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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Modern Dairy Holdings Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 75% EQUITY INTERESTS IN AIYANGNIU TECHNOLOGY; AND (2) NOTICE OF EGM

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

Σ SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 5 to 15 of this Circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 31 of this circular.

A notice convening the EGM of the Company to be held at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, June 8, 2022 at 9:30 a.m. (or as soon as after the annual general meeting of the Company to be held at the same place on the same date at 8:45 a.m. shall have been concluded or adjourned) is set out on pages 59 to 61 of this circular. A form of proxy for use at the EGM is also enclosed. If you are not able to attend the EGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong at Computershare Hong Kong Investor Services Limited at 17M, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING ("EGM")

Considering the current coronavirus (COVID-19) situation, the Company will implement the following precautionary measures to reduce the risk of contracting and spreading of COVID-19 at the EGM:

- (a) mandatory body temperature screening;
- (b) mandatory wearing of surgical face masks; and
- (c) no provision of refreshments, food nor beverage.

For the safety of the attendees at the EGM, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM. Shareholders attending the EGM may be denied entry into or required to leave the venue if any safety regulation or precautionary measures above cannot be complied with.

Shareholders could consider exercising their right to vote at the EGM by appointing the chairman of the EGM as their proxy to vote and returning the form of proxy instead of attending the EGM in person.

Subject to the development of the COVID-19 situation, the Company may implement further precautionary measures for the EGM. The attendees of the EGM are urged to view the respective websites of the Company at <http://www.moderndairyir.com/en/index.htm> and the HKEXnews of The Stock Exchange of Hong Kong Limited at <https://www.hkexnews.hk> for future arrangement of the EGM.

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DEFINITIONS

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

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

DEFINITIONS

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| “EGM” | the extraordinary general meeting of the Company to be held at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday , at 9:30 a.m. (or as soon as after the annual general meeting of the Company to be held at the same place on the same date at 8:45 a.m. shall have been concluded or adjourned) for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the Acquisition |
| “Enlarged Group” | the Group immediately upon completion of the Acquisition |
| “Equity Transfer Agreement” | Equity Transfer Agreement dated March 15, 2022, entered into between the Purchaser and the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology, as more particularly described in the sub-section headed “Equity Transfer Agreement” in this circular |
| “Governmental Entity” | any supra-national, national, state, municipal or local government (including any sub-division, court, administrative agency, commission or other authority thereof) or private body exercising any regulatory, taxing, importing or quasi-governmental authority (including any stock exchange) |
| “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 |
| “Independent Board Committee” | the independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Li Shengli, Mr. Lee Kong Wai Conway and Mr. Chow Ming Sang |
| “Independent Financial Adviser” or “Sommerley” | Sommerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, in relation to the Equity Transfer Agreement and the Acquisition |

DEFINITIONS

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| “Independent Shareholder(s)” | Shareholders other than (i) Mengniu; (ii) BOCI Financial Products Limited (to the extent that it continues to hold the voting rights of certain Shares which Mengniu has lent to BOCI Financial Products Limited under the Securities and Lending Agreement); (iii) those who have a material interest in, are interested in or involved in the Equity Transfer Agreement; and (iv) any associates of those mentioned in (i) to (iii) |
| “Independent Valuer” | Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong |
| “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 Latest Practicable Date |
| “Latest Practicable Date” | May 11, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| “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 |
| “Parties” | parties to the Equity Transfer Agreement |
| “PRC” or “China” | the People’s Republic of China and for the purpose of this circular, does not include Hong Kong, Macao Special Administrative Region 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 |
| “Purchaser” | 現代牧業(集團)有限公司 (Modern Farming (Group) Co., Ltd.*), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |

DEFINITIONS

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| “Securities and Lending Agreement” | the securities and lending agreement dated June 17, 2020 entered into between Mengniu and BOCI Financial Products Limited |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Shareholder Sellers” | the sellers under the Equity Transfer Agreement, namely Inner Mongolia Mengniu, Tianjin Zhongmu Consulting Service Center (Limited Partnership)* (天津眾牧諮詢服務中心(有限合夥)), COFCO Trust Co.* (中糧信託有限責任公司), and Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership)* (內蒙古晟蒙創業投資基金中心(有限合夥)) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

* *for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. SUN Yugang (*Acting Chief Executive Officer*)
Mr. ZHU Xiaohui (*Chief Financial Officer*)

Non-executive Directors:

Mr. LU Minfang (*Chairman of the Board*)
Mr. ZHAO Jiejun (*Vice Chairman of the Board*)
Mr. ZHANG Ping
Ms. GAN Lu

Independent Non-executive Directors:

Mr. LI Shengli
Mr. LEE Kong Wai, Conway
Mr. CHOW Ming Sang

Registered Office:

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

*Principal Place of Business
in the PRC:*

Economic and Technological
Development Zone
Maanshan City
Anhui Province
PRC

*Principal Place of Business
in Hong Kong:*

Room A, 32nd Floor, COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

May 16, 2022

To the Shareholders

Dear Sir and Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION OF 75% EQUITY INTERESTS IN
AIYANGNIU TECHNOLOGY; AND
(2) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the announcement of the Company dated March 15, 2022 in relation to, among others, the Equity Transfer Agreement and the Acquisition. On March 15, 2022 (after trading hours), the Purchaser entered into the Equity Transfer Agreement with the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology at a total consideration of RMB287,774,900.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things: (i) further details of the Equity Transfer Agreement and the Acquisition; (ii) the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser in relation to the terms of the Equity Transfer Agreement and the Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the matters set out in (i) above; (iv) the valuation report of Aiyangniu Technology; and (v) a notice of the EGM.

2. THE EQUITY TRANSFER AGREEMENT

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

Date: March 15, 2022

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

Subject Matter

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

Consideration

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

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

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

LETTER FROM THE BOARD

The Consideration was determined after arm's length negotiations between the Purchaser and the Shareholder Sellers after taking into account: (1) the business prospect of Aiyangniu Technology to, including but not limited to, growing into a key platform which connect major suppliers and customers in the dairy farming industry in the PRC, integrate the resources among platform users and strengthen the Company's capability to provide various industry related services to the customers; and (2) the appraised fair value of the entire equity interest in Aiyangniu Technology of RMB388,320,323 as at December 31, 2021. The valuation was carried out by the Independent Valuer using the market approach, please refer to Appendix I to this circular for further details of the valuation.

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

Conditions Precedent

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

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

- (i) all approvals, consents and filings necessary for the Acquisition have been obtained by all parties to the Equity Transfer Agreement;
- (ii) the Acquisition being approved by the Independent Shareholders;
- (iii) all transaction documents being duly signed by all parties to the Equity Transfer Agreement; and
- (iv) a new memorandum and articles of association being duly adopted by Aiyangniu Technology.

Except for condition (ii), all of the conditions above can be waived by the Company in writing and, as at the Latest Practicable Date, conditions precedent (iii) and (iv) had been satisfied and the Company does not intend to waive condition (i).

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

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

LETTER FROM THE BOARD

Completion

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

Indemnity

Upon signing of the Equity Transfer Agreement until one year after the conditions precedent of the first tranche payment aforementioned being fulfilled, the Shareholder Sellers undertake to indemnify the Purchaser, against all liabilities or actual losses (including but not limited to fine and reasonable expenses such as legal fees and accounting fees) directly suffered or incurred by the Purchaser, provided that such liabilities or actual losses exceed RMB2 million (being approximately 1% of the consideration paid, determined by arms length negotiation between the parties to the Equity Transfer Agreement and calculated on an aggregate basis), as a consequence of the Shareholder Sellers’:

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

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

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

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

As the RMB2 million threshold of the Shareholder Sellers’ indemnity undertaking aforementioned is included to avoid non-cost effective and de minimis claims after considering the fact that the Shareholder Sellers are subject to a more extensive set of representations and warranties under the Equity Transfer Agreement and have a higher risk exposure, the same threshold was not included in the Purchaser’s indemnity undertaking and the Board considers such arrangement fair and reasonable.

LETTER FROM THE BOARD

Business Registration Records Restoration and Refund Arrangement

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

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

Shareholding Structure of Aiyangniu Technology before and after the Acquisition

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

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

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

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

The Directors (excluding the independent non-executive Directors whose view has been set out in the section headed "Letter from the Independent Board Committee") 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.

LETTER FROM THE BOARD

4. FINANCIAL INFORMATION OF AIYANGNIU TECHNOLOGY

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

| | Year ended December 31, | |
|---|-------------------------|---------------|
| | 2021 | 2020 |
| | RMB | RMB |
| | (Audited) | (Audited) |
| Consolidated net profit (before taxation) | 23,069,746.88 | 16,872,202.10 |
| Consolidated net profit (after taxation) | 17,217,255.65 | 12,463,612.05 |

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

5. INFORMATION ON 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. As at 31 December 2021, the Group operated 33 dairy farming companies in the PRC with dairy cows of 353,793 heads and annualised milk yield of over 2.0 million tons. The Group is a global leading dairy farming operator and raw milk producer in terms of herd size.

