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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) DISCLOSEABLE TRANSACTION – DEEMED DISPOSAL OF  
EQUITY INTEREST IN A SUBSIDIARY; AND  
(2) PROPOSED ISSUANCE OF UNLISTED OPTIONS UNDER SPECIFIC  
MANDATE**

**DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

The Board is pleased to announce that on February 1, 2024 (after trading hours), Modern Farming Wuhe, China Agricultural, Anhui Suida and Modern Farming entered into the Capital Injection Agreement and other Transaction Documents, pursuant to which China Agricultural has conditionally agreed to subscribe for approximately 25.4% of the enlarged registered capital of Modern Farming Wuhe by way of Capital Injection in cash for the sum of RMB600 million into Modern Farming Wuhe.

**PROPOSED ISSUANCE OF UNLISTED OPTIONS UNDER SPECIFIC MANDATE**

On February 1, 2024 (after trading hours), the Company and China Agricultural entered into the Option Agreement, pursuant to which the Company agreed to grant an option to China Agricultural to subscribe for the Option Shares. Pursuant to the Option Agreement, the exercise of Option is subject to the following thresholds, whichever is lower: (i) the total subscription amount of the Option Shares by China Agricultural shall not exceed RMB600 million (or the equivalent amount in HK\$); or (ii) the total number of Option Shares subscribed by China Agricultural shall not exceed 6% of the total number of Shares of the Company in issue at the time of the exercise of Option.

## **LISTING RULES IMPLICATIONS**

### **Deemed Disposal of Equity Interest in a Subsidiary**

Modern Farming Wuhe is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. It is contemplated that the percentage of the Group's equity interest in Modern Farming Wuhe will reduce from approximately 88.6% to approximately 66.1% following the completion of the Capital Injection by China Agricultural. The Capital Injection, if materialized, will constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection (when aggregating with Anhui Suida Capital Injection) exceeds 5% but all are less than 25%, the transactions contemplated under the Capital Injection constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

### **Proposed Issuance of Unlisted Option under Specific Mandate**

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants, options or similar rights to subscribe for any new Shares or any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Accordingly, the Option and the Option Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the general meeting.

## **SPECIFIC MANDATE AND THE GENERAL MEETING**

A Shareholders general meeting will be convened and held for the purpose of, among other things, considering and, if thought fit, approving the grant of the Option and the issue of Option Shares upon exercise thereof. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Option Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Option. No listing of the Option will be sought on the Stock Exchange or any other stock exchanges.

To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the issue of Option, and accordingly, no Shareholders will be required to abstain from voting on the relevant resolutions at the relevant Shareholders general meeting.

A circular containing, among other things, (i) further details of the grant of the Option and the issue of Option Shares upon exercise thereof; (ii) a notice convening the Shareholders general meeting; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Company currently plans to put forward the relevant resolutions at the AGM. If the Company desires to hold an extraordinary general meeting earlier than the AGM, a revised notice of meeting will be sent to the Shareholders.

**Completion of the Capital Injection is subject to the satisfaction and/or waiver of the Conditions Precedent set out in the Capital Injection Agreement. In addition, the Capital Injection Agreement and the Shareholders Agreement may be terminated in certain circumstances. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

## **(1) THE CAPITAL INJECTION AGREEMENT**

On February 1, 2024, Modern Farming Wuhe, China Agricultural, Anhui Suida and Modern Farming entered into the Capital Injection Agreement and other Transaction Documents, pursuant to which China Agricultural has conditionally agreed to subscribe for approximately 25.4% of the enlarged registered capital of Modern Farming Wuhe by way of Capital Injection in cash for the sum of RMB600 million into Modern Farming Wuhe.

### **Principal terms of the Capital Injection Agreement**

The principal terms of the Capital Injection Agreement are set out below:

#### **Date**

February 1, 2024

#### **Parties**

- (1) Modern Farming Wuhe;
- (2) China Agricultural;
- (3) Anhui Suida; and
- (4) Modern Farming.

(collectively referred to as the “**Parties**”, and each a “**Party**”)

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, Anhui Suida, China Agricultural and their respective ultimate beneficial owners are independent third parties as at the date of this announcement.

### **Capital Injection**

On December 28, 2023, Modern Farming Wuhe, Anhui Suida and Modern Farming entered into an agreement in respect of the Anhui Suida Capital Injection, pursuant to which Anhui Suida subscribed for approximately 11.4% of the enlarged registered capital of Modern Farming Wuhe by way of capital injection in cash for the sum of RMB200 million into Modern Farming Wuhe, which was completed on December 28, 2023. Anhui Suida is only signing the Capital Injection Agreement so as to be entitled to the same shareholders rights and subject to the same terms as China Agricultural, including the rights in respect of the change of shareholder structure and under the Shareholders Agreement as set out below. Prior to Anhui Suida Capital Injection, Modern Farming Wuhe was wholly-owned by Modern Farming.

As at the date of this announcement, the registered capital of Modern Farming Wuhe is RMB394,818,852.79. Pursuant to the Capital Injection Agreement, China Agricultural has conditionally agreed to subscribe for approximately 25.4% of the enlarged registered capital of Modern Farming Wuhe by way of capital contribution in cash for the sum of RMB600 million, of which RMB134,456,558.36 will be accounted as paid-in registered capital of Modern Farming Wuhe, while the remaining balance will be accounted as its capital reserve.

