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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)

**CONTINUING CONNECTED TRANSACTION
SUPPLY AGREEMENT WITH
KENIULE DAIRY COMPANY LTD.**

Reference is made to the announcement of the Company dated December 31, 2021 in relation to the Previous Supply Agreement. As the term of the Previous Supply Agreement has expired on March 31, 2022, Modern Farming Wuhe, an indirect non-wholly owned subsidiary of the Company, and the Purchaser entered into the Supply Agreement on April 1, 2022, pursuant to which Modern Farming Wuhe agreed to supply, and the Purchaser agreed to purchase, fresh raw milk produced by Modern Farming Wuhe from time to time during the Term.

As at the date of this announcement, 49% of the equity interests in the Purchaser is held by Inner Mongolia Mengniu, which in turn is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, the Purchaser is an associate of Mengniu and a connected person of the Company. Modern Farming Wuhe is an indirect non-wholly owned subsidiary of the Company. Accordingly, the transactions contemplated under the Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Previous Supply Agreement and the Supply Agreement are entered into by the Group with the same party, of similar nature and within a 12-month period, they shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual cap determined based on transactions contemplated under the Previous Supply Agreement and the Supply Agreement exceed 0.1% but are less than 5%, the entering into of the Supply Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. THE SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated December 31, 2021 in relation to the Previous Supply Agreement. As the term of the Previous Supply Agreement has expired on March 31, 2022, Modern Farming Wuhe, an indirect non-wholly owned subsidiary of the Company, and the Purchaser entered into the Supply Agreement on April 1, 2022, pursuant to which Modern Farming Wuhe agreed to supply, and the Purchaser agreed to purchase, fresh raw milk produced by Modern Farming Wuhe from time to time during the Term.

The principal terms of the Supply Agreement are as follows:

- Date:** April 1, 2022
- Parties:** (1) Modern Farming Wuhe (as the supplier); and
(2) the Purchaser.
- Term:** From April 1, 2022 to December 31, 2022.
- Subject matter:** Modern Farming Wuhe agreed to supply, and the Purchaser agreed to purchase, fresh raw milk produced by Modern Farming Wuhe during the Term.
- Pricing policy:** The price of the fresh raw milk supplied under the Supply Agreement shall be negotiated and determined between the parties on the grounds of fairness and by reference to (i) the price of fresh raw milk of the same or substantially similar quality standards at which Modern Farming Wuhe supplies to its other customers in the same region; and (ii) the market guidance prices published by dairy associations in the East China region in 2022.
- Settlement terms:** (1) The Purchaser shall provide details of the settlement amount for the previous month to Modern Farming Wuhe for confirmation before the 5th day of each month;
(2) Modern Farming Wuhe shall issue an invoice for the confirmed settlement amount for the previous month to the Purchaser before the 10th day of each month; and

- (3) the Purchaser shall pay the invoiced amount to the designated account of Modern Farming Wuhe before the 15th day (or the next business day if such date is a public holiday) of each month.

B. HISTORICAL TRANSACTION AMOUNTS, ANNUAL CAP AND BASIS OF DETERMINATION

The historical transaction amounts between Modern Farming Wuhe and the Purchaser in respect of the supply and purchase of fresh raw milk are (i) approximately RMB13,735,000 for the period from September 25, 2021 to December 31, 2021; and (ii) approximately RMB9,648,000 for the three months from January 1, 2022 to March 31, 2022.

The Company expects that the maximum transaction amount under the Supply Agreement will be RMB130,000,000, which is determined based on (i) the expected increase in supply of fresh raw milk to the Purchaser due to the expected growth in downstream product sales; (ii) the estimated unit price of fresh raw milk and the expected volume to be purchased by the Purchaser during the Term; and (iii) the historical transaction amounts during the period from September 25, 2021 to March 31, 2022.

The annual cap in respect of the supply and purchase of fresh raw milk for the year ending December 31, 2022 is RMB140,000,000, which is determined with reference to the above estimated maximum transaction amount under the Supply Agreement and the historical transaction amount under the Previous Supply Agreement.

C. INFORMATION ON MODERN FARMING WUHE AND THE PURCHASER

(a) Modern Farming Wuhe

Modern Farming Wuhe is a wholly owned subsidiary of Modern Farming, which is in turn an indirect non-wholly owned subsidiary of the Company. Modern Farming Wuhe is principally engaged in, among others, breeding dairy cows and production and sale of fresh raw milk.

