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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  
IN RELATION TO THE ACQUISITION OF  
EQUITY INTERESTS IN YUNYANGNIU TECHNOLOGY**

The Board announces that on March 17, 2023 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Sellers, pursuant to which the Sellers agreed to sell, and the Purchaser agreed to purchase, the entire equity interests in Yunyangniu Technology at a total consideration of RMB19,080,000.

As at the date of this announcement, Yunyangniu Technology is owned as to (i) 48% by Modern Farming, an indirect non-wholly owned subsidiary of the Company; (ii) 20% by Inner Mongolia Mengniu, a 99.99% owned subsidiary of Mengniu; (iii) 22% by Zhurong No.1, an independent third party; and (iv) 10% by Shanghai Kepaiteng, an independent third party.

Upon Completion, Yunyangniu Technology will be wholly-owned by the Purchaser, which is in turn owned by Modern Farming and Inner Mongolia Mengniu as to 75% and 25%, respectively. The interest of Modern Farming in Yunyangniu Technology will be increased from 48% to 75% following the Acquisition. Yunyangniu Technology will become an indirect non-wholly owned subsidiary of the Company. The financial results of Yunyangniu Technology will be consolidated into the financial statements of the Group.

As at the date of this announcement, Inner Mongolia Mengniu, being one of the 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; and Aiyangniu Technology, being the Purchaser and an indirect non-wholly owned subsidiary of the Company, is 25% owned by Inner Mongolia Mengniu, and therefore is a connected subsidiary of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Further, reference is made to the announcement of the Company dated March 15, 2022 and the circular of the Company dated May 16, 2022 in relation to the Aiyangniu Acquisition. The Aiyangniu Acquisition constituted a discloseable and connected transaction of the Company and has complied with all the notification and announcement requirements under Chapter 14 of the Listing Rules and all the reporting, announcement, independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules. The Acquisition, if and when aggregated with the Aiyangniu Acquisition, would not result in a higher transaction classification under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board announces that on March 17, 2023 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Sellers, pursuant to which the Sellers agreed to sell, and the Purchaser agreed to purchase, the entire equity interests in Yunyangniu Technology at a total consideration of RMB19,080,000.

As at the date of this announcement, Yunyangniu Technology is owned as to (i) 48% by Modern Farming, an indirect non-wholly owned subsidiary of the Company; (ii) 20% by Inner Mongolia Mengniu, a 99.99% owned subsidiary of Mengniu; (iii) 22% by Zhurong No.1, an independent third party; and (iv) 10% by Shanghai Kepaiteng, an independent third party.

### **The Equity Transfer Agreement**

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

#### **Date**

March 17, 2023

## Parties

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

## Subject Matter

Subject to the terms and conditions of the Equity Transfer Agreement, the Purchaser agreed to purchase, and the Sellers agreed to sell, the entire equity interests in Yunyangniu Technology.

## Consideration

The Consideration is RMB19,080,000 and is payable within 20 PRC Business Days after all conditions precedent are either fulfilled or, as applicable, waived by the relevant party. The table below sets out details of the equity interests, subscribed registered capital and paid-in capital in respect of each Seller and the corresponding portion of the Consideration payable to such Seller.

<b>Sellers</b>	<b>Equity interests in Yunyangniu Technology</b> <i>%</i>	<b>Amount of subscribed registered capital</b> <i>RMB</i>	<b>Amount of paid-in capital</b> <i>RMB</i>	<b>Consideration</b> <i>RMB</i>
Modern Farming	48	14,400,000	8,640,000	8,640,000
Zhurong No.1	22	6,600,000	2,640,000	2,640,000
Inner Mongolia Mengniu	20	6,000,000	6,000,000	6,000,000
Shanghai Kepaiteng	10	3,000,000	1,800,000	1,800,000

The Consideration was determined after arm's length negotiations between the Purchaser and the Sellers after taking into account: (i) the amount of paid-in capital of Yunyangniu Technology contributed by the Sellers; (ii) the business prospect of Yunyangniu Technology; and (iii) the synergy expected from the integration of the technical know-how of Yunyangniu Technology into the ecological sharing platform of Aiyangniu Technology.

The Consideration will be settled in cash and funded by internal resources of the Purchaser.

