

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
FRAMEWORK AGREEMENT WITH AIYANGNIU TECHNOLOGY**

References are made to (i) the announcement of the Company dated December 28, 2022 in relation to the Previous Farm Supplies Framework Agreement; (ii) the announcement of the Company dated February 10, 2023 in relation to the Previous Framework Agreement; and (iii) the announcement of the Company dated March 17, 2023 in relation to the Previous Acquisition, upon completion of which, Yunyangniu Technology became a wholly-owned subsidiary of Aiyangniu Technology.

As the terms of the Previous Farm Supplies Framework Agreement and the Previous Framework Agreement will expire on December 31, 2023, Modern Farming and Aiyangniu Technology entered into the Framework Agreement on December 20, 2023 (after trading hours) in relation to the supply of Farm Supplies, intelligent IoT software and hardware and the provision of supporting services by the Aiyangniu Technology Group to the Modern Farming Group during the term from January 1, 2024 to December 31, 2024.

As at the date of this announcement, Aiyangniu Technology is an indirect non-wholly owned subsidiary of the Company owned as to 75% by Modern Farming and 25% by Inner Mongolia Mengniu, a 100% owned subsidiary of Mengniu, which is a substantial shareholder and connected person of the Company. Hence, Aiyangniu Technology is a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Framework Agreement exceeds 0.1% but is less than 5%, the entering into of the Framework 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.

INTRODUCTION

References are made to (i) the announcement of the Company dated December 28, 2022 in relation to the Previous Farm Supplies Framework Agreement; (ii) the announcement of the Company dated February 10, 2023 in relation to the Previous Framework Agreement; and (iii) the announcement of the Company dated March 17, 2023 in relation to the Previous Acquisition, upon completion of which, Yunyangniu Technology became a wholly-owned subsidiary of Aiyangniu Technology.

As the terms of the Previous Farm Supplies Framework Agreement and the Previous Framework Agreement will expire on December 31, 2023, Modern Farming and Aiyangniu Technology entered into the Framework Agreement on December 20, 2023 (after trading hours) in relation to the supply of Farm Supplies, intelligent IoT software and hardware and the provision of supporting services by the Aiyangniu Technology Group to the Modern Farming Group during the term from January 1, 2024 to December 31, 2024.

FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are as follows:

- Date:** December 20, 2023
- Parties:** (1) Modern Farming (as the purchaser); and
(2) Aiyangniu Technology (as the supplier).
- Annual Cap:** RMB260 million
- Duration:** For a term commencing from January 1, 2024 to December 31, 2024.
- Subject matter:** The Modern Farming Group agrees to purchase, and the Aiyangniu Technology Group agrees to supply and deliver to designated farms of the Modern Farming Group the Farm Supplies and provide intelligent IoT software and hardware which shall meet the quality requirements and relevant specifications set out below, along with supporting services.
- Quality requirements:** The Farm Supplies, intelligent IoT software and hardware supplied by the Aiyangniu Technology Group shall (i) satisfy quality standards of the Modern Farming Group as specified in the purchase orders delivered under the Framework Agreement; and (ii) comply with national and local laws and regulations of the PRC. The Farm Supplies shall be free from mildew, adulteration and contamination.

Pricing policy:

The price payable by the Modern Farming Group to the Aiyangniu Technology Group shall be determined with reference to the lowest quoted on-site price at which the Modern Farming Group could obtain from independent third parties (whether local or overseas) for the same types of Farm Supplies, intelligent IoT software and hardware and related supporting services. The Aiyangniu Technology Group will assist the Modern Farming Group to estimate its specific needs of the Farm Supplies, intelligent IoT software and hardware according to the relevant business needs and requirements (including, but not limited to, standards, quantities, specifications and quality). The Modern Farming Group will seek quotations from at least two independent third parties offering the Farm Supplies, intelligent IoT software and hardware of the same types and quality standards each time before a purchase order is placed with the Aiyangniu Technology Group. The Modern Farming Group will determine the purchase price through price consultation with such suppliers to ensure that the price and terms of the supply of the Farm Supplies, intelligent IoT software and hardware by the Aiyangniu Technology Group to the Modern Farming Group are no less favorable than those offered by other independent suppliers.

Internal control measures

The Group has implemented internal control procedures and policies through its internal compliance department to monitor connected transactions, including continuing connected transactions, with focus on (1) updating the list of connected persons and transaction ledgers; (2) identifying potential connected transactions; (3) (where appropriate) considering aggregation of connected transactions and managing aggregated transaction amounts; and (4) monitoring transaction amounts against annual caps or maximum limit on a monthly basis.