Mengniu

China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319), and a substantial shareholder of the Company. The single largest shareholder of Mengniu is Prominent Achiever Limited, an indirect non-wholly owned subsidiary of COFCO Corporation. Mengniu principally manufacture and distribute dairy products in the PRC.

Inner Mongolia Mengniu

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

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

LETTER FROM THE BOARD

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

Tianjin Zhongmu Consulting Service Center (Limited Partnership)* (天津眾牧諮詢服務中心(有限合夥)) is a limited liability partnership established in the PRC, whose principal business is economic and trade consulting, education consulting, public relations services, technology transfer, technical services and exhibitions, and conference services. Its ultimate beneficial owners are Mr. Liu Xiaojiang (劉曉江), holding 75% equity interests and Ms. Li Liying (李麗英), holding 25% equity interests.

COFCO Trust Co.* (中糧信託有限責任公司)

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

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

Inner Mongolia Shengmeng Venture Capital Fund Center (Limited Partnership)* (內蒙古晟蒙創業投資基金中心(有限合夥)) is a limited liability partnership established in the PRC, whose principal business is investment management, investment consulting, and venture capital. Its general partner is Wuhan Certain Venture Capital Management Co., Ltd. (武漢晟道創業投資基金管理有限公司) and its ultimate single largest shareholder is Mr. Ai Luming (艾路明), who indirectly controls 24% of the voting rights in the general partner. The remaining voting rights are controlled by four other shareholders, each of them controlling no more than 20% of the voting rights in the general partner.

Aiyangniu Technology

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

6. LISTING RULES IMPLICATIONS

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

LETTER FROM THE BOARD

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

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

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Independent Board Committee, comprising of all the independent non-executive Directors, namely, Mr. Li Shengli, Mr. Lee Kong Wai Conway and Mr. Chow Ming Sang, has been established to advise the Independent Shareholders on the terms of the Equity Transfer Agreement and the Acquisition.

Pursuant to Rule 14A.44 of the Listing Rules, the Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Equity Transfer Agreement and the Acquisition, and as to voting by the Independent Shareholders.

8. DISCLOSURE OF DIRECTORS' INTERESTS

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

9. EGM

Set out on pages 59 to 61 of this circular is the notice convening the EGM to be held at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, June 8, 2022 at 9:30 a.m. (or as soon as after the annual general meeting of the Company to be held at the same place on the same date at 8:45 a.m. shall have been concluded or adjourned) at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among others, the Equity Transfer Agreement and the Acquisition.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, other than Mengniu and BOCI Financial Products Limited (who have the right to exercise the voting rights of 3,918,988,286 Shares (representing approximately 49.51% of the total issued shares of the Company) and 542,053,596 Shares (representing approximately 6.85% of the total issued shares of the Company) beneficially owned by them or their respective controlled corporation respectively) and the Trustee (who have the right to exercise the voting rights of 53,345,422 Shares (representing approximately 0.67% of the total issued shares of the Company)), please refer to the sub-section headed “Share Award Scheme” in Appendix II to this circular for further details), no other Shareholder will be required to abstain from voting on the resolutions for approving the Equity Transfer Agreement at the EGM.

A proxy form for use at the EGM is enclosed herein. If you are not able to attend the EGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and deliver the same to the branch share registrar of the Company in Hong Kong at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

In light of COVID-19, the Company encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising the voting rights of the Shareholders.

An announcement of the poll results of the EGM will be published by the Company in accordance with the requirements under the Listing Rules.

10. RECOMMENDATIONS

Your attention is drawn to: (i) the letter from the Independent Board Committee set out on page 16 of this circular which contains its recommendation to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser set out on pages 17 to 31 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Directors (including members of the Independent Board Committee, whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser, but excluding Mr. LU Minfang, Mr. ZHAO Jiejun and Mr. ZHANG Ping who were considered to have material interest in the Equity Transfer Agreement and the Acquisition and had abstained from voting on the relevant resolutions of the Board) are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, and that the terms of the Equity Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including members of the Independent Board Committee but excluding Mr. LU Minfang, Mr. ZHAO Jiejun and Mr. ZHANG Ping) also recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the Acquisition contemplated thereunder.

LETTER FROM THE BOARD

11. GENERAL

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

12. FURTHER INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board
China Modern Dairy Holdings Ltd.
Mr. LU Minfang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

May 16, 2022

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION OF 75% EQUITY INTERESTS IN
AIYANGNIU TECHNOLOGY; AND
(2) NOTICE OF EGM**

We refer to the circular of the Company dated May 16, 2022 (the “**Circular**”) to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition) are fair and reasonable so far as the Independent Shareholders are concerned, are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. We wish to draw your attention to the letter of advice issued by Somerley Capital Limited which is set out on pages 17 to 31 of the Circular.

Having considered the terms of the Equity Transfer Agreement, and taken into account the advice of the Independent Financial Adviser, we are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

For an on behalf of the Independent Board Committee

Mr. LI Shengli Mr. LEE Kong Wai, Conway Mr. CHOW Ming Sang
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Somerley, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor, China Building
29 Queen's Road Central
Hong Kong

May 16, 2022

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition pursuant to the Equity Transfer Agreement. Details of the Acquisition are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated May 16, 2022 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On March 15, 2022, the Purchaser (an indirect non-wholly owned subsidiary of the Company) entered into the Equity Transfer Agreement with Aiyangniu Technology and the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology at a total consideration of RMB287,774,900 (equivalent to approximately HK\$355,377,654).

As at the Latest Practicable Date, Inner Mongolia Mengniu, being one of the Shareholder Sellers, is 99.99% owned by Mengniu, a substantial shareholder and a connected person of the Company and therefore, Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Accordingly, the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company, and is subject to the reporting, announcement, independent shareholders' approval and circular (including independent financial advice) requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang, has been established to consider whether (a) the Equity Transfer Agreement was entered into in the ordinary and usual course of business of the Group; (b) the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (c) the Acquisition is in the interests of the Company and the Shareholders as a whole, and make recommendation to the Independent Shareholders on how to vote at the EGM. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to, among others, a major and connected transaction as detailed in the Company's circular dated May 14, 2021. The past engagement was limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules and the Code on Takeovers and Mergers. Under the past engagement, Somerley received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Aiyangniu Technology and the Shareholders Sellers that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, Aiyangniu Technology and the Shareholder Sellers, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations, we have taken into account the principal factors and reasons set out below:

1. Information on and prospects of the Group

(i) *Information on 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 global leading dairy farm operator and raw milk producer in terms of herd size. As at December 31, 2021, the Group operated 33 dairy farming companies in the PRC with dairy cows of over 350,000 heads and annualised milk yield of over 2 million tons.

For the year ended December 31, 2020, the Group's total revenue increased by approximately 9.2% year-on-year to approximately RMB6,020.2 million. The increase was mainly due to the increase in sales volume and average selling price ("ASP") of raw milk. Profit attributable to owners of the Company amounted to approximately RMB770.0 million for the year ended December 31, 2020, grew by approximately 125.6% year-on-year. The Group recorded gains on disposal of subsidiaries amounted to approximately RMB72.3 million in 2020.

For the year ended December 31, 2021, the total revenue of the Group increased to approximately RMB7,078.5 million, representing an increase of approximately 17.6% as compared to the year of 2020. The increase was mainly due to the increase in sales volume and ASP of raw milk as well as the revenue generated from the new business in relation to sales of feeds after acquisition of Inner Mongolia Fuyuan International Industrial (Group) Co. Ltd. in 2021. As a result of the COVID-19 pandemic and the surge in demand of feeds led by the recovery of the domestic farming industry, there was a significant increase in the feed prices globally and domestically in 2021. Accordingly, the Company's gross profit margin decreased from approximately 40.8% in 2020 to approximately 36.0% in 2021. Profit attributable to owners of the Company amounted to approximately RMB1,018.8 million for the year ended December 31, 2021, grew by approximately 32.3% year-on-year.

The Group had total assets of approximately RMB23,673.9 million as at December 31, 2021, in which biological assets (dairy cows held to produce raw milk) and property, plant and equipment accounted for approximately 39.7% and 22.4% of the total assets respectively. Total liabilities of the Group amounted to approximately RMB12,559.2 million as at December 31, 2021 and approximately 67.6% of the Group's total liabilities were long term bonds, bank and other borrowings. As at December 31, 2021, the net asset value attributable to owners of the Company was approximately RMB10,864.9 million. The Group's debt-to-asset ratio and net gearing ratio (calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity) was approximately 53.1% and 56.1% as at December 31, 2021, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Prospects of the Group

In the PRC, the small-sized and medium-sized dairy farms have been phasing out the market and the herd size has been shrinking since 2015 due to strict environmental regulations. As stated in the Company's 2021 interim report, with the withdrawal of such small-sized and medium-sized dairy farms from the PRC market, raw milk will be mainly provided by large-scale dairy farms in the future. Given the high industry entry barriers for large-scale farming, the Company, being a global leading dairy farming operator and raw milk producer in terms of herd size, could benefit from the industry cycle.