Upon completion of the Capital Injection, Modern Farming Wuhe's total registered capital will be increased to RMB529,275,411.15 and its equity interest will be owned as to approximately 66.1% by Modern Farming, approximately 25.4% by China Agricultural and approximately 8.5% by Anhui Suida respectively.

### **Subscription price and basis of determination**

The consideration of the Capital Injection was determined based on arm's length negotiations between the Parties on normal commercial terms with reference to, among other things, (i) the net asset value of Modern Farming Wuhe as extracted from its audited financial statements for the year ended December 31, 2022, (ii) the Parties' assessment of the future development prospects of Modern Farming Wuhe, and (iii) the capital need of Modern Farming Group.

The final equity interest allocated to China Agricultural was determined based on the percentage of the Capital Injection amount to be paid by China Agricultural out of the post-money valuation of Modern Farming Wuhe after the Capital Injection and Anhui Suida Capital Injection. The net asset value of Modern Farming Wuhe as at December 31, 2022 was RMB1,561,842,743.55, which was the latest audited figures available. Such net asset value together with the RMB200 million capital injected in Anhui Suida Capital Injection, which amounted to RMB1,761,842,743.55 in total, were used as reference of the valuation of Modern Farming Wuhe due to the capital-intensive nature and demand for long-term investment of dairy farming industry.

## **Payment of the consideration**

The consideration of the Capital Injection amounted to RMB600 million and China Agricultural shall settle the consideration of the Capital Injection upon Completion in cash, which shall be payable by China Agricultural within five (5) Business Days after fulfilment or waiver in writing of all Conditions Precedent to the account of Modern Farming Wuhe.

## **Conditions precedent**

The performance by China Agricultural of its obligation to pay the capital injection amount and Completion is conditional upon fulfilment of certain conditions (the “**Conditions Precedent**”), unless otherwise agreed to be waived in writing by China Agricultural, including but not limited to:

- (1) China Agricultural has completed financial, operational and legal due diligence on Modern Farming Wuhe and is satisfied with the results of the due diligence review;
- (2) all necessary assessments, audits, registrations (except for changes in industrial and commercial registration), filings, approvals, or authorization have been obtained for the Capital Injection in accordance with laws and regulations, normative documents, articles of association of the Parties, relevant regulations, and the requirements of authorized authorities or departments, including obtaining all necessary approvals, consents and compliance with the applicable disclosure requirements under the Listing Rules;
- (3) Modern Farming Wuhe and the Company have obtained approval from their respective boards and their respective shareholders for the signing, submission and performance of the Transaction Documents, as well as the completion of transactions contemplated under the Transaction Documents, and Modern Farming and Anhui Suida have consented to the Capital Injection by China Agricultural and have waived their pre-emptive rights or any other rights which may affect the Capital Injection;
- (4) the Parties have successfully completed the execution of the Transaction Documents, including the Capital Injection Agreement, the Shareholders Agreement, the Option Agreement and a deed of undertaking being executed by certain Shareholders. Since the date of signing, there has been no breach of contract, or in case there has been a breach, it has been resolved or exempted to the satisfaction of China Agricultural;
- (5) the representations and warranties made by Modern Farming Wuhe and Modern Farming are true, complete, and accurate as of the date of Completion;
- (6) there have been no material adverse changes in the financial, business operations, and asset conditions of Modern Farming Wuhe and Modern Farming as of the date of Completion;

- (7) Modern Farming Wuhe has complied with the notification requirements pursuant to the relevant credit/loan agreements; and
- (8) China Agricultural has obtained internal investment approval for the Capital Injection.

China Agricultural may waive any of the Conditions Precedent at any time before Completion by notice in writing. If the Conditions Precedent cannot be satisfied within thirty (30) days after the signing of the Capital Injection Agreement, China Agricultural has the right to serve a written notice to extend the deadline for the satisfaction of Conditions Precedent or terminate the Capital Injection Agreement.

China Agricultural has the right to pay all or part of the capital injection amount in the event that the above conditions are not fully satisfied considering the actual situation. Upon the early payment of the capital injection amount by China Agricultural, any outstanding Conditions Precedent will be continued and performed as soon as possible by the relevant Party as post-Completion undertakings.

### **Completion**

Completion shall take place within five (5) Business Days after the date on which all of the Conditions Precedent have been fulfilled (or waived by China Agricultural in writing), or any other date as agreed by the Parties.

### **Change of Shareholder Structure**

As one of the reserved matters, change of shareholder structure of Modern Farming Wuhe is subject to approval by no less than two-thirds of the voting rights held by all shareholders present at a shareholders' meeting of Modern Farming Wuhe, unless the transfer of interests is conducted in accordance with the terms of the Transaction Documents.

### **Profit Distribution Plan**

When the board of Modern Farming Wuhe is formulating a profit distribution plan, the board shall distribute to all shareholders no less than 60% of the distributable profits realized in the year, and the profits should be distributed to the shareholders in proportion to the amount of capital contribution made by the shareholders. Nevertheless, the Parties have agreed that the distribution ratio of the dividend for the year of 2024 and 2025 shall not be less than 60% of the distributable profits realized in the each year.