The Group's internal compliance department will continuously monitor the transactions contemplated under the Framework Agreement to ensure that they will be conducted in accordance with the terms of the Framework Agreement and in compliance with Chapter 14A of the Listing Rules; and in particular, the internal compliance department will review and monitor relevant quotations from independent third parties for Farm Supplies, quotations and terms proposed by independent, qualified suppliers in the price consultation process for the intelligent IoT software and hardware, market information, published reports and guidance to ensure that the price of the Farm Supplies, the intelligent IoT software and hardware provided under the Framework Agreement will be fair and reasonable, and determined in accordance with the agreed pricing policy, and will submit a report of its findings to the management and the Audit Committee of the Company semi-annually. The Modern Farming Group will also review the development within the industry and market standards of the Farm Supplies and intelligent IoT products from time to time to ensure that the Farm Supplies and intelligent IoT software and hardware supplied by the Aiyangniu Technology Group are in line with the industry and market standards and the requirements of the Modern Farming Group, and are capable of achieving the expected benefits.

The Group's external auditors and independent non-executive Directors will also conduct an annual review and confirmation of the transactions under the Framework Agreement in accordance with the requirements under Chapter 14A of the Listing Rules.

HISTORICAL TRANSACTION AMOUNT, ANNUAL CAP AND BASIS OF DETERMINATION

The historical transaction amount between the Modern Farming Group and the Aiyangniu Technology Group in respect of the purchase and supply of the Farm Supplies, the intelligent IoT software and hardware and the supporting services is approximately RMB127,370,000 for the period from January 1, 2023 to November 30, 2023.

The Annual Cap in respect of the purchase and supply of the Farm Supplies, the intelligent IoT software and hardware and the supporting services under the Framework Agreement will be RMB260,000,000 from January 1, 2024 to December 31, 2024, which is determined based on (i) the Modern Farming Group's expected growth in demands for the Farm Supplies, the intelligent IoT software and hardware due to the anticipated increase in the Group's herd size and the Group's plan to open up new farms in the coming year, which would lead to an obvious increase of demand during the set-up phase; (ii) the average market prices and price trend of the Farm Supplies, the intelligent IoT software and hardware (as there is neither any government-prescribed price nor government or official guidance price in respect of the Farm Supplies, the intelligent IoT software and hardware, the average market price is determined with reference to the publicly available information in the market); and (iii) the historical transaction amount as set out above with a buffer of approximately 10%.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

Aiyangniu Technology Group 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 a transparent purchase price quotation system for the dairy farms to make their procurement decision and consolidates market information in relation to the farm supplies commonly used by the dairy farms and shares such information with its business partners.

Further, the Aiyangniu Platform dynamically screens its list of suppliers based on quality control performance, credibility, product satisfaction and various indices of the suppliers and supervises the whole delivery process of farm supplies from suppliers to dairy farms to ensure that the farm supplies can meet the quality standard set by dairy farms. Based on past experience of cooperating with the Aiyangniu Technology Group, Modern Farming believes that such cooperation can ensure the quality and safety of Farm Supplies provided to the Modern Farming Group which are essential to the production of high quality raw milk.

In respect of the intelligent IoT related products, Yunyangniu Technology, a member of the Aiyangniu Technology Group, is dedicated to the development of software and hardware in agriculture and animal husbandry and providing AIOT intelligent solutions, so as to solve bottlenecks through innovative breakthroughs for the industry. Through cooperation with a number of authoritative technical experts in the agriculture and animal husbandry industry, and employing technicians experienced in farm management with the ability to analyze and predict industry development, Yunyangniu Technology possesses outstanding industry technical strength which has been proven to be beneficial to the Group's business in previous cooperation. In terms of software product development, the development team of Yunyangniu Technology is experienced in the development of platforms for agriculture and animal husbandry industries with deep understanding in the pasture breeding business, and have been providing comprehensive software and hardware supporting intelligent solutions to the farms.

Hence, the Group believes that through the cooperation with the Aiyangniu Technology Group under the Framework Agreement, the Group will be able to (i) closely follow the market trend of Farm Supplies, intelligent IoT software and hardware; (ii) reduce its procurement costs and optimize operational capabilities, given that the price of the Farm Supplies, intelligent IoT software and hardware provided by the Aiyangniu Technology Group will be determined with reference to the lowest quotation received by the Modern Farm Group from other independent suppliers (whether local or overseas) for the Farm Supplies of the same types, intelligent IoT software and hardware with the same standards, specifications and similar quality; (iii) ensure the stable pricing and timely supply of Farm Supplies, intelligent IoT software and hardware to its designated farms, with the aim of facilitating the normal operations of the Modern Farming Group's business; (iv) realize its strategic vision of digitalization in the future and build smart farms innovatively with digital intelligence; (v) become a pioneer in the dairy farming industry through its forward-looking vision; and (vi) keep abreast of industry developments and enhance its core competitiveness.