The favorable national policies introduced by the local Chinese government provide support and scale up the development of the dairy industry as a whole and the enterprises involved, accordingly there are more development opportunities for the leading dairy farming operators and raw milk producers in the PRC. In February 2021, it is stated in the No.1 Central Document that the construction of high-quality milk bases will be the main battlefield of the dairy industry and the acceleration of agricultural modernisation is the main content. The introduction of three-child policy in May 2021 also forged a new driving force for the future growth of dairy demands. In February 2022, the Ministry of Agriculture and Rural Affairs issued a notice on the "14th Five-Year Plan for Improving the Competitiveness of Dairy Industry", stating that "by 2025, the national milk production should reach approximately 41 million tons".

In 2021, China's economy continued to recover steadily in the face of complex and volatile domestic and foreign environments. China's gross domestic product (GDP) reached approximately RMB114.4 trillion in 2021, representing a year-on-year increase of approximately 8.1%, which is top-ranked among the world's major economies. In 2021, the feed prices had significantly increased globally and domestically mainly as a result of the outbreak of COVID-19 pandemic and the recovery of the domestic farming industry. As the dairy farming industry in the PRC has been developing sustainably and healthily, the quality and safety standards have been improving consistently, and the dairy industry has developed to a greater scale in recent years, the dairy industry in the PRC could maintain a momentum of rapid growth. As stated in the Company's 2021 annual report, the milk production in the PRC grew by approximately 7.1% in 2021 comparing to that of 2020. The average market price of raw fresh milk was approximately RMB4.29 per kilogram ("kg") in 2021, representing a growth of approximately 13.4% from 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has further stated in its 2021 annual report that it will continue to implement its “Five-Year Lead Plan” to strengthen its core dairy business. The Company strives to grow its herd size and milk production in the coming five years through organic growth and external acquisitions. It is expected that the number of dairy cows in the Group will increase to more than 500,000 heads and the annual production of fresh milk will increase to approximately 3.6 million tons by 2025. To explore new business and new engines for profit growth, the Company also plans to enter the feed sector, develop the beef cattle business and the trading platform business, cultivate breeding business and integrate land, forage and resources, so that the Company can further improve the layout of the whole industry chain and enhance the Group’s overall competitive advantages.

2. Information on Aiyangniu Technology

(i) Principal activities of Aiyangniu Technology

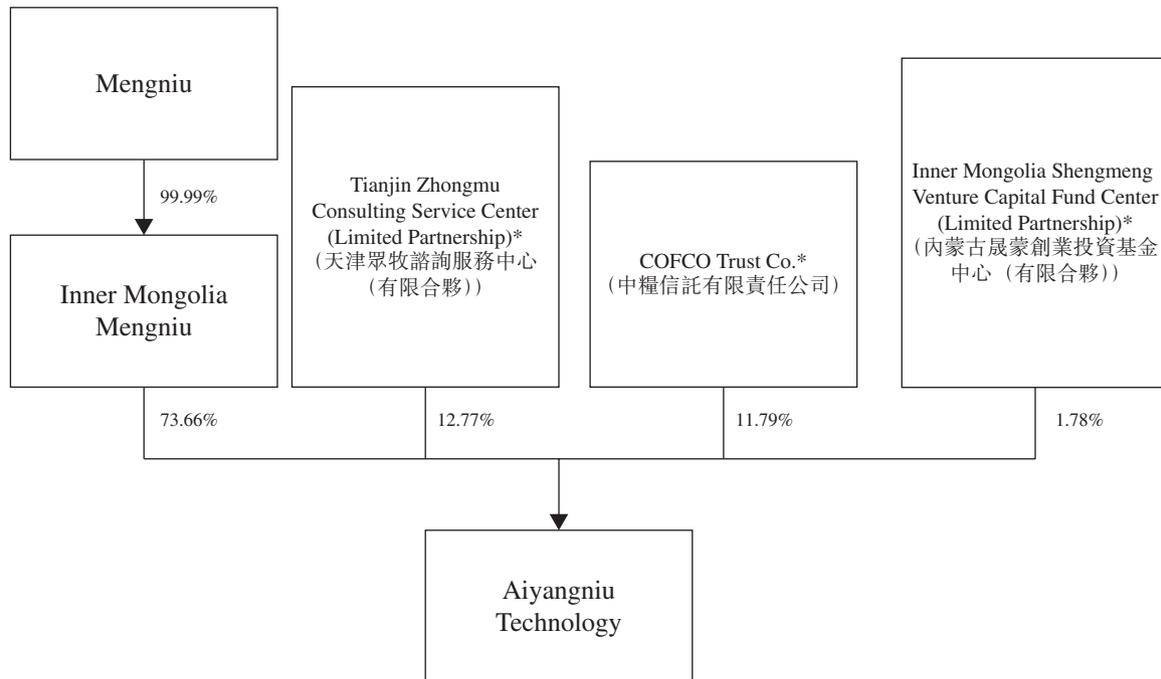
Aiyangniu Technology was established in the PRC in 2015 and is principally engaged in the operation of animal husbandry e-commerce platform, animal husbandry service cloud platform, animal husbandry service business, sale of feedstuffs, additives and veterinary medicine, and trade consulting of agricultural and livestock products in the PRC. The abovementioned online business-to-business (B2B) e-commerce platform is named Aiyangniu Platform, which consolidates market information in relation to farm supplies, provides a transparent purchase price quotation system of farm supplies, and provides digital technology, supply chain technology, breeding technology and other services. Aiyangniu Platform integrated resources from more than 1,000 suppliers for the leading market players in the dairy farming industry in the PRC, provided over 10,000 types of products, served over 3,000 customers with approximately 3 million heads of dairy cows. As at the Latest Practicable Date, Mengniu indirectly owns 73.66% of the equity interests in Aiyangniu Technology.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

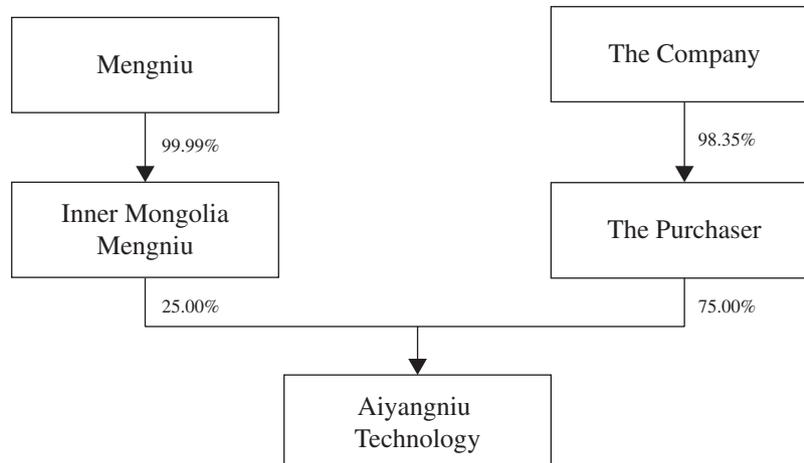
(ii) Shareholding structure of Aiyangniu Technology

The following diagrams illustrate the shareholding structure of Aiyangniu Technology (1) as of the Latest Practicable Date; and (2) immediately after Completion. Further details of the Shareholder Sellers are set out in the section headed “Information on the Parties” in the “Letter of the Board” contained in the Circular.

(1) As of the Latest Practicable Date



(2) Immediately after Completion



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Financial information of Aiyangniu Technology

A summary of the consolidated financial statements of Aiyangniu Technology for the two years ended December 31, 2020 and 2021, prepared in accordance with the generally accepted accounting principles of the PRC, is set out below:

(a) Financial performance

The following is a summary of the financial results of Aiyangniu Technology for the two years ended December 31, 2020 and 2021.

| | For the year ended December 31, | |
|-----------------------|--|------------------------|
| | 2021 | 2020 |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| | <i>(Approximately)</i> | <i>(Approximately)</i> |
| | <i>(Audited)</i> | <i>(Unaudited)</i> |
| | | <i>(Note)</i> |
| Revenue | 602,366.4 | 444,301.9 |
| Profit after taxation | 17,217.3 | 10,293.0 |

Note:

2020 figures of Aiyangniu Technology were restated with new accounting standards in 2021. For comparison purposes, the restated figures provided by the Company are adopted in our analysis.

(i) Revenue

For the year ended December 31, 2021, Aiyangniu Technology recorded revenue of approximately RMB602.4 million, representing a year-on-year increase of approximately 35.6%. The growth in revenue was attributable to the increase in sales volume of feedstuffs and revenue generated from provision of services in 2021.