## Conditions Precedent

The Acquisition is subject to certain conditions precedent as stipulated in the Equity Transfer Agreement which include but not limited to the conditions specified below:

- (i) all approvals, consents and filings necessary for the Acquisition have been obtained by all parties to the Equity Transfer Agreement;
- (ii) the Acquisition has been approved by the Board of the Company;
- (iii) all transaction documents (including but not limited to, the Equity Transfer Agreement and relevant resolution documents required by Yunyangniu Technology for the implementation of the Acquisition) have been duly signed and delivered by the relevant parties;
- (iv) the Purchaser, with cooperation of the Sellers and Yunyangniu Technology, has completed the verification, confirmation and handover procedures with respect to the assets, business, personnel and other related matters of Yunyangniu Technology (the date such procedures are completed is referred to as the “**Assets Confirmation Date**”);
- (v) completion of all regulatory filings/registrations necessary for the Acquisition with the competent authorities; and
- (vi) there has been no event that has a material adverse impact on the business, financial status and shareholding structure of Yunyangniu Technology from the signing date of the Equity Transfer Agreement to the Assets Confirmation Date.

## Completion

Completion will take place on the date when the Consideration is fully settled.

Upon Completion, Yunyangniu Technology will be wholly-owned by the Purchaser, which is in turn owned by Modern Farming and Inner Mongolia Mengniu as to 75% and 25%, respectively. The interest of Modern Farming in Yunyangniu Technology will be increased from 48% to 75% following the Acquisition. Yunyangniu Technology will become an indirect non-wholly owned subsidiary of the Company. The financial results of Yunyangniu Technology will be consolidated into the financial statements of the Group.

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

The Group believes that the Acquisition can further leverage the advantages of synergy between Yunyangniu Technology and the Group as a leading dairy farming operator within the industrial chain, and enhance the Group's capability to provide services on dairy farm-related information technology solutions and AIOT solutions for agriculture and animal husbandry through the Group's existing ecological sharing platform to downstream customers. Yunyangniu Technology will be integrated into the ecological sharing platform of Aiyangniu Technology with its competitive advantages in the provision of IoT services, big data analysis and artificial intelligence analysis. Yunyangniu Technology could help platform users to capitalize values through big data mining from the massive amount of data collected during the operation of dairy farms. The Acquisition will help to realize the Group's strategic vision of digitalization, building smart farms innovatively with digital intelligence and becoming an industry pioneer with its forward-looking vision, thus improving the Group's core competitiveness.

The Directors (including the independent non-executive Directors) 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. ZHAO Jiejun, a non-executive Director and Chairman of the Board, is also a vice president and the head of milk sourcing and supply chain business unit of Mengniu Group; and (ii) Mr. ZHANG Ping, a non-executive Director, is also an executive director and the chief financial officer of Mengniu Group, and (iii) Mr. CHEN Yiyi, a non-executive Director, is also a vice president of Mengniu Group responsible for the strategic and investment management of Mengniu Group. Accordingly, each of Mr. ZHAO Jiejun, Mr. ZHANG Ping and Mr. CHEN Yiyi 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**

### **The Purchaser**

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, Modern Farming, an indirect non-wholly owned subsidiary of the Company, owns 75% and Inner Mongolia Mengniu, a 99.99% owned subsidiary of Mengniu, owns 25% of the equity interests in Aiyangniu Technology, respectively.

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. As of June 30, 2022, the Group operated 38 dairy farms in the PRC with over 380,000 dairy cows and annual milk yield of over 2.3 million tons.

## **The Sellers**

### **(1) *Modern Farming***

Modern Farming is an indirect non-wholly owned subsidiary of the Company and is principally engaged in operating dairy farms, and production and sale of raw milk in the PRC. As at the date of this announcement, the Company indirectly owns approximately 98.35% of equity interests in Modern Farming.

The original investment cost for the 48% equity interests in Yunyangniu Technology incurred by Modern Farming was RMB8,640,000 (contributed in cash).

### **(2) *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 20% equity interests in Yunyangniu Technology incurred by Inner Mongolia Mengniu was RMB6,000,000 (contributed in software copyrights of equivalent value).

Mengniu is 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 is a substantial shareholder of the Company. The single largest shareholder of Mengniu is COFCO Dairy Investments Limited, an indirect non-wholly owned subsidiary of COFCO Corporation. Mengniu principally manufactures and distributes dairy products in the PRC.

**(3) Zhurong No.1 (Hainan) Technology Partnership (Limited Partnership)\* (築嶸一號(海南)科技合夥企業(有限合夥))**

Zhurong No.1 is a limited partnership established in the PRC and principally engaged in investment activities. Zhurong No.1 is ultimately owned by Wu Rina and Han Guangcai as to 65.09% and 16.73% respectively.

