director, is also an executive director and the chief financial officer of Mengniu. Accordingly, each of Mr. LU Minfang, Mr. ZHAO Jiejun and Mr. ZHANG Ping is considered to have a material interest in the Equity Transfer Agreement and has abstained from voting on the relevant resolutions of the Board approving the Equity Transfer Agreement.

## **INFORMATION OF THE PARTIES**

### **(1) The Group**

The Company is an investment holding company with limited liability, which, along with its subsidiaries, is principally engaged in dairy farming operations, production and sale of raw milk, and development of liquid milk products. The Group is a leading dairy farm operator and fresh raw milk producer in the PRC, as of June 30, 2021, the Group operated 26 dairy farms in the PRC with over 250,000 dairy cows and annual milk yield of approximately 1.50 million tons.

### **(2) Mengniu**

China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司\*), 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 (stock code: 2319), and a substantial shareholder of the Company. The single largest shareholder of Mengniu is Prominent Achiever Limited, an indirect non-wholly owned subsidiary of COFCO Corporation. Mengniu principally manufacture and distribute dairy products in the PRC.

### **(3) Inner Mongolia Mengniu**

Inner Mongolia Mengniu is a company incorporated in the PRC and a 99.99% owned subsidiary of Mengniu. It is principally engaged in the business of manufacture and sale of dairy products.

The original investment cost for the 48.66% equity interest in Aiyangniu Technology incurred by Inner Mongolia Mengniu is approximately RMB9.3 million.



**(4) Tianjin Zhongmu Consulting Service Center (Limited Partnership)\* (天津眾牧諮詢服務中心(有限合夥))**

Tianjin Zhongmu Consulting Service Center (Limited Partnership)\* (天津眾牧諮詢服務中心(有限合夥)) is a limited liability partnership established in the PRC, whose principal business is economic and trade consulting, education consulting, public relations services, technology transfer, technical services and exhibitions, and conference services. Its ultimate beneficial owners are Mr. Liu Xiaojiang (劉曉江) and Ms. Li Liying (李麗英).

**(5) COFCO Trust Co.\* (中糧信託有限責任公司)**

COFCO Trust Co.\* is a non-bank financial institution established in the PRC under the supervision of China Banking and Insurance Regulatory Commission and a non-wholly owned subsidiary of COFCO Capital Holdings Co., Ltd.\* (中糧資本控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002423). COFCO Trust Co. is principally engaged in trust management, investment fund business, project financing, corporate financial management and financial consulting business in the PRC and its ultimate beneficial owner is the State Council of the PRC.

**(6) Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership)\* (內蒙古晟蒙創業投資基金中心(有限合夥))**

Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership)\* (內蒙古晟蒙創業投資基金中心(有限合夥)) is a limited liability partnership established in the PRC, whose principal business is investment management, investment consulting, and venture capital. Its general partner is Wuhan Certain Venture Capital Management Co., Ltd. (武漢晟道創業投資基金管理有限公司) and its ultimate single largest shareholder is Mr. Ai Luming (艾路明), who controls less than 30% of the voting rights in the general partner.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Tianjin Zhongmu Consulting Service Center (Limited Partnership)\*, COFCO Trust Co.\*, and Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership)\* and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

**(7) Aiyangniu Technology**

Aiyangniu Technology was established in the PRC in 2015 and is principally engaged in the operation of animal husbandry e-commerce platform, animal husbandry service cloud platform, animal husbandry service business, sale of feedstuffs, additives and veterinary medicine, and trade consulting of agricultural and livestock products in the PRC. As at the date of this announcement, Mengniu indirectly owns 73.66% of the equity interests in Aiyangniu Technology.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Inner Mongolia Mengniu, being one of the Shareholder Sellers, is 99.99% owned by Mengniu, a substantial shareholder and connected person of the Company and therefore, Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Accordingly, the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement exceeds 5% but is less than 25%, the Acquisition thereunder is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and approve, if thought fit, the Equity Transfer Agreement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, other than Mengniu and BOCI Financial Products Limited, no other Shareholder will be required to abstain from voting on the resolutions for approving the Equity Transfer Agreement at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing (i) further details of the Equity Transfer Agreement and the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders on the terms of the Equity Transfer Agreement and its recommendation on voting; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the same, together with the notice of the EGM of the Company, will be despatched to the Shareholders within 15 Business Days from the date of this announcement.