(ii) Profit after taxation

For the year ended December 31, 2021, Aiyangniu Technology recorded profit after taxation of approximately RMB17.2 million, representing an increase of approximately 67.3% comparing to 2020. The improvement in profit was due to, among other things, (i) the increasing types and numbers of agricultural products traded by Aiyangniu Technology; (ii) increase in the revenue generated from provision of services which improves the gross profit margin of Aiyangniu Technology; and (iii) the effective control on the costs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Financial position*

Set out below is a summary of the financial position of Aiyangniu Technology as at December 31, 2020 and 2021.

| | As at December 31, | |
|-------------------|---------------------------|------------------------|
| | 2021 | 2020 |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| | <i>(Approximately)</i> | <i>(Approximately)</i> |
| | <i>(Audited)</i> | <i>(Audited)</i> |
| Total assets | 273,549.0 | 166,331.9 |
| Total liabilities | 234,915.5 | 145,389.5 |
| Net asset value | 38,633.4 | 20,942.4 |

As at December 31, 2021, Aiyangniu Technology recorded total assets of approximately RMB273.5 million, which mainly consisted of (i) cash and cash equivalents of approximately RMB112.9 million; (ii) account receivables of approximately RMB103.4 million; (iii) prepayment of approximately RMB19.6 million; and (iv) inventories of approximately RMB16.7 million.

Total liabilities of Aiyangniu Technology amounted to approximately RMB234.9 million as at December 31, 2021. Major liabilities of Aiyangniu Technology as at December 31, 2021 include (i) accounts payable of approximately RMB103.8 million; (ii) other payables of approximately RMB76.3 million; (iii) contract liabilities of approximately RMB19.0 million; and (iv) short-term borrowings of approximately RMB18.2 million. As at December 31, 2021, net asset value of Aiyangniu Technology was approximately RMB38.6 million.

3. Reasons for and benefits of the Acquisition

Assurance of quality, safety and stable supplies of feeds are essential to the production of high-quality raw milk. According to the Company's 2021 annual report, direct materials cost (mainly feed costs) for the year ended December 31, 2021, being the largest cost item which made up approximately 77% of the cost of sales for the Group's dairy farming business in 2021, amounted to approximately RMB3,453.2 million, representing a year-on-year increase of approximately 29.6%. The direct feed costs of milk was approximately RMB2.11 per kg in 2021, representing a year-on-year increase of approximately 19.2%. As set out in the paragraph headed "Prospects of the Group" in this letter above, the feed prices had significantly increased globally and domestically in 2021 mainly as a result of the outbreak of COVID-19 pandemic and the recovery of the domestic farming industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Company's 2021 annual report, the Company plans to, among others, enter the feed sector and develop the trading platform business in order to explore new business and new engines for profit growth. Aiyangniu Technology is principally engaged in the upstream dairy farming industry through operating an online B2B e-commerce platform named Aiyangniu Platform. By integrating resources from more than 1,000 suppliers for the leading market players in the dairy farming industry in the PRC, Aiyangniu Platform is able to lower the purchase price of certain farm supplies through centralised procurement. Aiyangniu Platform provides a transparent purchase price quotation system for the dairy farms to make their procurement decision, consolidates market information in relation to the farm supplies and shares such information with its business partners. Aiyangniu Platform also enables supervision and exercising of quality control over the whole delivery process of farm supplies from suppliers to dairy farms. Besides, Aiyangniu Platform facilitates online credit financial services through the transaction data from the platform. By removing redundant intermediaries, the Company's industrial chain is expected to be optimised by Aiyangniu Platform and the Company's products and services can reach the customers directly. For the year ended December 31, 2021, Aiyangniu Technology recorded a consolidated net profit after taxation of approximately RMB17.2 million, representing a year-on-year increase of approximately 67.3%. The Acquisition provides an opportunity for the Group to strengthen its operation through further expansion into the upstream dairy farming industry. The Group will be able to expand its source of income and enhance its profitability by selling products and providing different services through the Aiyangniu Platform, and utilise the strengths and advantages of Aiyangniu Platform to (i) reduce its procurement costs and optimise its industrial chain; (ii) closely follow the market trend of farm supplies; and (iii) ensure the quality and timely supply of farm supplies to its dairy farms.

Taking into account the above, the executive Directors consider, and we concur, that the Equity Transfer Agreement was entered into in the ordinary and usual course of business of the Group, in line with the Group's development strategy, and is expected to benefit the long-term development of the Group.

4. Principal terms of the Equity Transfer Agreement

On March 15, 2022, the Purchaser entered into the Equity Transfer Agreement with Aiyangniu Technology and the Shareholder Sellers. Further details of the terms of the Equity Transfer Agreement are set out in the section headed "The Equity Transfer Agreement" in the "Letter from the Board" contained in the Circular.

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

Date

March 15, 2022

Parties

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject Matter

The Purchaser entered into the Equity Transfer Agreement with Aiyangniu Technology and the Shareholder Sellers, pursuant to which the Shareholder Sellers agreed to sell, and the Purchaser agreed to purchase, 75% equity interests in Aiyangniu Technology.

Consideration

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

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

Further details regarding the relevant conditions precedent which have to be fulfilled or waived under each tranche of payment are summarised in this letter below.

The Consideration was determined after arm's length negotiations between the Purchaser and the Shareholder Sellers after taking into account: (1) the business prospect of Aiyangniu Technology to, including but not limited to, growing into a key platform which connect major suppliers and customers in the dairy farming industry in the PRC, integrate the resources among platform users and strengthen the Company's capability to provide various industry related services to the customers; and (2) the appraised fair value of the entire equity interest in Aiyangniu Technology of RMB388,320,323 as at December 31, 2021. The valuation was carried out by the Independent Valuer using the market approach. Further details of the valuation are set out in the Appendix I to the Circular and the sub-section below headed "Evaluation of the Consideration of the Acquisition" of this letter.

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

Conditions Precedent

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

In respect of the first tranche payment, including but not limited to, (i) all approvals, consents and filings necessary for the Acquisition have been obtained by all parties to the Equity Transfer Agreement; (ii) the Acquisition being approved by the Independent Shareholders; (iii) all transaction documents being duly signed by all parties to the Equity Transfer Agreement; and (iv) a new memorandum and articles of association being duly adopted by Aiyangniu Technology.

In respect of the second tranche payment, including but not limited to, the updated Value-added Telecommunication Business License (增值電信業務經營許可證) (the "License") being approved by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the first tranche payment, except for condition (ii), all of the conditions above can be waived by the Company in writing and, as at the Latest Practicable Date, conditions precedent (iii) and (iv) had been satisfied and the Company does not intend to waive condition (i).

Further details are set out in the sub-section headed “Conditions Precedent” in the “Letter from the Board” contained in the Circular.

Completion

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

Indemnity

Upon signing of the Equity Transfer Agreement until one year after the aforementioned conditions precedent of the first tranche payment being fulfilled, the Shareholder Sellers and the Purchaser respectively undertake to indemnify each other against all liabilities or actual losses (including but not limited to fine and reasonable expenses such as legal fees and accounting fees) directly suffered or incurred by the Purchaser and the Shareholder Sellers respectively as a consequence of their breach of the Equity Transfer Agreement (in case for the Purchaser, provided that such liabilities or actual losses suffered or incurred by the Purchaser exceed RMB2 million (being approximately 1% of the consideration paid, determined by arm’s length negotiation between the parties to the Equity Transfer Agreement and calculated on an aggregate basis)). Further details are set out in the sub-section headed “Indemnity” in the “Letter from the Board” contained in the Circular.

Business Registration Records Restoration and Refund Arrangement

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

The Shareholder Sellers shall refund the first tranche payment in one lump sum to the bank account designated by the Purchaser within five (5) PRC Business Days from, the later of (i) the completion of the business registration for the aforementioned restoration; or (ii) the completion of updating the License as a result of the restoration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Evaluation of the Consideration of the Acquisition

The Consideration was determined with reference to, among others, the appraised fair value of 100% equity interest in Aiyangniu Technology as at December 31, 2021 according to a valuation (the “**Valuation**”) conducted by the Independent Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. As set out in the valuation report (the “**Valuation Report**”) contained in Appendix I of the Circular, the appraised fair value of 100% equity interest of Aiyangniu Technology is RMB388,320,323 as of December 31, 2021.

(i) Scope of work and qualifications of the Independent Valuer

We have complied with all the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules. In particular, we have reviewed the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussed the same with the Independent Valuer. We noted that the person signing the Valuation Report, being the regional director of the Independent Valuer, has more than 20 years of experience in providing valuation services (including company equity valuation) to listed companies of different industries in the PRC, Hong Kong, Singapore and the United States. Furthermore, we also reviewed the Independent Valuer’s terms of engagement and discussed with the Independent Valuer the work it has performed as regards the Valuation.