## **Termination**

The Capital Injection Agreement shall be effective upon the date of execution and may be terminated under the following circumstances:

- (1) by unanimous written consent of the Parties thereto;
- (2) due to force majeure (including government actions); or
- (3) due to other termination reasons stipulated by laws and regulations or otherwise as stated in the Capital Injection Agreement.

## **LISTING RULES IMPLICATIONS**

Modern Farming Wuhe is an indirect non-wholly owned subsidiary of the Company. It is contemplated that the percentage of the Group's equity interest in Modern Farming Wuhe will reduce from approximately 88.6% to approximately 66.1% following the completion of the Capital Injection by China Agricultural. The Capital Injection, if materialized, will constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection (when aggregating with Anhui Suida Capital Injection) exceeds 5% but all are less than 25%, the transactions contemplated under the Capital Injection constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

## **THE SHAREHOLDERS AGREEMENT**

The principal terms of the Shareholders Agreement are set out below:

### **Date**

February 1, 2024

### **Parties**

- (1) Modern Farming Wuhe;
- (2) China Agricultural;

- (3) Anhui Suida (together with China Agricultural, the “**Investors**” and each an “**Investor**”);  
and
- (4) Modern Farming

(collectively referred to as the “**Parties**”, and each a “**Party**”)

### **Shareholders’ rights and obligations**

The Shareholders Agreement sets out the rights and obligations of the Parties thereto in relation to the management and operations of Modern Farming Wuhe and takes effect upon signing. In particular, it contains the following key provisions in relation to Modern Farming and the Investors’ rights and obligations as shareholders of Modern Farming Wuhe, such rights and obligations will be effective upon Completion:

#### ***Restriction on Transfer***

Modern Farming, without prior written consent from the Investors, shall not (i) directly or indirectly transfer, sell, donate, pledge, encumber or otherwise dispose of all or part of the equity interests held by it in Modern Farming Wuhe or any other interests therein; (ii) enter into any equity arrangement agreement or any similar agreement to transfer all or part of its economic interests and risks in Modern Farming Wuhe; or (iii) proceed with or implement any intention to conduct such transactions described in item (i) or (ii) above.

#### ***Right of First Sale***

If Modern Farming intends to sell its interests in Modern Farming Wuhe to any third party, Modern Farming shall notify the Investors in writing thirty (30) Business Days in advance and the Investors shall have the rights (but not the obligation) to sell their interests in Modern Farming Wuhe to such third party on the same terms and conditions with priority over Modern Farming. If such third party does not accept to purchase the interests in Modern Farming Wuhe from the Investors, Modern Farming is also restricted from selling any interest in Modern Farming Wuhe to such third party.

#### ***Anti-dilution***

If Modern Farming Wuhe plans to increase its registered capital, issue new shares, or conduct any subsequent financing, the Investors have the rights to subscribe for Modern Farming Wuhe’s new registered capital or new shares in proportion to their then respective shareholding percentages in Modern Farming Wuhe on substantially the same terms and condition as offered to any other potential investors.

Modern Farming Wuhe shall not increase its registered capital or issue new shares (or securities convertible to or exercisable as new shares) without shareholders' approval in accordance with the articles of association of Modern Farming Wuhe in force and subject to the Capital Injection Agreement.

In case Modern Farming Wuhe increases its registered capital or issues new shares (“**New Shares**”, each a “**New Share**”), and the issue price for each New Share is lower than the share price subscribed by the Investors at the time of the Capital Injection or Anhui Suida Capital Injection (as applicable), the share price of the shares subscribed by the relevant Investor shall be adjusted to an amount equal to the price of the New Shares. The relevant Investor has rights to request for Modern Farming Wuhe to adjust the shareholding percentage (by issuing New Shares to the relevant Investor at nil consideration, or in a manner that the relevant Investor deems as more tax-efficient) such that the shareholding percentage held by the relevant Investor will remain the same as that at the time of the Completion.

### ***Drag-along Right***

If the Investors transfer all or part of their interests in Modern Farming Wuhe to any third party after January 31, 2027, the Investors have the rights to request Modern Farming to sell the same portion (i.e. the same percentage of the interests being sold out of the total interests held by the Investors in Modern Farming Wuhe by then) of their interests in Modern Farming Wuhe at the same price.

### ***Redemption Right***

If (i) the Investors still hold any equity in Modern Farming Wuhe on January 31, 2027 (“**Investment Period Expiry Date**”); or (ii) if China Agricultural serves a written notice on Modern Farming to exercise the Option under the Option Agreement and suggest Modern Farming to acquire its interests in Modern Farming Wuhe, Modern Farming may within ten (10) days from the Investment Period Expiry Date or the date China Agricultural serves the written notice on Modern Farming (as applicable) or a longer period as otherwise agreed in writing by the Investors, request the Investors to transfer all their interests in Modern Farming Wuhe to Modern Farming or any third party designated by Modern Farming. Modern Farming shall pay the Redemption Price (as defined below) within ten (10) days from the date of issuance of the written notice.

The Redemption Right constitutes an option under Rule 14.72 of the Listing Rules. In the event such right becomes exercisable and Modern Farming decides to exercise such right, the Company will comply with all requirements, including the announcement and/or shareholder approval, under the Listing Rules to the extent applicable.

