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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 TRANSACTION FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

The Company announces that on June 22, 2022, Modern Farming (a subsidiary of the Company) and Rixin Investment entered into the JV Agreement, pursuant to which the parties agreed to establish the JV Company for investment in New Dairy Farms in Inner Mongolia of the PRC. The shareholding of the JV Company is held as to 51% by Modern Farming and 49% by Rixin Investment and is established with the total registered capital of RMB1 billion.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the maximum capital commitment of the Group pursuant to the JV Agreement exceed 5% but are all less than 25%, the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

1. INTRODUCTION

The Company announces that on June 22, 2022, Modern Farming (a subsidiary of the Company) and Rixin Investment entered into the JV Agreement, pursuant to which the parties agreed to establish the JV Company for investment in New Dairy Farms in Inner Mongolia of the PRC. The shareholding of the JV Company is held as to 51% by Modern Farming and 49% by Rixin Investment and is established with the total registered capital of RMB1 billion.

2. THE JV AGREEMENT

The principal terms of the JV Agreement are summarized below:

Date	:	June 22, 2022
Parties	:	(a) Modern Farming (b) Rixin Investment
Purpose and business	:	The establishment of the JV Company is to revitalize the milk industry by investing in New Dairy Farms in Inner Mongolia of the PRC. The investment period shall not exceed 7 years from the date the investment capital is invested in a New Dairy Farm.
Term of the JV Company	:	The term of operation of the JV Company is 10 years from the date of issuance of its business license, which may be extended or terminated according to its business needs, upon unanimous approval by the shareholders of the JV Company.
Capital Contribution	:	The registered capital of the JV Company is RMB1 billion and each of Modern Farming and Rixin Investment commits to contribute RMB510,000,000 and RMB490,000,000, respectively, in the capital of the JV Company.

Modern Farming and Rixin Investment further agree that, capital contributions shall be made by the parties subject to the progress of the contemplated investment projects of the JV Company, and in any event no later than December 31, 2025.

Guaranteed Investment Return of Rixin Investment : Rixin Investment shall be entitled to receive an investment return of 2% per annum of its investment amount in the New Dairy Farms, which will be calculated with reference to the actual number of days from the day following the completion of the construction period (not more than two years) of the New Dairy Farms to the date of payment of the investment return (the “**Guaranteed Investment Return**”).

Save for the Guaranteed Investment Return, Rixin Investment will not be entitled to any profit sharing of the JV Company. If the profit of the JV Company is not sufficient to cover the Guaranteed Investment Return, Modern Farming shall pay the shortfall to Rixin Investment.

Management of the JV Company : The board of directors of the JV Company comprises three members, including two nominated by Modern Farming and one nominated by Rixin Investment. The chairman of the board of directors of the JV Company will be a director nominated by Modern Farming.

An investment committee is set up under the board of the JV Company for the purpose of making external investment decisions, and is responsible for the review and decision-making of the contemplated investment projects (the “**Investment Committee**”).

The Investment Committee comprises five members, including (i) three members nominated by Modern Farming (of which one of the members must be an expert in the dairy industry), (ii) one expert member appointed by the Agriculture and Animal Husbandry Department of the Inner Mongolia Autonomous Region, and (iii) one expert member appointed by the municipal government where the invested project is located.

Each member of the Investment Committee shall have one vote and the resolutions must be passed by three-fifths or more of the members.

Exit by Rixin Investment : In the event a dairy farm investment operates at a loss for three consecutive years from the commencement of operation or loss amount reaches 70% of the registered capital of that invested farm, Rixin Investment shall have the right to require Modern Farming to acquire its investment in such dairy farm at a consideration equivalent to Rixin Investment's capital contribution therein.

Upon the end of an investment period, the equity interest of Rixin Investment in the JV Company may be transferred by way of reduction in capital or public tender, and Modern Farming shall participate in such public tender. If in any event the consideration of such transfer is lower than the capital contribution amount of Rixin Investment, Modern Farming shall acquire Rixin Investment's equity interest at a consideration equivalent to Rixin Investment's capital contribution therein.