(ii) Valuation methodologies

As set out in the Valuation Report and based on our discussions with the Independent Valuer, market approach is adopted in deriving the appraised fair value of 100% equity interest in Aiyangniu Technology as of December 31, 2021. We have discussed with the Independent Valuer on their valuation methodologies and understand that there are three generally accepted approaches to appraise the fair value of 100% equity interest of Aiyangniu Technology, namely market approach, cost approach and income approach. In the Valuation, the Independent Valuer adopted the market approach as this approach considers the recent prices of similar targets and introduces objectivity as publicly available inputs are used. As advised by the Independent Valuer, the cost approach and the income approach are considered inappropriate for appraising the fair value of 100% equity interest of Aiyangniu Technology as the cost approach does not directly incorporate information about the economic benefits generated by Aiyangniu Technology, and no sufficient data is available for the accurate long-term financial projection of Aiyangniu Technology which is required under the income approach. Having taken into account the above, in particular the financial results of Aiyangniu Technology and availability of sufficient and objective market data as mentioned above, we concur with the Independent Valuer that the market approach is commonly used and is the only appropriate method for deriving the fair value of 100% equity interest of Aiyangniu Technology under the above circumstances.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Independent Valuer, the fair value of 100% equity interest of Aiyangniu Technology is arrived at with reference to comparable companies (the “**Comparable Companies**”). According to our discussions with the Independent Valuer, the Comparable Companies are listed on the stock exchanges of Hong Kong and the PRC with their revenue derived from the operation of online B2B e-commerce platforms or agricultural trading in the PRC. Considering (i) Aiyangniu Technology is principally engaged in, among others, the operation of the Aiyangniu Platform and sales of agricultural products in the PRC; (ii) companies listed on the stock exchanges of Hong Kong and the PRC (with operations in the PRC) provide objective public available information for assessing the fair value of the equity interest in Aiyangniu Technology; (iii) given there exists a sufficient number of Comparable Companies for analysis; (iv) as advised by the Independent Valuer, comparable transaction analysis was not feasible due to the unique features and lack of public information for recent similar transactions in the market; and (v) we understand from the Independent Valuer that the valuation methodologies with reference to comparable companies are commonly used and consistent with industry practice, we are of the view that the Comparable Companies provide objective benchmarks for valuing the fair value of 100% equity interest of Aiyangniu Technology and the selection criteria adopted by the Independent Valuer in identifying the Comparable Companies are appropriate.

Under the market approach, the Independent Valuer applied average multiples of price-to-earnings (“**P/E**”) and price-to-sales (“**P/S**”) of the Comparable Companies for the valuation of 100% equity interest of Aiyangniu Technology. We are advised by the Independent Valuer that these multiples are adopted because they are commonly used multiples for valuing businesses and are the most appropriate multiples in this case considering Aiyangniu Technology is recording profits and revenue. Price-to-book ratio (“**P/B**”) is not adopted as P/B multiple is common for asset intensive industries which is not the case for Aiyangniu Technology. By adopting both P/E and P/S multiples, both Aiyangniu Technology’s ability to generate revenue and its profitability were considered in the Valuation and therefore we consider that it is appropriate to apply both P/E and P/S multiples, being two of the commonly used valuation ratios, for the valuation of 100% equity interest of Aiyangniu Technology. The appraised value of 100% equity interest of Aiyangniu Technology is derived from (i) applying the average of the abovementioned multiples of the Comparable Companies in the online B2B e-commerce platforms industry and the agricultural trading industry (excluding the outlier, if applicable), to the profit after taxation (for P/E)/revenue (for P/S) of Aiyangniu Technology for the year ended December 31, 2021; and (ii) taking the average of the values derived in (i) above. The Independent Valuer has applied a discount for lack of marketability of 20.6% in the Valuation. We understand from the Independent Valuer that such discount is adopted based on their professional judgement with reference to a global study report “Stout Restricted Stock Study Companion Guide 2021 Edition” published by Stout Risius Ross, LLC, which is publicly available on the website of Business Valuation Resources, LLC (<https://www.bvresources.com/>). We have obtained from the Independent Valuer an extract of the study report and confirmed with the Independent Valuer that such study report is the latest publicly available source of the lack of marketability discount as at the date of the Valuation Report. Taking into account the above, we consider it is appropriate for the Independent Valuer to adopt such discount for lack of marketability in the Valuation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We reviewed the calculations in the Valuation and searched on Bloomberg to verify the multiples adopted by the Independent Valuer in its Valuation. We have also reviewed and discussed with the Independent Valuer the key basis and assumptions adopted for the Valuation and noted that such assumptions are commonly adopted in business valuation. During our discussions with the Independent Valuer, we did not identify any major factors which cause us to doubt the reasonableness of such assumptions adopted in the Valuation Report.

Based on the discussions above and taking into account that (i) the market approach is commonly used and is the only appropriate method for deriving the fair value of 100% equity interest of Aiyangniu Technology as set out above; (ii) the selection criteria adopted by the Independent Valuer in identifying the Comparable Companies are considered appropriate; (iii) it is appropriate to apply both P/E and P/S multiples (being two of the commonly used valuation ratios) for the valuation of 100% equity interest of Aiyangniu Technology; and (iv) the Consideration of RMB287,774,900 represents a slight discount of approximately 1.2% to the appraised fair value of 75% equity interest of Aiyangniu Technology of approximately RMB291.2 million, we consider the Consideration is fair and reasonable.

6. Financial effects on the Group

As set out in the Company's 2021 annual report, the Group recorded profit attributable to owners of the Company of approximately RMB1,018.8 million for the year ended December 31, 2021 (representing a year-on-year increase of approximately 32.3%). As set out in the paragraph headed "Financial Information of Aiyangniu Technology" in this letter above, Aiyangniu Technology recorded a profit after taxation of approximately RMB17.2 million for the year ended December 31, 2021 (representing a year-on-year increase of approximately 67.3%).

Upon Completion, the financial results of Aiyangniu Technology, including but not limited to the revenue, costs and profit will be consolidated into the financial statements of the Company. As discussed in the sub-section headed "Reasons for and benefits of the Acquisition" in this letter above, the Acquisition provides an opportunity for the Group to strengthen its operation and broaden its income stream through further expansion into the upstream dairy farming industry. Considering the above, the executive Directors are of the view that the Acquisition would have a positive impact on the Group's financial performance in the long run.

Upon Completion, Aiyangniu Technology will become a non-wholly owned subsidiary of the Company and its total assets and liabilities will be consolidated into the financial statements of the Company. As advised by the executive Directors, the Consideration will be satisfied by internal resources of the Group, and the expected legal and professional fees in relation to the Acquisition is not material. The Group had a total of pledged bank deposits, bank balances and cash of approximately RMB2,258.3 million as at December 31, 2021. As if Completion had taken place and the Consideration of RMB287,774,900 had been settled on December 31, 2021, the Group to be enlarged by the Acquisition would have pledged bank deposits, bank balances and cash of approximately RMB2,083.5 million in total. As advised by the executive Directors, the Acquisition is not expected to result in material change in the net assets value of the Group.

Taking into account the positive impact on the Group's revenue base as a result of the Acquisition, we consider the Acquisition is, from a financial standpoint, in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that (1) the Equity Transfer Agreement was entered into in the ordinary and usual course of business of the Group; (2) the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (3) the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type I (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over thirteen years' experience in the corporate finance industry.

* *for identification purpose only*



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11 May 2022
The Board of Directors
China Modern Dairy Holdings Ltd.
Economic and Technological Development Zone
Maanshan City
Anhui Province

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise to determine an independent opinion on the fair value of 100 percent equity value of Inner Mongolia Aiyangniu Technology Co., Ltd. (“**Aiyangniu**” or the “**Company**”) as at 31 December 2021 (the “**Valuation Date**”). The report which follows is dated 11 May 2022 (the “**Report Date**”).

The purpose of this valuation is to express an independent opinion on the fair value of 100 percent equity in of Inner Mongolia Aiyangniu Technology Co., Ltd. as at the Valuation Date for circular reference.

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

As part of our analysis, we have been furnished with information prepared by the Company regarding the subject business. We have relied to a considerable extent on such information in arriving at our opinion of value.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the businesses. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity value in the Company as at the Valuation Date is reasonably stated as below:

| Valuation Date | Fair Value of 100% Equity Value (RMB) |
|-----------------------|--|
| 31 December 2021 | 388,320,323 |

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

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INTRODUCTION

This report has been prepared in accordance with instructions from China Modern Dairy Holdings Ltd. to express an independent opinion of the fair value of 100 percent equity value in of Inner Mongolia Aiyangniu Technology Co., Ltd. (“**Aiyangniu**” or the “**Company**”) as at 31 December 2021 (the “**Valuation Date**”). The report which follows is dated 11 May 2022 (the “**Report Date**”).

PURPOSE OF VALUATION

Our valuation is normally classified as,

- Internal Reference (for internal usage by the management of the company);
- Accounting Reference (for auditors to consider the accounting implications);
- Circular Reference (for disclosure in the circular to general public).

The purpose of this valuation is for Circular Reference.

BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

We have conducted our valuation in accordance with IFRS 13 – Fair Value Measurement and taken into account the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

Company Background

Inner Mongolia Aiyangniu Technology Co., Ltd. was established in Hohhot in 2015. It operates the Aiyangniu Platform which is a comprehensive trading platform integrating trading, financing and payment, logistics and distribution, and industrial re-education.

SOURCES OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents received include, but were not limited to:

- Accountants' report;
- Corporate structure of the company;
- Company Introduction; and
- Company business registration number and related information.