The original investment cost for the 22% equity interests in Yunyangniu Technology incurred by Zhurong No.1 was RMB2,640,000 (contributed in cash).

**(4) Shanghai Kepaiteng Information Technology Co., Ltd.\* (上海科湃騰資訊科技有限公司)**

Shanghai Kepaiteng is a company incorporated in the PRC and principally engaged in the business of technology promotion and application services. Shanghai Kepaiteng is ultimately owned by Zhu Hongbin and Xu Yun as to 59% and 41% respectively.

The original investment cost for the 10% equity interests in Yunyangniu Technology incurred by Shanghai Kepaiteng was RMB1,800,000 (contributed in cash).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhurong No.1 and Shanghai Kepaiteng and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

**Target Company**

Yunyangniu Technology was incorporated in the PRC on March 3, 2022 and is principally engaged in software research and development, hardware research and development and providing AIOT intelligent solutions for agriculture and animal husbandry. As at the date of this announcement, Yunyangniu Technology is owned by Modern Farming, Inner Mongolia Mengniu and the Sellers (other than Modern Farming and Inner Mongolia Mengniu) as to 48%, 20% and 32%, respectively.

The unaudited consolidated net asset value of Yunyangniu Technology prepared in accordance with the generally accepted accounting principles of the PRC as at December 31, 2022 was RMB15,077,000 and the unaudited consolidated net loss of Yunyangniu Technology for the period since its incorporation up to December 31, 2022 was RMB4,003,000 (before and after taxation).

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Inner Mongolia Mengniu, being one of the 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; and Aiyangniu Technology, being the Purchaser and an indirect non-wholly owned subsidiary of the Company, is 25% owned by Inner Mongolia Mengniu, and therefore is a connected subsidiary of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Further, reference is made to the announcement of the Company dated March 15, 2022 and the circular of the Company dated May 16, 2022 in relation to the Aiyangniu Acquisition. The Aiyangniu Acquisition constituted a discloseable and connected transaction of the Company and has complied with all the notification and announcement requirements under Chapter 14 of the Listing Rules and all the reporting, announcement, independent shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules. The Acquisition, if and when aggregated with the Aiyangniu Acquisition, would not result in a higher transaction classification under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the entire equity interests in Yunyangniu Technology by the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“AIOT”	Artificial Intelligence of Things
“Aiyangniu Acquisition”	the acquisition of 75% equity interests in Aiyangniu Technology by Modern Farming from Inner Mongolia Mengniu and other independent sellers pursuant to an equity transfer agreement dated March 15, 2022



“Aiyangniu Technology”, “Purchaser”	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 the Company
“associate(s)”, “connected person(s)”, “connected subsidiary(ies)”, “percentage ratio(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 (stock code: 1117)
“Completion”	the completion of the Acquisition
“Consideration”	consideration payable by the Purchaser for the Acquisition pursuant to the Equity Transfer Agreement
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated March 17, 2023, entered into between the Purchaser and the Sellers, pursuant to which the Sellers agreed to sell, and the Purchaser agreed to purchase, the entire equity interests in Yunyangniu Technology, as more particularly described in the section headed “The Equity Transfer Agreement” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Mengniu”	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

“IoT”	Internet of Things
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Mengniu Group”	Mengniu and its subsidiaries
“Modern Farming”	Modern Farming (Group) Co., Ltd.* (現代牧業(集團)有限公司), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company
“PRC”	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
“PRC Business Day(s)”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	the sellers under the Equity Transfer Agreement, namely Modern Farming, Inner Mongolia Mengniu, Zhurong No.1 and Shanghai Kepaiteng
“Shanghai Kepaiteng”	Shanghai Kepaiteng Information Technology Co., Ltd.* (上海科湃騰資訊科技有限公司), a company incorporated in the PRC with limited liabilities
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yunyangniu Technology”	Inner Mongolia Yunyangniu Technology Co., Ltd.* (內蒙古雲養牛科技有限公司), formerly known as Hainan Yunyangniu Technology Co., Ltd.* (海南雲養牛科技有限公司), a company incorporated in the PRC with limited liabilities
“Zhurong No.1”	Zhurong No.1 (Hainan) Technology Partnership (Limited Partnership)* (築嶸一號(海南)科技合夥企業(有限合夥)), a limited partnership established in the PRC
“%”	per cent.

\* For identification purpose only

For and on behalf of the Board  
**China Modern Dairy Holdings Ltd.**  
**ZHAO Jiejun**  
*Chairman*

Hong Kong, March 17, 2023

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