### ***Redemption Price***

The price to be paid by Modern Farming in redeeming the interests held by the Investors pursuant to the Redemption Right (the “**Redemption Price**”) shall be calculated as follows:

(i) dividends that have been declared but not yet distributed to the Investors as approved in the shareholders’ meeting of Modern Farming Wuhe; plus (ii) 100% of the consideration of Capital Injection or Anhui Suida Capital Injection (as applicable) paid by the Investors; plus (iii) 5.5% annual compound interest rate (calculated based on the number of days from the date the Investors paid the consideration of the Capital Injection or Anhui Suida Capital Injection (as applicable) to the date the Investors received the Redemption Price (including the first day but excluding the last day) divided by 360); minus (iv) the accumulated cash dividends received by the Investors in respect of their interests in Modern Farming Wuhe.

If the Redemption Price calculated according to the aforementioned formula is negative, the Investors shall not be required to reimburse such difference to Modern Farming Wuhe and/or Modern Farming.

The annual compound interest rate was determined after arm’s length negotiations between the Parties with reference to the prevailing market interest rates and practices, the financial position and profitability of Modern Farming Wuhe, the duration of redemption period and the prevailing yield in capital market of similar investment.

The Directors are of the view that the basis of determination of the Redemption Price is fair and reasonable, and in the interest of the Company and its shareholders as a whole.

### ***Right of First Refusal of Modern Farming***

If Modern Farming has not redeemed the interests in Modern Farming Wuhe held by the Investors or paid the Redemption Price before the stipulated deadline, the Investors shall have the rights to transfer or sell all or part of their interests in Modern Farming Wuhe to a third party and shall notify Modern Farming and Modern Farming Wuhe in writing the details of such transfer. Modern Farming shall then have the right to purchase such interests on the same terms and conditions before other parties.

### ***Shortfall Reimbursement***

If the consideration received by the Investors for selling their interests in Modern Farming Wuhe to Modern Farming pursuant to the right of first refusal above or to a third party (the “**Transfer Price**”) is lower than the Redemption Price, subject to compliance with the Listing Rules at the time of reimbursement, Modern Farming will reimburse the Investors the shortfall between the Transfer Price and the Redemption Price.

If the consideration received by the Investors for selling their interests in Modern Farming Wuhe to a third party pursuant to the aforementioned drag-along right (“**Drag-along Transfer Price**”) is lower than the Redemption Price, Modern Farming shall also reimburse the Investors the shortfall between the Drag-along Transfer Price and the Redemption Price within ten (10) business days upon receipt of written notice from the Investors.

### ***Right to Request for Transfer***

The Investors have the rights to request Modern Farming or any entity designated by Modern Farming to purchase their shares in Modern Farming Wuhe at the Redemption Price upon the occurrence of certain events, including but not limited to:

1. Modern Farming does not exercise the Redemption Right aforementioned within the stipulated time period;
2. Material breach of any of the transaction documents in relation to the Capital Injection and Anhui Suida Capital Injection or any representations or warranties by Modern Farming and Modern Farming Wuhe which causes material adverse effect on Modern Farming or Modern Farming Wuhe;
3. Modern Farming Wuhe’s asset-liability ratio in the annual consolidated financial statement at the end of any year after Completion (including the year when the Completion occurs) exceeds 51%; and
4. Modern Farming Wuhe has distributable profits in the year of 2024 and/or the year of 2025 and the distribution ratio of the dividend approved by the shareholders of Modern Farming Wuhe and implemented is lower than 60% of the distributable profits realized in that year.

Upon receiving the request from the Investors, Modern Farming has the option to accept or reject the request. If Modern Farming does not accept the request or if Modern Farming fails to pay the Redemption Price within one (1) month after receiving the request from the Investors, the Investors may exercise their rights to sell their interests in Modern Farming Wuhe and request for shortfall reimbursement as aforementioned and/or exercise the investment extension rights as explained in the following paragraph.

### ***Investment Extension Rights***

Pursuant to the Shareholders Agreement, the Parties have agreed that within three (3) months prior to the Investment Period Expiry Date, each of the Investors may serve a written notice to Modern Farming requesting for extension of the Investment Period Expiry Date to a later date, and vice versa. The party receiving the notice shall provide written response within twenty (20) Business Days upon receipt of the notice.

### ***Information Right***

The Investors have the rights to request for, review and supervise the financial and operational information, and information in relation to the management of Modern Farming Wuhe.

Upon completion of the Capital Injection, Modern Farming and Modern Farming Wuhe undertake to provide to the Investors the following information by the deadlines set out in the Shareholders Agreement – audited financial reports for each fiscal year; consolidated financial statements and business analysis report for the first six months of each fiscal year; quarterly report for the financial and business performance of Modern Farming Wuhe; any information or document that Modern Farming Wuhe despatches to its shareholders which may affect the rights and interest of the Investors; and other materials requested by the Investors in their capacity as shareholders so long as it is permissible under relevant laws and regulations.

### ***Liquidation Preference***

Upon liquidation of Modern Farming Wuhe for any reason including in accordance with the applicable laws and regulations, the Articles of Association of Modern Farming Wuhe or as determined by the shareholders of Modern Farming Wuhe in a general meeting, the remaining property of Modern Farming Wuhe after payment of all expenses and settlement of debts and taxes required to be settled by the applicable laws, shall be distributed to the Investors in cash at the Redemption Price in preference.