Other sources of information included:

- We have held discussions with the management of the Company regarding the operational and the condition of the Company. We believe that the information provided is reliable.

METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Company. In our opinion, the cost approach is inappropriate for valuing the Company, as it does not directly incorporate information about the economic benefits contributed by the Company. The income approach is inappropriate as this approach require detailed operational information and long-term financial projection of the Company but such information is not available to us.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this report, the 100% equity value of the Company was developed through the guideline public company method. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. We have therefore relied solely on the market approach based on the latest financial year Accountant's Report in determining our opinion of value. P/E and P/S are the most appropriate multiples for calculating the fair value of the Target Company. These two parameters are considered an indication of the Target Company's ability to generate revenue and its profitability. Price to book ratio ("P/B") is not adopted as P/B multiple is common for asset intensive industries which is not the case for the Target Company. We applied P/E and P/S multiples, which are calculated by using comparable companies' financial statements, to determine the fair value of the company.

ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value.

The following assumptions in determining the fair value of the equity value have been made:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Company.
- The operational and contractual terms stipulated in the relevant contracts and agreements that the Company had entered into (such as supplier contract, sales contract and labour contract) will be honored.
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge.

Market Multiples

In determining the price multiple, a list of comparable companies was identified. The selection criteria are as follows:

- Companies are searchable in Bloomberg;
- Companies derive their revenues from the same industry of the Company. Since the revenue of the Company is derived from two different business lines, B2B platform and self-operated merchandise sales, and after reviewing the breakdown of gross profit provided by the Company, we note that the gross profit generated from each of the two business lines are almost of equal percentage respectively, comparable companies are also selected from B2B e-commerce industry and agricultural trading industry;
- Companies are publicly listed in the stock exchanges of Hong Kong and China; and
- Sufficient and applicable data, including the P/E and P/S Ratios as at the Valuation Date, of the companies are available.

As sourced from Bloomberg, the market multiples of the comparable companies as of 31 December 2021 satisfying the above criteria are listed exhaustively in below table:

The market multiples in two different industries are adopted in this valuation.

For B2B e-commerce industry:

| 12/31/2021 Comparable Companies | Ticker | P/E Trailing | P/S Trailing |
|---|------------------|-------------------|-----------------|
| B2B e-commerce companies | | | |
| Zall Smart Commerce Group Ltd. | 2098 HK EQUITY | NA ⁽¹⁾ | 0.05 |
| HC Group Inc. | 2280 HK EQUITY | NA ⁽¹⁾ | 0.04 |
| Cogobuy Group | 0400 HK EQUITY | 22.83 | 0.44 |
| Hangzhou Lianluo Interactive Information Technology Co., Ltd. | 02280 CH EQUITY | NA ⁽¹⁾ | 0.60 |
| Focus Technology Co Ltd. | 002315 CH EQUITY | 22.77 | 3.69 |

For agricultural trading industry:

| | | | |
|---|------------------|----------------------|------|
| Agricultural trading companies | | | |
| Shenzhen Agricultural Products Co., Ltd. | 000061 CH EQUITY | 32.57 | 2.75 |
| Anhui Huilong Agricultural Means of Production Co., Ltd. | 002556 CH EQUITY | 26.47 | 0.64 |
| Zhongnongfa Seed Industry Group Co Ltd. | 600313 CH EQUITY | 206.8 ⁽²⁾ | 1.37 |
| ZJAMP Group Co., Ltd. | 002758 CH EQUITY | 7.15 | 0.09 |
| Guangdong Tianhe Agricultural Means of Production Co Ltd | 002999 CH EQUITY | 25.31 | 0.20 |
| China Agricultural Products Exchange Group | 00149 HJ EQUITY | 2.20 | 1.51 |

Notes:

- (1) As Zall Smart Commerce Group Ltd., HC Group INC. and Hangzhou Lianluo Interactive Information Technology Co. did not generate any profit in the 12 months ending December 31, 2021 and the earnings of these companies are negative, these P/E ratios are therefore shown as N/A.
- (2) As adopted multiples were calculated as mean multiples of comparable companies without outlier and the only outlier in this case is the P/E parameter of Zhongnongfa Seed Industry Group Co., Ltd. (i.e. 206.8X, which compared with other comparable companies' P/E ratios, is extremely higher than other P/E ratios and therefore, this parameter is excluded in this case.

Financial Data from the Company

| Financial Year 2021 | Financial Year 2021 |
|----------------------------|----------------------------|
| Net Income | Revenue |
| <i>(RMB)</i> | <i>(RMB)</i> |
| 17,217,256 | 602,366,356 |

* All data used refers to the accountants' report.

Discount for Lack of Marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have made reference to the article “Stout Restricted Stock Study Companion Guide 2021 Edition” which is publicly available on the website of Business Valuation Resources, LLC (https://www.bvresources.com/docs/default-source/free-downloads/rss-companion.pdf?sfvrsn=b0ebc8b2_18). The article shows the overall average DLOM for all 763 transactions in the study (as of October 2021) is 20.6%.

VALUATION COMMENTS

As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, project documentation and other pertinent data concerning the project as has been made available to us. Such information has been provided by the Company. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this study.

In arriving at our assessed value, we have only considered the core business of the Company. We have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, etc. in the valuation model.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

RISK FACTORS

- **Economic considerations**

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven geographically and rose among different sectors of the economy. There is no assurance that the expected economic growth will be realized and future social and economic changes in the PRC will be favorable to the Company. The competition in the industry may have adverse effect on the operating performance of the Company and hence affect the value of the business.

- **Changes in political, economic and regulatory environment in the PRC**

The Company is subject to various laws and regulations governing its operations in the PRC. Future political and legal changes in the PRC might have either favorable or unfavorable impacts on the Company.

OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity value in the as at the Valuation Date is reasonably stated as below:

| Valuation Date | Fair Value of 100% Equity Value (RMB) |
|-----------------------|--|
| 31 December 2021 | 388,320,323 |

LIMITING CONDITIONS

This report is issued subject to our Limiting Conditions as attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers’ personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers’ compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report:

Simon M.K. Chan
Executive Director

Michael Q. Ding
Senior Director

Jenna J.L. Wu
Assistant Manager

**APPENDIX I VALUATION REPORT ON THE ENTIRE EQUITY VALUE
IN AIYANGNIU TECHNOLOGY**

EXHIBIT C – MARKET APPROACH

| 12/31/2021 Comparable Companies | P/E Ticker | P/S Trailing | Trailing |
|--|-----------------------|-------------------------|-----------------|
| B2B e-commerce companies | | | |
| Zall Smart Commerce Group Ltd. | 2098 HK EQUITY | NA | 0.05 |
| HC Group Inc. | 2280 HK EQUITY | NA | 0.04 |
| Cogobuy Group | 0400 HK EQUITY | 22.83 | 0.44 |
| Hangzhou Lianluo Interactive Information Technology Co., Ltd. | 002280 CH EQUITY | NA | 0.60 |
| Focus Technology Co Ltd. | 002315 CH EQUITY | 22.77 | 3.69 |
| Agricultural trading companies | | | |
| Shenzhen Agricultural Products Co., Ltd. | 000061 CH EQUITY | 32.57 | 2.75 |
| Anhui Huilong Agricultural Means of Production Co., Ltd. | 002556 CH EQUITY | 26.47 | 0.64 |
| Zhongnongfa Seed Industry Group Co Ltd. | 600313 CH EQUITY | 206.8* | 1.37 |
| ZJAMP Group Co., Ltd. | 002758 CH EQUITY | 7.15 | 0.09 |
| Guangdong Tianhe Agricultural Means of Production Co., Ltd. | 002999 CH EQUITY | 25.31 | 0.20 |
| China Agricultural Products Exchange Group | 00149 HK EQUITY | 2.20 | 1.51 |

| Multiples from B2B e-commerce companies | | P/E Trailing | P/S Trailing |
|--|-----------------------------|-------------------------|-------------------------|
| | Maximum (excluding outlier) | 22.83 | 3.69 |
| | Minimum (excluding outlier) | 22.77 | 0.04 |
| | Average (excluding outlier) | 22.80 | 0.97 |
| Multiples | Median (excluding outlier) | 22.80 | 0.44 |
| Multiples from agricultural trading companies | | P/E Trailing | P/S Trailing |
| | Maximum (excluding outlier) | 32.57 | 2.75 |
| | Minimum (excluding outlier) | 2.20 | 0.09 |
| | Average (excluding outlier) | 18.74 | 1.09 |
| Multiples | Median (excluding outlier) | 25.31 | 1.01 |

| B2B e-commerce industry | | P/E | P/S |
|--|--------|-----------------------|-----------------------|
| | | Financial Year | Financial Year |
| | | 2021 | 2021 |
| | | Net Income | Revenue |
| | | <i>(RMB)</i> | <i>(RMB)</i> |
| Financial Figures | | 17,217,256 | 602,366,356 |
| Average Multiples (Trailing) | | 22.80 | 0.97 |
| Target Company 100% equity value (Before DLOM) | | 392,533,629 | 582,018,420 |
| Less: Discount for Lack of Marketability | 20.60% | 80,861,928 | 119,895,795 |
| Target Company Fair Value | | 311,671,701 | 462,122,626 |

| Agricultural trading industry | | P/E | P/S |
|--|--------|-----------------------|-----------------------|
| | | Financial Year | Financial Year |
| | | 2021 | 2021 |
| | | Net Income | Revenue |
| | | <i>(RMB)</i> | <i>(RMB)</i> |
| Financial Figures | | 17,217,256 | 602,366,356 |
| Average Multiples (Trailing) | | 18.74 | 1.09 |
| Target Company 100% equity value (Before DLOM) | | 322,632,432 | 659,089,188 |
| Less: Discount for Lack of Marketability | 20.60% | 66,462,281 | 135,772,373 |
| Target Company Fair Value | | 256,170,151 | 523,316,815 |
| 100% Equity Value | | | 388,320,323 |

Note: Each of the Target Company 100% equity value in two industries is derived from the relevant financial figures of the Target Company multiplied by the mean P/E and P/S multiples, respectively. The average Target Company 100% equity value is the average number of the Target Company 100% equity value calculated by P/E and P/S multiples, respectively.

