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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)

**(1) COMPLETION OF ACQUISITION OF
ENTIRE EQUITY INTERESTS IN FUYUAN
(2) COMPLETION OF ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE
(3) CONTINUING CONNECTED TRANSACTIONS PURSUANT TO
RULE 14A.60(1) OF THE LISTING RULES**

Reference is made to the circular (the “**Circular**”) of China Modern Dairy Holdings Ltd. (the “**Company**”) dated May 14, 2021 and the announcement of the Company dated March 22, 2021 in respect of, among others, (i) the major and connected transaction in relation to the acquisition of entire equity interests in Fuyuan; and (ii) issue of Consideration Shares under Specific Mandate. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

COMPLETION OF ACQUISITION OF ENTIRE EQUITY INTERESTS IN FUYUAN

The Board is pleased to announce that all conditions precedent as set out in the Sale and Purchase Agreement have been fulfilled and Completion of the Acquisition took place on November 29, 2021.

Immediately upon Completion, Fuyuan has become a non-wholly owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group accordingly.

COMPLETION OF ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Reference is made to the Circular of the Company in respect of, among others, the issue of Consideration Shares under Specific Mandate.

Pursuant to Settlement Scenario I, 807,096,101 Consideration Shares, representing the sum of RMB1,508,670,520 (equivalent to approximately HK\$1,807,895,265 calculated using the exchange rate of HK\$1.00 to RMB0.83449), which amount is in proportion to Inner Mongolia Mengniu's 43.35% interest in Fuyuan, have been allotted and issued by the Company to Mengniu SPV at the Issue Price of HK\$2.24 per Share on Completion.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Given that the Whitewash Waiver has been approved by at least 75% of the votes cast by the Independent Shareholders at the EGM held on June 2, 2021 and granted by the Executive, the Acquisition proceeded based on Settlement Scenario I.

Set out below is a summary of the shareholding structure of the Company immediately prior to and immediately after the allotment and issuance of the Consideration Shares at Completion:

	Immediately prior to the allotment and issuance of Consideration Shares at Completion		Immediately after the allotment and issuance of Consideration Shares at Completion	
	<i>Number of shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mengniu Concert Group ⁽¹⁾	3,653,945,781	51.40	4,461,041,882	56.36
GGG Holdings Limited ⁽²⁾	635,345,763	8.94	635,345,763	8.03
Jinmu ⁽³⁾	221,581,733	3.12	221,581,733	2.80
Ms. GAO Lina ⁽³⁾	39,752,089	0.56	39,752,089	0.50
Mr. SUN Yugang ⁽⁴⁾	1,665,694	0.02	1,665,694	0.02
Dairy Fortune (PTC) Limited ⁽⁵⁾	69,172,179	0.97	69,172,179	0.87
Public shareholders	2,487,102,708	34.99	2,487,102,708	31.42
– COFCO ⁽⁶⁾	122,751,915	1.73	122,751,915	1.55
– Other public shareholders	<u>2,364,350,793</u>	<u>33.26</u>	<u>2,364,350,793</u>	<u>29.87</u>
Total	<u><u>7,108,565,947</u></u>	<u><u>100.00</u></u>	<u><u>7,915,662,048</u></u>	<u><u>100.00</u></u>

Notes:

1. Among which 704,025,773 Shares are directly held by Mengniu, 2,407,866,412 Shares are directly held by Future Discovery and 542,053,596 Shares are subject to the Securities and Lending Agreement and are presumed to be held by Mengniu for the purposes of note 21 to Rule 26.1 of the Takeovers Code.
2. GGG Holdings Limited is a wholly-owned subsidiary of New Hope Dairy Co., Ltd. whose ultimate beneficial owner is Ms. LIU Chang who is independent of the Company and Mengniu and not acting in concert with the Mengniu Concert Group.
3. Ms. GAO Lina, former executive director of the Company, holds approximately 49.12% of the interests in Jinmu.
4. Mr. SUN Yugang is the executive director of the Company.
5. Dairy Fortune (PTC) Limited is the trustee of the Company's share award scheme adopted on March 26, 2018.
6. Among which 92,751,915 Shares are directly held by COFCO Finance Limited and 30,000,000 Shares are directly held by COFCO Dairy Investments Limited.