**As completion of the transactions contemplated under the Equity Transfer Agreement is subject to the fulfillment of certain conditions precedent, the Acquisition may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

<b>“Acquisition”</b>	the proposed acquisition of 75% equity interests in Aiyangniu Technology by the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
<b>“Aiyangniu Platform”</b>	the Aiyangniu online procurement platform of farm supplies for the dairy farming industry operated by Aiyangniu Technology
<b>“Aiyangniu Technology”</b>	Inner Mongolia Aiyangniu Technology Co., Ltd.* (內蒙古愛養牛科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of Mengniu
<b>“associate(s)”</b> , <b>“connected person(s)”</b> , <b>“percentage ratio(s)”</b> , <b>“subsidiary(ies)”</b> , <b>“substantial shareholder(s)”</b>	each has the meaning ascribed to it under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Business Day(s)”</b>	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
<b>“Company”</b>	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 (stock code: 1117)
<b>“Completion”</b>	the completion of the transfer of 75% equity interests in Aiyangniu Technology pursuant to the terms in the Equity Transfer Agreement

<b>“Directors”</b>	the directors of the Company
<b>“Equity Transfer Agreement”</b>	Equity Transfer Agreement dated March 15, 2022, entered into between the Purchaser and the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology, as more particularly described in the section headed “Equity Transfer Agreement” in this announcement
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Board Committee”</b>	the independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Li Shengli, Mr. Lee Kong Wai Conway and Mr. Chow Ming Sang
<b>“Independent Financial Adviser”</b>	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), being the independent financial adviser to advise the Independent Board Committee, in relation to the Equity Transfer Agreement and the Acquisition
<b>“Independent Shareholder(s)”</b>	Shareholders other than (i) the Mengniu, (ii) BOCI Financial Products Limited (to the extent that it continues to hold the voting rights of certain Shares which Mengniu has lent to BOCI Financial Products Limited under the Securities and Lending Agreement), (iii) those who have a material interest in, are interested in or involved in the Equity Transfer Agreement, and (iv) any associates of those mentioned in (i) to (iii)
<b>“Inner Mongolia Mengniu”</b>	Inner Mongolia Mengniu Dairy (Group) Co., Ltd.* (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC with limited liabilities, a 99.99% owned subsidiary of Mengniu as of the date of this announcement

<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Mengniu”</b>	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), 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 (stock code: 2319), and a substantial shareholder of the Company
<b>“PRC”</b>	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“PRC Business Day(s)”</b>	a day which is not a Saturday, Sunday nor a day on which banks in the PRC are required or authorized by the relevant laws to suspend business
<b>“Purchaser”</b>	現代牧業(集團)有限公司(Modern Farming (Group) Co., Ltd.*), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Securities and Lending Agreement”</b>	the securities and lending agreement dated June 17, 2020 entered into between Mengniu and BOCI Financial Products Limited
<b>“Shareholder Sellers”</b>	the sellers under the Equity Transfer Agreement, namely Inner Mongolia Mengniu, Tianjin Zhongmu Consulting Service Center (Limited Partnership)* (天津眾牧諮詢服務中心(有限合夥)), COFCO Trust Co.* (中糧信託有限責任公司), and Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership)* (內蒙古晟蒙創業投資基金中心(有限合夥))

“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*The translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 to RMB0.81 for information purposes only. Such translations should not be construed as representations that the relevant amounts have been, could have been, or could be, converted at these or any other rate or at all.*

\* For identification purpose only

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

Hong Kong, March 15, 2022

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