Upon the end of an investment period by the JV Company in a New Dairy Farm or the trigger of any purchase conditions under the relevant agreements in respect of an investment, in the event that the industrial investors or the corresponding guarantors fail to purchase the equity interests held by the JV Company in the respective New Dairy Farm pursuant to the relevant agreements, Modern Farming shall acquire the equity interest of the JV Company held in such investment at an amount equivalent to the capital contribution of the JV Company in such New Dairy Farm.

The amount of the capital contribution to be made by Modern Farming and Rixin Investment was determined by the parties to the JV Agreement through arm's length negotiations after taking into consideration the expected working capital required for the JV Company. The capital contribution by Modern Farming will be funded by internal resources of the Group.

The Directors consider that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole.

3. REASONS FOR AND BENEFITS OF THE JV AGREEMENT

The Company believes that the formation of the JV Company is in the best interests of the Group to uphold its position as a leading dairy farm operator and fresh raw milk producer in the PRC, and promoting the dairy industry in the PRC.

With the support of the PRC government and favourable national policies, setting up dairy farms by investing in the JV Company reduces short term capital expenditure and improves the cash flow of the Company and the contribution of extra herd size thereafter will further strengthen the Group's position in the dairy farming industry in the PRC and enhance the Group's competitiveness in terms of economies of scale, product quality and pricing of fresh raw milk.

Since it is agreed that China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*) (SEHK: 2319) and/or its affiliates will purchase the qualified raw milk from the JV Company's invested New Dairy Farms, the proceeds from the sale of raw milk will have positive contribution on the Group's revenue and profitability.

4. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the maximum capital commitment of the Group pursuant to the JV Agreement exceed 5% but are all less than 25%, the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

5. INFORMATION OF THE PARTIES

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 December 31, 2021, the Group operated 33 dairy farming companies in the PRC with over 350,000 dairy cows and an annual milk yield of over 2 million tons.

Rixin Investment

Inner Mongolia Rixin Investment (Group) Co., Ltd.* (內蒙古日信投資(集團)有限公司), a company incorporated under the laws of the PRC, is approved by the PRC government of Inner Mongolia Autonomous Region, and an enterprise under the financial department of the Inner Mongolia Autonomous Region, with a registered capital of RMB523 million. Rixin Investment was the National Treasury Bond Service Center of the Ministry of Finance, and was restructured into a group company in 1998, and gradually developed into a state-owned financial institution integrating investment, guarantee, asset management, private equity funds and industrial investment enterprise.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Rixin Investment and its ultimate owners are third parties independent of the Company and its connected persons.

The JV Company

The JV Company is a company established in the PRC, which is owned as to 51% by Modern Farming and 49% by Rixin Investment for the purpose of establishing a cooperation platform for investment in projects in relation to the construction of New Dairy Farms and the sale of raw milk.

It is currently expected that the financials of the JV Company will be consolidated to the Group.

6. DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Board”	the board of Directors of the Company
“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 of Hong Kong Limited (stock code: 1117)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inner Mongolia” or “Inner Mongolia Autonomous Region”	the Inner Mongolia Autonomous Region, an autonomous region of the People’s Republic of China
“JV Agreement”	the joint venture agreement dated June 22, 2022 entered into between Modern Farming and Rixin Investment in relation to the formation of the JV Company
“JV Company”	Inner Mongolia Modern Benniu Investment Management Co., Ltd.* (內蒙古現代犏牛投資管理有限公司), a company incorporated under the laws of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“New Dairy Farm(s)”	newly constructed dairy farms that meet the following conditions: (1) an independent legal person with the ability to independently assume legal responsibilities; (2) construction commenced after January 1, 2019 and with a designed herd size of dairy cows of more than 3,000 (excluding calves); and (3) the operation meets the conditions for animal epidemic prevention, possesses the Animal Epidemic Prevention Qualification Certificate (《動物防疫條件合格證》) issued by the animal husbandry and veterinary medicine authority, establishes complete breeding files and standardized management
“PRC”	the People’s Republic of China and for the sole purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan

“Rixin Investment”	Inner Mongolia Rixin Investment (Group) Co., Ltd.* (內蒙古日信投資(集團)有限公司), a company established under the laws of the PRC by the Finance Department of the Inner Mongolia Autonomous Region with the approval of the People’s Government of Inner Mongolia Autonomous Region
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* For identification purpose only

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

Hong Kong, June 22, 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.