EXHIBIT D – COMPARABLE COMPANIES

| Comparable Companies | Ticker | Description |
|---|---------------------|---|
| Zall Smart Commerce Group Ltd. | 2098 HK EQUITY | Zall Smart Commerce Group Ltd. provides supply-chain property and trading services. The Company offers offline trading services, logistics services, domestic and export trading services, and other services. Zall Smart Commerce Group also provides online wholesale transaction services. |
| HC Group Inc. | 2280 HK EQUITY | HC Group Inc. offers business to business electronic commerce services. The Company provides platform building, product information maintenance, digital transformation Internet of things (IOT) solution development, and other services. HC Group also operates anti counterfeiting product manufacturing, financial services offering, and other businesses. |
| Cogobuy Group | 0400 HK EQUITY | Cogobuy Group provides an e-commerce platform for electronic goods in China. The Company primarily deals with computer and telecommunication hardware. Cogobuy and its subsidiaries operate in China and distribute their products globally. |
| Hangzhou Lianluo Interactive Information Technology Co., Ltd. | 002280 CH EQUITY | Hangzhou Lianluo Interactive Information Technology Co., Ltd operates cross border electronic commerce business. The Company sells computer hardware, software, peripherals, and other consumer electronic products. Hangzhou Lianluo Interactive Information Technology also conducts application development, internet financial services, culture media, and other businesses. |
| Focus Technology Co Ltd. | 002315 CH EQUITY | Focus Technology Co Ltd. provides business-to-business (B2B) e-commerce solutions. The Company provides the supply and the demand sides for the release, search and management services of the transaction information. |
| Shenzhen Agricultural Products Co., Ltd. | 000061 CH EQUITY | Shenzhen Agricultural Products Co., Ltd. operates wholesale markets. The Company provides and distributes agricultural products, foods, fruits, and other products. Shenzhen Agricultural Products also operates market supporting, agricultural product processing, and other businesses. |

| Comparable Companies | Ticker | Description |
|---|---------------------|---|
| Anhui Huilong Agricultural Means of Production Co., Ltd. | 002556 CH EQUITY | Anhui Huilong Agricultural Means of Production Company Limited runs chain operations for agricultural materials such as chemical fertilizers, pesticides and seeds. The Company's main products are chemical fertilizers, pesticides and seeds. |
| Zhongnongfa Seed Industry Group Co Ltd. | 600313 CH EQUITY | Zhongnongfa Seed Industry Group Co Ltd. produces crop seeds and trades general merchandise. The Company trades fertilizers, pesticides, agricultural products, oil, metal, rubber, plastics, wool, polyester chips and fibers, rosin, communication equipment and agricultural equipment, chemical products, sugar, grain, automobiles and parts, groceries, and other merchandise. |
| ZJAMP Group Co., Ltd. | 002758 CH EQUITY | ZJAMP Group Co., Ltd. operates vehicle trade businesses. The Company through its subsidiaries, provides whole vehicle sales, spare parts, and after-sales services. ZJAMP Group also conducts chemical fertilizer wholesale and pharmaceutical production businesses. |
| Guangdong Tianhe Agricultural Means of Production Co., Ltd. | 002999 CH EQUITY | Guangdong Tianhe Agricultural Means of Production Co., Ltd. wholesales agricultural products. The Company markets nitrogen fertilizers, potash fertilizers, pesticides, seeds, and other products. Guangdong Tianhe Agricultural Means of Production also provides warehousing, logistics, and other services. |
| China Agricultural Products Exchange Group | 00149 HK EQUITY | China Agricultural Products Exchange Group is an enterprise whose core business is investment, development, construction, operation and management of wholesale markets for agricultural and sideline products. |

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as of the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

| Name of Director | Nature of Interest | Number of Shares of underlying Shares | Approximate percentage of shareholding interest ⁽²⁾ |
|------------------|--------------------|---------------------------------------|--|
| Mr. SUN Yugang | Beneficial owner | 6,428,287 ⁽¹⁾ | 0.08% |
| Mr. ZHU Xiaohui | Beneficial owner | 3,535,593 ⁽²⁾ | 0.04% |

(1) These represent legal and beneficial interest of 6,428,287 Shares, details of which are set out in the sections "Share Award Scheme" below.

(2) These represent legal and beneficial interest of 3,535,593 Shares, details of which are set out in the sections "Share Award Scheme" below. Mr. Zhu Xiaohui was appointed as a non-executive Director of the Company on 1 July 2021, and has been re-designated as an executive Director of the Company and the chief financial officer of the Group on 30 November 2021.

(3) Based on 7,915,662,048 Shares in issue as of April 30, 2022.

INTEREST IN ASSOCIATED CORPORATION

| Name of Director | Name of associated corporation | Number of Shares of underlying Shares | Approximate percentage of shareholding interest ⁽¹⁾ |
|------------------|-------------------------------------|---------------------------------------|--|
| Mr. LU Minfang | China Mengniu Dairy Company Limited | 11,651,240 | 0.29% |
| Mr. ZHANG Ping | China Mengniu Dairy Company Limited | 1,992,613 | 0.05% |
| Mr. ZHAO Jiejun | China Mengniu Dairy Company Limited | 1,861,416 | 0.05% |

(1) Based on 3,953,267,460 shares of Mengniu in issue as of April 30, 2022.

SHARE AWARD SCHEME

The Company operated a restricted share award scheme which was adopted by the Company on September 9, 2016 (the “**Share Award Scheme I**”). As the total contributed amount of the Share Award Scheme I had reached its limit in 2017, the Company adopted a new share award scheme on March 26, 2018 (the “**Share Award Scheme II**”), which shall remain effective for ten years.

Pursuant to the rules of the Share Award Scheme II (the “**Scheme Rules**”), the Company may from time to time instruct the Trustee to purchase the Shares by itself or through any direct or indirect wholly-owned subsidiary(ies) in the open market on the Stock Exchange or through private placement (other than from connected persons of the Company), and such purchased Shares shall be held by the Trustee on trust for the benefit of the designated selected participants (being all members of the middle and senior management of any member of the Group as may be selected by the Board at its absolute discretion for participation in the Share Award Scheme II) on and subject to the terms and conditions of the Scheme Rules. The Trustee is a private trust company incorporated under the laws of the British Virgin Islands which is owned by MaplesFS (BVI) Limited, a professional trust service provider.

As of the Latest Practicable Date, the total number of Shares held by the Trustee under the Share Award Scheme II is 53,345,422, of which (i) 52,549,000 Shares had been granted to the relevant selected participants but not yet vested; and (ii) 796,422 Shares have yet to be granted to any selected participants, provided that these numbers are subject to adjustment in the event that any selected participant ceases to be eligible for the awarded Shares (e.g. ceased to be employed by the Group prior to the relevant vesting date) in which case the granted Shares shall not vest but shall remain held by the Trustee as part of the trust fund.

According to the Scheme Rules, in the event that the Trustee is provided with the opportunity to exercise the voting rights in respect of any Shares which are held by the Trustee in any general meetings of the Company, the Trustee shall take no action. Therefore, with respect to the 53,345,422 Shares held by the Trustee as of the Latest Practicable Date, the Trustee will abstain from voting on the resolutions to approve, among others, the Equity Transfer Agreement and the Acquisition contemplated thereunder at the EGM.