In the event that the amount of the remaining property of Modern Farming Wuhe distributed to the Investors upon liquidation (“**Liquidation Compensation**”) is lower than the Redemption Price, Modern Farming shall reimburse the Investors the shortfall between the Liquidation Compensation and the Redemption Price within ten (10) business days upon receipt of written notice from the Investors.

Without limiting the generality of the above, the occurrence of any of the following events shall be deemed to be the occurrence of liquidation of Modern Farming Wuhe:

1. Modern Farming Wuhe sells to a third party or otherwise disposes of more than 50% of all or a substantial part of its operating assets (including tangible and intangible assets); and
2. Modern Farming Wuhe exclusively licenses or transfers to a third party or otherwise disposes of more than 50% of all or a substantial part of its intellectual property rights.

## **FINANCIAL EFFECTS OF THE CAPITAL INJECTION**

Upon completion of the Capital Injection, Modern Farming Wuhe's total registered capital will be increased to RMB529,275,411.15 and its equity interest will be owned as to approximately 66.1% by Modern Farming, 25.4% by China Agricultural and approximately 8.5% by Anhui Suida respectively. Hence, the Group's interest in Modern Farming Wuhe will be diluted from approximately 88.6% to approximately 66.1% after the Completion. Upon Completion, Modern Farming Wuhe will remain as a subsidiary of the Company and its financial results will continue to be consolidated in the Company's consolidated financial statements. The Directors do not expect to recognize any material gain/loss from the transactions contemplated under the Capital Injection Agreement. The actual amount of gain/loss from the Capital Injection to be recorded by the Company (if any) will be subject to review by the auditor of the Company.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

In response to the initiative of “eliminating excess capacity, inventory depletion, deleveraging, reducing costs and shoring up weakness (三去一降一補)” under the national supply-side structural reform, and to ensure the healthy development of the Group's business, the Group seeks to introduce strategic investors at the level of Modern Farming Wuhe and utilize the proceeds to implement market-oriented debt to equity conversion to reduce debt leverage of the Group.

Further, the Directors consider that the Capital Injection can enhance the working capital and expand the capital base of the Group, as well as provide capital support and is necessary for the operations and development of the Group to satisfy its business needs and growth, and to achieve financial efficiency.

Taking into account the factors mentioned above, the Board considers that the terms and conditions of the Capital Injection Agreement, the Shareholders Agreement and the Option Agreement, the transactions as contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

**Completion of the Capital Injection is subject to the satisfaction and/or waiver of the Conditions Precedent set out in the Capital Injection Agreement. In addition, the Capital Injection Agreement and the Shareholders Agreement may be terminated in certain circumstances. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

## **(2) PROPOSED ISSUANCE OF UNLISTED OPTIONS UNDER SPECIFIC MANDATE**

### **INTRODUCTION**

The Board is pleased to announce that on February 1, 2024 (after trading hours), the Company and China Agricultural entered into the Option Agreement, pursuant to which the Company agreed to grant an option to China Agricultural at the price of HK\$1.00 to subscribe for the Option Shares. The principal terms of the Option Agreement are set out below.

#### **Date**

February 1, 2024

#### **Parties**

- (1) the Company (as the issuer); and
- (2) China Agricultural (as the subscriber).

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, China Agricultural and its ultimate beneficial owners are independent third parties as at the date of this announcement.

#### **Number of Option Shares**

The Company agreed to issue Option Shares to China Agricultural, and the exercise of Option shall be subject to the following threshold, whichever is lower: (i) the total subscription amount of the Option Shares by China Agricultural shall not exceed RMB600 million (or the equivalent amount in HK\$); or (ii) the total number of Option Shares subscribed by China Agricultural shall not exceed 6% of the total number of Shares of the Company in issue at the time of the exercise of Option.

The Option Shares shall, when fully paid, rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Option Shares.

## **Exercise Period**

The Option may be exercised during the 12 months period commencing on the day after the next annual general meeting of the Company after the grant of Option (“**Initial Exercise Period**”). If the Option is not exercised during the Initial Exercise Period, the exercise period shall be extended to being the 12-month period commencing from (i) the date immediately after the annual general meeting of the Company approving such extension, or (ii) if such annual general meeting is convened before the end of the Initial Exercise Period, the date immediately after the end of the Initial Exercise Period (“**First Extended Exercise Period**”). If the Option is not exercised during the First Extended Exercise Period, the exercise period shall be further extended to being the 12-month period commencing from (i) the date immediately after the annual general meeting of the Company approving such extension, or (ii) if such annual general meeting is convened before the end of the First Extended Exercise Period, the date immediately after the end of the First Extended Option Period (“**Second Extended Exercise Period**”, together with the Initial Exercise Period and the First Extended Option Period, the “**Exercise Period**”). The total Exercise Period in which the Option may be exercised shall not exceed 36 months.