The Company is incorporated in the Cayman Islands with limited liability and is listed on the Main Board of the Stock Exchange. The Company is an investment holding company, which, along with its subsidiaries, is principally engaged in dairy farming operations, production and sale of raw milk. As of December 31, 2021, the Group operated 33 dairy farming companies in the PRC with dairy cows of 353,793 heads and annualized 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.

(b) The Purchaser

The Purchaser is a company incorporated in the PRC and is principally engaged in the production and sale of high-end low-temperature milk. As at the date of this announcement, Coca-Cola China and Inner Mongolia Mengniu hold 51% and 49% of equity interests in the Purchaser, respectively. Coca-Cola China is a wholly owned subsidiary of Coca-Cola South Asia Holdings, Inc.. Inner Mongolia Mengniu is a 99.99% owned subsidiary of Mengniu.

Save as disclosed above and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Coca-Cola China and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

D. REASONS FOR AND BENEFITS OF THE SUPPLY AGREEMENT

The entering into of the transactions contemplated under the Supply Agreement would enable Modern Farming Wuhe to secure a stable and recurring source of income and expand its customer base. As the Purchaser is located in the southeast region of mainland China where the fresh raw milk price is relatively higher and the demand is stronger as compared to the other regions, the supply of fresh raw milk by Modern Farming Wuhe to the Purchaser is expected to enhance the overall profitability of the Group.

Coca-Cola China is a total beverage company, offering several beverage categories choices to consumers, among which Coca-Cola is one of the most well-known international brands in China. Partnering with the Purchaser is a key strategic initiative to expand our customer base which is backed by Mengniu and Coca-Cola China. Further, the entering into of the Supply Agreement with the Purchaser, an associate of Mengniu, would further strengthen the strategic partnership between the Company and Mengniu.

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

As at the date of this announcement, (i) Mr. 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; (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 Supply Agreement and has abstained from voting on the relevant resolutions of the Board approving the Supply Agreement.

E. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 49% of the equity interests in the Purchaser is held by Inner Mongolia Mengniu, which in turn is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, the Purchaser is an associate of Mengniu and a connected person of the Company. Modern Farming Wuhe is an indirect non-wholly owned subsidiary of the Company. Accordingly, the transactions contemplated under the Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Previous Supply Agreement and the Supply Agreement are entered into by the Group with the same party, of similar nature and within a 12-month period, they shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual cap determined based on transactions contemplated under the Previous Supply Agreement and the Supply Agreement exceed 0.1% but are less than 5%, the entering into of the Supply Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

F. DEFINITIONS

“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
“Coca-Cola China”	Coca-Cola (China) Investment Co., Ltd.* (可口可樂(中國)投資有限公司), a company established in the PRC with limited liabilities, is the holding company of the Purchaser and is a wholly owned subsidiary of Coca-Cola South Asia Holdings, Inc.
“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)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Co., Ltd.* (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC with limited liabilities, a 99.99% owned subsidiary of Mengniu as of the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mengniu”	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319), and a substantial shareholder of the Company
“Modern Farming”	Modern Farming (Group) Co., Ltd.* (現代牧業(集團)有限公司), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Modern Farming Wuhe”	Modern Farming (Wuhe) Co., Ltd.* (現代牧業(五河)有限公司), a company incorporated in the PRC and a non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Supply Agreement”	the agreement entered into between Modern Farming Wuhe and the Purchaser on December 31, 2021 in relation to the supply of fresh raw milk by Modern Farming Wuhe to the Purchaser
“Purchaser”	KENIULE Dairy Company Ltd.* (可牛了乳製品有限公司), a company incorporated in the PRC with limited liability and an associate of Mengniu
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supply Agreement”	the agreement entered into between Modern Farming Wuhe and the Purchaser on April 1, 2022 in relation to the supply of fresh raw milk by Modern Farming Wuhe to the Purchaser, as more particularly described in the section headed “A. The Supply Agreement” in this announcement
“Term”	the term of supply of fresh raw milk under the Supply Agreement, i.e. from April 1, 2022 to December 31, 2022
“%”	per cent

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

* *For identification purpose only*

Hong Kong, April 1, 2022

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