INTEREST OF DIRECTORS AS DIRECTOR OR EMPLOYEE OF A SUBSTANTIAL SHAREHOLDER OR ANY SUBSIDIARIES OF A SUBSTANTIAL SHAREHOLDER

Mr. LU Minfang, Mr. ZHANG Ping and Mr. ZHAO Jiejun are non-executive Directors of the Company. Mr. LU Minfang is an executive director and chief executive officer of Mengniu. Mr. ZHANG Ping is an executive director and chief financial officer of Mengniu. Mr. ZHAO Jiejun is the vice president of Mengniu and the head of milk sourcing and supply chain business unit of Mengniu. As the Latest Practicable Date, Mengniu holds 56.36% of the issued share capital of the Company.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as of the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other shareholders interested in 5% or more of the interests and short positions in the Shares and underlying Shares of the Company or any person (other than a Director or chief executive of the Company) which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as otherwise recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of Shareholders | Capacity/ Nature of Interest | Number of Shares | Approximate percentage of shareholding interest ⁽³⁾ |
|-------------------------------------|--|------------------------------------|---|
| China Mengniu Dairy Company Limited | Beneficial owner | 704,025,773 (L) | 8.89% |
| | Interest in controlled corporation (through Future Discovery Limited) | 3,214,962,513 (L) | 40.62% |
| | Other | 542,053,596 (L) | 6.85% |
| Central Huijin Investment Ltd. | Interest in controlled corporation (through BOCI Financial Products Limited) | 543,553,596 (L) 542,053,596 (S) | 6.87% 6.85% |
| | Interest in controlled corporation (through Nam Tung (Macao) Investment Limited) | 1,500,000 (L) | 0.02% |
| | Interest in controlled corporation (through BOCI Financial Products Limited) | 543,553,596 (L) 542,053,596 (S) | 6.87% 6.85% |
| Bank of China Limited | Interest in controlled corporation (through BOCI Financial Products Limited) | 543,553,596 (L) 542,053,596 (S) | 6.87% 6.85% |
| | Interest in controlled corporation (through Nam Tung (Macao) Investment Limited) | 1,500,000 (L) | 0.02% |
| BOC International Holdings Limited | Interest in controlled corporation (through BOCI Financial Products Limited) | 542,053,596 (L) 542,053,596 (S) | 6.85% 6.85% |

| Name of Shareholders | Capacity/ Nature of Interest | Number of Shares | Approximate percentage of shareholding interest ⁽³⁾ |
|---------------------------------|---|------------------|---|
| BOCI Financial Products Limited | Beneficial interest | 542,053,596 (L) | 6.85% |
| | | 542,053,596 (S) | 6.85% |
| GGG Holdings Limited | Beneficial owner | 635,345,763 (L) | 8.03% |
| New Hope Dairy Co., Ltd. | Interest in controlled corporation (through GGG Holdings Limited) | 635,345,763 (L) | 8.03% |
| New Century Ltd. | Interest in controlled corporation (through GGG Holdings Limited) | 635,345,763 (L) | 8.03% |
| Liu Chang | Interest in controlled corporation (through GGG Holdings Limited) | 635,345,763 (L) | 8.03% |
| UBS Group AG | Interest in controlled corporation | 302,247,074 (L) | 4.25% |
| | | 298,323,916 (S) | 4.20% |

Notes:

1. 542,053,596 Shares were subject to the securities and lending agreement with BOCI Financial Products Limited and were presumed to be held by China Mengniu Dairy Company Limited.
2. Based on 7,915,662,048 Shares in issue as of April 30, 2022.
3. (S) Indicates a short position.
4. (L) Indicates a long position.

DIRECTORS' SERVICE CONTRACT

As of the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, other than service contracts expiring or terminable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

Mr. LU Minfang, Mr. ZHANG Ping and Mr. ZHAO Jiejun, all being the non-executive Directors, are either holding senior positions at or being directors of Mengniu.

Mr. LU Minfang, Mr. ZHANG Ping and Mr. ZHAO Jiejun are non-executive Directors of the Company. Mr. LU Minfang is an executive director and chief executive officer of Mengniu. Mr. ZHANG Ping is an executive director and chief financial officer of Mengniu. Mr. ZHAO Jiejun is the vice president of Mengniu and the head of milk sourcing and supply chain business unit of Mengniu. As such, each of Mr. LU Minfang, Mr. ZHANG Ping and Mr. ZHAO Jiejun is considered to have material interests in the Equity Transfer Agreement and has abstained from voting on the Board resolutions approving the Equity Transfer Agreement. Save as aforesaid, none of the Directors was materially interested in any contract or arrangement subsisting as of the date thereof and which was significant in relation to the business of the Group as of the Latest Practicable Date.

DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any interest, direct or indirect, in any assets which have been, since December 31, 2021, being the date to which the latest published audited financial statements of the Group were compiled, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as of the Latest Practicable Date.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors named in the paragraphs below have interests in businesses, which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group as of the Latest Practicable Date.

As mentioned above, each of Mr. LU Minfang, Mr. ZHANG Ping and Mr. ZHAO Jiejun held offices in Mengniu as of the Latest Practicable Date. Mengniu is a substantial shareholder of the Company and is engaged in the dairy industry.

The above-mentioned competing business is managed by separate entities with independent management and administration. The Directors are of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant Director, in performance of his duty as Director, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, none of the Directors or their respective close associates had any interest in any company or business which competes or may compete with the business of the Group as of the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2021, being the date to which the latest published audited financial statements of the Group were made up.

4. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

| Name | Qualification |
|--|--|
| Jones Lang LaSalle Corporate Appraisal and Advisory Limited | Independent Valuer |
| Somerley Capital Limited | Licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

As of the Latest Practicable Date, each of Somerley Capital Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been, since December 31, 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

5. DOCUMENTS ON DISPLAY

A copy of the Equity Transfer Agreement will be published and displayed on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.moderndairyir.com/en/index.htm>) for a period of 14 days from the date of this circular (both days inclusive).

6. GENERAL INFORMATION

- (a) The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The headquarter of the Company is at Economic and Technological Development Zone, Maanshan City, Anhui Province, PRC.
- (c) The principal place of business in Hong Kong of the Company is Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (d) The principal share registrar and transfer office in the Cayman Islands of the Company is Maples Finance Limited, PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Service Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese version.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of China Modern Dairy Holdings Ltd. (the “**Company**”) will be held at the Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, June 8, 2022 at 9:30 a.m. (or as soon as after the annual general meeting of the Company to be held at the same place on the same date at 8:45 a.m. shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated May 16, 2022 (the “**Circular**”):

ORDINARY RESOLUTION

Resolution in relation to the Equity Transfer Agreement and the Acquisition

1. “**THAT**:

- (a) the Equity Transfer Agreement dated March 15, 2022 entered into among the Company, the Shareholders Sellers and Aiyangniu Technology in relation to the acquisition of 75% equity interests in Aiyangniu Technology, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) the Directors be and are hereby authorized to do all such acts and things, to make, sign, execute and deliver such documents or agreements or deeds or instruments on behalf of the Company (and, where necessary, to affix the seal of the Company on them in accordance with the amended and restated articles of association of the Company) and to do such other things and to do and take all such actions, steps, deeds and things in such manner and to sign all documents as they may deem necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Equity Transfer Agreement and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Equity Transfer Agreement) as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

Yours faithfully,
By Order of the Board,
China Modern Dairy Holdings Ltd.
Mr. LU Minfang
Chairman

Hong Kong, May 16, 2022

Notes:

1. Mengniu, BOCI Financial Products Limited and any other Shareholder who has a material interest in, is interested in or is involved in the Equity Transfer Agreement or the Acquisition and the transactions contemplated thereunder and their respective associates will be required to abstain from voting in respect of ordinary resolution no. 1.
2. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
3. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be delivered to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and delivery of the proxy form will not preclude any member from attending and voting in person at the meeting or any adjourned meeting should he so wish. In such event, the proxy form previously submitted shall be deemed to be revoked.
4. In case of joint shareholding, the senior joint shareholder, whether in person or by proxy, will alone be entitled to vote, with his/her vote being accepted to the exclusion of the votes of any other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
5. Shareholders whose names appear on the register of members of the Company on Wednesday, June 8, 2022 are entitled to attend and vote at the meeting. The register of members of the Company will be closed from Thursday, June 2, 2022 to Wednesday, June 8, 2022, both days inclusive, and during such period no share transfer will be registered. In order to qualify for voting at the meeting convened by the above notice, properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, June 1, 2022, for registration.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. As of the date of this notice, 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.

NOTICE OF EGM

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING (“EGM”)

Considering the current coronavirus (COVID-19) situation, the Company will implement the following precautionary measures to reduce the risk of contracting and spreading of COVID-19 at the EGM:

- (a) mandatory body temperature screening;
- (b) mandatory wearing of surgical face masks; and
- (c) no provision of refreshments, food nor beverage.

For the safety of the attendees at the EGM, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM. Shareholders attending the EGM may be denied entry into or required to leave the venue if any safety regulation or precautionary measures above cannot be complied with.

Shareholders could consider exercising their right to vote at the EGM by appointing the chairman of the EGM as their proxy to vote and returning the form of proxy instead of attending the EGM in person.

Subject to the development of the COVID-19 situation, the Company may implement further precautionary measures for the EGM. The attendees of the EGM are urged to view the respective websites of the Company at <http://www.moderndairyir.com/en/index.htm> and the HKEXnews of The Stock Exchange of Hong Kong Limited at <https://www.hkexnews.hk> for future arrangement of the EGM.