## **Exercise Price of the Option**

The Subscriber shall be entitled to exercise the Option and subscribe for Option Shares, with the exercise price (“**Option Exercise Price**”) being calculated as follows:

Exercise price per Option Share = HK\$2.06 – the aggregate of the dividend per share paid by the Company after the date of the Option Agreement and before the exercise of the Option by China Agricultural

The Option Exercise Price was determined on arm’s length basis between the Company and China Agricultural, and with reference to the total assets of the Company, the prevailing market price of the Shares, the recent trading volume of the Shares, the prospects of the Group, the valuation of the Shares in recent rounds of financing, recent development of the Company’s financial and business position and the development trend in dairy industry. The Board (including the independent non-executive Directors) considers that the Option Exercise Price and the terms of the Option Agreement are fair and reasonable and that the issuance of the Option is in the interests of the Company and the Shareholders as a whole.

There is no arrangement for variation of the Option Exercise Price or the number of Option Shares in case the share capital of the Company has been altered.

## Conditions Precedent

The exercise of Option is conditional upon the fulfillment (or, if applicable, waiver) of the following conditions (“**Option Conditions Precedent**”):

- (1) the passing of board resolutions approving (a) the execution, delivery and fulfillment of the Option Agreement, (b) the grant of Option, and (c) the allotment and issue of the Option Shares under specific mandate to be sought from the Shareholders;
- (2) the passing of shareholders’ resolutions to approve the grant of Option and the allotment and issue of Option Shares under specific mandate;
- (3) the listing of, and permission to deal in, all of the Option Shares having been granted by the Stock Exchange and such listing and permission not subsequently being revoked prior to the exercise date of the Option;
- (4) subscription agreement (or any similar agreement) has been executed between the Subscriber and the Company for the application of Overseas Direct Investment (ODI) Approval process in relation to the exercise of Option;
- (5) all the authorisations, approvals, consents, waivers and permits of the relevant authorities of the relevant jurisdictions which are necessary to give effect to the grant of Option, exercise of Option (including but not limited to the ODI Approval, as applicable) and the allotment and issue of the Option Shares as required by law or regulation (including the Listing Rules) having been granted, received and obtained; and
- (6) no warranties having been breached in any material respect by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, on or prior to the exercise date of the Option.

China Agricultural may waive any of the Option Conditions Precedent and if the Option Conditions Precedent are not fulfilled or waived, the Option Agreement shall terminate unless otherwise agreed in writing by China Agricultural.

## **Exercise of Option**

The Option may be exercised in whole or in part by the Subscriber by giving notice in writing to the Company stating that the Option is thereby exercised, the exercise price, the subscription amount, the designated entity to which the Option Shares should be allotted to, and the number of Shares in respect of which it is exercised, with a remittance for the total exercise price of the Option Shares to be settled within ten (10) Business Days after the Option Conditions Precedent have been fulfilled (or, if applicable, waived) and the exercise notice is received by the Company.

After the exercise of the Option, the Company shall allot and issue to China Agricultural (or its designated entity), and China Agricultural shall (or its designated entity shall) subscribe for the Option Shares on the next Business Day after all the Option Conditions Precedent have been fulfilled or waived and the remittance for the total exercise price of the Option Shares has been fully settled (the “**Option Closing Date**”). The Option Shares allotted and issued shall rank pari passu with the Shares in issue on the Option Closing Date, free from encumbrance and with all rights, including dividends, distributions or any return of capital declared and voting rights, attached or accrued to them on or after the Option Closing Date.

## **Transferability**

The Option (i) may not be offered for sale, sold, transferred, assigned, charged, mortgaged or encumbered; and (ii) no interest (legal or beneficial) in favour of any third party over or in relation to any Option shall be created, without the prior consent of the Company, provided that the Option may be sold, transferred or assigned to an affiliate (as defined in the Listing Rules) of China Agricultural so long as such affiliate is not a connected person (as defined under the Listing Rules) of the Company.

## **Rights of Option Holder on the Liquidation of the Company**

If the Company is liquidated, dissolved, wound up before the end of the Exercise Period, all rights attached to the Option which have not been exercised prior to the commencement of the liquidation, dissolution or winding-up shall lapse and the Option will cease to be valid for the purpose of exercising any such rights.

## **Voting Rights for the Option Holder**

China Agricultural shall not have any right to (i) attend or vote at any meeting of the Company; and (ii) participate in any distributions and/or offers of further securities made by the Company before China Agricultural (or its designated entity) becoming holder of the Shares.

## **Listing Application**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Option Shares on the Stock Exchange upon exercise of the Option.

## **LISTING RULES IMPLICATIONS**

Pursuant to Rule 13.36(7) of the Listing Rules, the Company may not issue warrants, options or similar rights to subscribe for any new Shares or any securities convertible into new Shares, for cash consideration pursuant to a general mandate given under Rule 13.36(2)(b) of the Listing Rules. Accordingly, the Option and the Option Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the general meeting.