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES

As disclosed in the Circular, Fuyuan has entered into a Milk Supply Agreement with Inner Mongolia Mengniu on February 27, 2014, pursuant to which Inner Mongolia Mengniu agreed to purchase fresh raw milk from Fuyuan and its subsidiaries till February 28, 2034.

As of the Completion Date, Inner Mongolia Mengniu is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Following Completion, Fuyuan has become a non-wholly owned subsidiary of the Company, and therefore the transactions between the Fuyuan and Inner Mongolia Mengniu under the Milk Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Milk Supply Agreement are set out as follows:

Date: February 27, 2014

Parties: (1) Fuyuan
(2) Inner Mongolia Mengniu

Term of supply (the “Term”): From February 27, 2014 to February 28, 2034

Subject Matter: Fuyuan agreed to supply fresh raw milk it produces to Inner Mongolia Mengniu during the Term.

Pricing policy: The final purchase price of fresh raw milk shall be calculated with reference to a base price on the basis of regions, adjusted based on the quality standards of the fresh raw milk supplied (such as level of fat and protein content, acidity and microbial content). The base price will be adjusted in accordance with movements in market price.

Inner Mongolia Mengniu undertakes that the base price payable under the Milk Supply Agreement shall not be lower than the price it pays for purchasing fresh raw milk of the same physicochemical indices from any third party in the area where Fuyuan is located.

Settlement terms: (1) Fuyuan shall issue an invoice for the confirmed settlement amount of the previous month to Inner Mongolia Mengniu before the 10th day of each month; and
(2) Inner Mongolia Mengniu shall pay the invoiced amount to the designated account of Fuyuan before the 30th day of each month.

REASONS FOR AND BENEFITS OF CONTINUING CONNECTED TRANSACTIONS

Mengniu is one of the leading dairy product enterprises in the PRC. The entering into of the Milk Supply Agreement between Fuyuan and Inner Mongolia Mengniu (i) secures stable demand for raw milk of the Group; (ii) further strengthens the strategic partnership between Mengniu and the Company, thus providing high degree of stability to the business development and strategy and business planning of the Group; and (iii) will be beneficial to the Group's leading position in the dairy farming industry in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Milk Supply Agreement are conducted in the ordinary and usual course of business of the Group, and the terms of the Milk Supply Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE GROUP, FUYUAN AND INNER MONGOLIA MENGNIU

The Company is incorporated in the Cayman Islands with limited liability and is listed on the Main Board of the Stock Exchange. The Company is an investment holding company, which, along with its subsidiaries, is principally engaged in dairy farming operations, production and sale of raw milk. The Group operated 26 dairy farms in the PRC with over 250,000 dairy cows and annual milk yield of approximately 1.5 million tons as at June 30, 2021.

Fuyuan is a company incorporated with limited liability under the laws of the PRC and a non-wholly owned subsidiary of the Company as at the date of this announcement. Fuyuan is principally engaged in dairy farming, forage cultivation and feed processing and sales in the PRC.

Inner Mongolia Mengniu is a company incorporated with limited liabilities under the laws of the PRC and a 99.9% owned subsidiary of Mengniu as at the date of this announcement. Inner Mongolia Mengniu is principally engaged in the business of manufacture and sales of dairy products.

LISTING RULES IMPLICATIONS

As of the Completion Date, Inner Mongolia Mengniu is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Following Completion, Fuyuan has become a non-wholly owned subsidiary of the Company, and therefore the transactions between Fuyuan and Inner Mongolia Mengniu under the Milk Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements including publishing an announcement and annual reporting in respect of the continuing connected transactions under the Milk Supply Agreement. The Company will further comply with all applicable connected transaction requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Milk Supply Agreement.

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

Hong Kong, November 29, 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.