## **REASONS FOR AND BENEFITS FOR ENTERING INTO THE OPTION AGREEMENT**

The strategic equity investment in Modern Farming Wuhe by way of Capital Injection signifies the recognition of China Agricultural of the Company's production capabilities, financial soundness, as well as the Company's growth potential. In addition, in view of the strategic collaboration relationship between the Company and China Agricultural, the Option Agreement allows China Agricultural to further share the Company's prospects, whereby strengthening the business cooperation between the two companies, broadening the diversity of investors and enhancing the Group's financial efficiency in terms of cost of funding and capital structure, and providing the Company with the capital support required for future expansion plan and materialization of its growth potential.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Option Agreement and the transactions contemplated thereunder, are fair and reasonable and on normal commercial terms based on arm's length negotiations between the Company and China Agricultural, and are in the interests of the Company and the Shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) upon full exercise of the Option (assuming that 6% of the total number of Shares of the Company in issue at the time of the exercise of Option is the lower threshold) are set out below:

	As at the date of this announcement		Assuming full exercise of the Option	
	No. of Shares	%	No. of Shares	%
<b>Directors</b>				
Mr. Sun Yugang	12,038,287	0.15%	12,038,287	0.14%
Mr. Zhu Xiaohui	6,808,593	0.09%	6,808,593	0.08%
<b>Substantial Shareholders</b>				
Mengniu <sup>(Note 1)</sup>	4,461,041,882	56.36%	4,461,041,882	53.17%
Central Huijin Investment Ltd. <sup>(Note 2)</sup>	569,681,818	7.20%	569,681,818	6.79%
Bank of China Limited <sup>(Note 2)</sup>	569,681,818	7.20%	569,681,818	6.79%
BOC International Holdings Limited <sup>(Note 3)</sup>	568,181,818	7.18%	568,181,818	6.77%
BOCI Financial Products Limited	568,181,818	7.18%	568,181,818	6.77%
New Hope Dairy Co., Ltd. <sup>(Note 4)</sup>	635,345,763	8.03%	635,345,763	7.57%
New Century Ltd. <sup>(Note 4)</sup>	635,345,763	8.03%	635,345,763	7.57%
Liu Chang <sup>(Note 4)</sup>	635,345,763	8.03%	635,345,763	7.57%
GGG Holdings Limited	635,345,763	8.03%	635,345,763	7.57%
MGD Holdings <sup>(Note 5)</sup>	400,000,000	5.05%	400,000,000	4.77%
<b>Sub-total of shares held by Directors and Substantial Shareholders</b>				
	<b>6,084,916,343</b>	<b>76.87%</b>	<b>6,084,916,343</b>	<b>72.52%</b>
<b>China Agricultural Public Shareholders</b>	–	0.00%	474,939,722	5.66%
	1,830,745,705	23.13%	1,830,745,705	21.82%
<b>Total</b>	<b>7,915,662,048</b>	<b>100.00%</b>	<b>8,390,601,770</b>	<b>100.00%</b>

*Notes:*

1. Among which up to 568,181,818 Shares have been lent to BOCI Financial Products Limited pursuant to a securities lending agreement dated June 8, 2023 entered into between Mengniu as lender and BOCI Financial Products Limited as borrower. As at the date of this announcement, the number of Shares that had been lent to BOCI Financial Products Limited was 568,181,818. Among which 3,214,962,513 Shares were held through Future Discovery Limited, a subsidiary of Mengniu.
2. Among which 568,181,818 Shares were held through BOCI Financial Products Limited and 1,500,000 Shares were held through Nam Tung (Macao) Investment Limited.
3. 568,181,818 Shares were held through BOCI Financial Products Limited.
4. 635,345,763 Shares were held through GGG Holdings Limited.
5. Among which 385,000,000 Shares were held through Daher Capital LTD and 15,000,000 Shares were held through DFG Limited.

## **SPECIFIC MANDATE AND THE SHAREHOLDERS GENERAL MEETING**

A Shareholders general meeting will be convened and held for the purpose of, among other things, considering and, if thought fit, approving the grant of the Option and the issue of Option Shares upon exercise thereof. The Company currently plans to seek the approval of the issue and grant of the Option and the Specific Mandate to issue the Option Shares upon the exercise thereof from the Shareholders at the general meeting. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Option Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Option. No listing of the Option will be sought on the Stock Exchange or any other stock exchanges.

To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the issue of Option, and accordingly, no Shareholders will be required to abstain from voting on the relevant resolutions at the Shareholders general meeting.

A circular containing, among other things, (i) further details of the grant of the Option and the issue of Option Shares upon exercise thereof; (ii) a notice convening the Shareholders general meeting; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Company currently plans to put forward the relevant resolutions at the AGM. If the Company desires to hold an extraordinary general meeting earlier than the AGM, a revised notice of meeting will be sent to the Shareholders.

## INFORMATION ON THE PARTIES

### The Group

The Group is a leading dairy farming operator and raw milk producer in the PRC. As of December 31, 2023, the Group operated 42 dairy farming companies in the PRC with over 450,000 dairy cows and annual milk yield of over 2.5 million tons.

### Modern Farming

Modern Farming is a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company as at the date of this announcement, which is principally engaged in production of milk and is the key business vehicle of the Group.

### Modern Farming Wuhe

Modern Farming Wuhe is a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company as at the date of this announcement, which is principally engaged in breeding dairy cows and production of milk, with herd scale over 40,000 dairy cows.

Set out below is a summary of the financial information of Modern Farming Wuhe for the two financial years ended December 31, 2023 and 2022 as extracted from the financial statements of Modern Farming Wuhe for the years ended December 31, 2023 and 2022 which are prepared in accordance with PRC Accounting Standards for Business Enterprises:

	For the year ended	
	December 31,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit before tax	141,362	237,627
Profit after tax	141,362	237,627
Total assets	2,416,391	2,311,113
Net assets	1,893,211	1,561,843

### China Agricultural

China Agricultural is a private equity investment fund established under the laws of the PRC. Its general partner and fund manager is Zhaoken Capital Management (Beijing) Co., Ltd. (招墾資本管理(北京)有限公司) (“**Zhaoken Capital**”), which is a private equity fund manager registered under the relevant PRC laws. Zhaoken Capital is ultimately wholly-owned by the PRC government.

## **Anhui Suida**

Anhui Suida Fund is a limited partnership enterprise established under the laws of the PRC. It was founded in December 2022 with a subscribed fund size of RMB2.0 billion. The general partner and manager of the fund is ABC Capital Management Co., Ltd.. ABC Capital Management Co., Ltd. is ultimately owned by Agricultural Bank of China Limited, a joint stock company incorporated in the PRC with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1288).

## **USE OF PROCEEDS**

### **Proceeds from Capital Injection**

The proceeds from the Capital Injection shall be applied to repay debts owed by the Group to financial institutions.

### **Proceeds from Exercise of Option**

Assuming all the Option are exercised, the maximum subscription amount will be RMB600 million (or the equivalent amount in HK\$) and the net proceeds (after deducting all applicable costs and expenses) arising from the Exercise of Option are estimated to be approximately RMB599 million.

The net proceeds from the exercise of Option is expected to be used for repayment of bank borrowings and as general working capital of Modern Farming Group. Since the amount of proceeds that may be raised will depend on the exercise of the rights attaching to the Option and the price of the Option Shares, which is out of control of the Company, the proceeds that will actually be raised therefrom may not match with the Company's capital requirements. The Company shall review its business plan from time to time and shall not rule out the possibility of alternative fund raising methods should the rights attaching to the Option are not exercised in full or the Option Exercise Price not reach expected levels and the net proceeds not match the future capital needs of the Company.

## DEFINITIONS

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

“AGM”	the annual general meeting to be convened for the purpose of considering and, if thought fit, approving, among other things, the issuance of unlisted options under Specific Mandate
“Anhui Suida”	Anhui Suida Rongyao Equity Investment Fund Partnership (Limited Partnership)* (安徽穗達榮耀股權投資基金合夥企業(有限合夥))
“Anhui Suida Capital Injection”	the capital injection agreement dated December 28, 2023 entered into among Modern Farming Wuhe, Anhui Suida and Modern Farming in connection with the subscription of approximately 11.4% equity interests and injection of RMB200 million in Modern Farming Wuhe by Anhui Suida
“Board”	the board of Directors
“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
“Capital Injection”	the proposed subscription for approximately 25.4% of the enlarged registered capital of Modern Farming Wuhe by way of capital injection of RMB600 million in cash pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated February 1, 2024 entered into among Modern Farming Wuhe, China Agricultural, Anhui Suida and Modern Farming in connection with the subscription of equity interests and injection of capital by China Agricultural in Modern Farming Wuhe
“China Agricultural” or “Subscriber”	China Agricultural Reclamation Industry Development Fund (Limited Partnership)* (中國農墾產業發展基金(有限合夥))

“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”	completion of the Capital Injection pursuant to the Capital Injection Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange
“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
“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
“Modern Farming Group”	Modern Farming and its subsidiaries
“Modern Farming Wuhe”	Modern Farming (Wuhe) Co., Ltd * (現代牧業(五河)有限公司), a company established in the PRC with limited liabilities and an indirect non-wholly owned subsidiary of the Company

“Option”	the right granted to China Agricultural to subscribe for the Option Shares and the exercise of which shall comply with the following threshold, whichever is lower: (i) the total subscription amount of the Option Shares by China Agricultural shall not exceed RMB600 million (or the equivalent amount in HK\$); or (ii) the total number of Option Shares subscribed by China Agricultural shall not exceed 6% of the total number of Shares of the Company in issue at the time of the exercise of Option
“Option Agreement”	the option agreement dated February 1, 2024 entered into between the Company and China Agricultural in relation to the grant of Option
“Option Shares”	the shares that China Agricultural may subscribe for during the exercise period as set out in the Option Agreement
“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
“Redemption Right”	the right held by Modern Farming to request the Investors to transfer all their interest in Modern Farming Wuhe to Modern Farming or any third party designed by Modern Farming as set out in the Shareholders Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Shareholders Agreement”	the shareholders agreement dated February 1, 2024 entered into among Modern Farming Wuhe, Modern Farming, Anhui Suida and China Agricultural

“Specific Mandate”	a specific mandate to be sought from Shareholders at the Shareholders general meeting to authorize the Directors to allot and issue the Option and the Option Shares upon exercise thereof pursuant to the Option Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the Capital Injection Agreement, the Shareholders Agreement, the Option Agreement, and the other documents or agreements entered into or delivered in connection with the Capital Injection by and among Modern Farming Wuhe, Modern Farming, Anhui Suida (to the extent applicable) and China Agricultural (and their subsidiaries and affiliates, if applicable)
“%”	per cent.

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

\* *For identification purpose only*

Hong Kong, February 1, 2024

*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.*