The Directors (including the independent non-executive Directors) consider that the Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof (including the proposed annual cap) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the date of this announcement, (i) Mr. Zhao Jiejun, a non-executive Director and the chairman of the Board, is also a vice president and the head of milk sourcing and animal husbandry industry chain business unit of Mengniu Group and the chairman of the board of directors of Aiyangniu Technology; (ii) Mr. Zhang Ping, a non-executive Director, is an executive director and the chief financial officer of Mengniu Group and (iii) Mr. Chen Yiyi, a non-executive Director, is a vice president and head of strategy management of Mengniu Group, and is responsible for the strategic and investment management of Mengniu Group. Accordingly, Mr. Zhao Jiejun, Mr. Zhang Ping and Mr. Chen Yiyi have abstained from voting on the relevant resolutions of the Board approving the Framework Agreement. Save as the above, no other director was considered to have a material interest in the transaction and required to abstain from voting.

INFORMATION ON THE PARTIES

(1) The Group

The Group is a leading dairy farming operator and raw milk producer in the PRC. As of June 30, 2023, the Group operated 42 dairy farms in the PRC with over 418,000 dairy cows and annual milk yield of over 2.5 million tons.

(2) Modern Farming

Modern Farming is an indirect non-wholly owned subsidiary of the Company and is principally engaged in operating dairy farms, production and sale of raw milk in the PRC. As at the date of this announcement, the Company indirectly owns approximately 98.36% of equity interest in Modern Farming.

(3) Aiyangniu Technology

Aiyangniu Technology was established in the PRC in 2015 and is principally engaged in the operation of the Aiyangniu Platform, sale of feedstuffs, additives, fertilizers and veterinary medicine, and management of agricultural and livestock products in the PRC. As at the date of this announcement, Aiyangniu Technology is an indirect non-wholly owned subsidiary of the Company owned by Modern Farming and Inner Mongolia Mengniu as to 75% and 25%, respectively.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Aiyangniu Technology is an indirect non-wholly owned subsidiary of the Company owned as to 75% by Modern Farming and 25% by Inner Mongolia Mengniu, a 100% owned subsidiary of Mengniu, which is a substantial shareholder and connected person of the Company. Hence, Aiyangniu Technology is a connected subsidiary of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Framework Agreement exceeds 0.1% but is less than 5%, the entering into of the Framework 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.

DEFINITIONS

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

“AIOT”	Artificial Intelligence of Things
“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 the Company
“Aiyangniu Technology Group”	Aiyangniu Technology and its subsidiaries
“Annual Cap”	the annual cap in respect of the purchase and supply of the Farm Supplies, the intelligent IoT software and hardware and the supporting services under the Framework Agreement
“associate(s)”, “connected person(s)”, “connected subsidiary(ies)”, “percentage ratio(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company which currently comprises two independent non-executive Directors, namely Mr. Lee Kong Wai Conway and Mr. Chow Ming Sang, and one non-executive Director, Mr. Zhang Ping
“Board”	the board of Directors

“Company”	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1117)
“Directors”	the directors of the Company
“Farm Supplies”	farm supplies for the dairy farming industry, including but not limited to feedstuffs, additives, bulk raw materials, veterinary medicine, machineries and other agricultural and livestock products
“Framework Agreement”	the framework agreement dated December 20, 2023, entered into between Modern Farming and Aiyangniu Technology in relation to the supply of Farm Supplies, intelligent IoT software and hardware and the provision of supporting services by the Aiyangniu Technology Group to the Modern Farming Group, as more particularly described in the section headed “Framework Agreement” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Co., Ltd.* (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC with limited liabilities, a 100% owned subsidiary of Mengniu as of the date of this announcement
“IoT”	Internet of Things
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mengniu”	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319), and a substantial shareholder of the Company

“Mengniu Group”	Mengniu and its subsidiaries
“Modern Farming”	Modern Farming (Group) Co., Ltd.* (現代牧業(集團)有限公司), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Modern Farming Group”	Modern Farming and its subsidiaries (excluding the Aiyangniu Technology Group)
“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 Acquisition”	the acquisition of the entire equity interests in Yunyangniu Technology by Aiyangniu Technology from Modern Farming, Inner Mongolia Mengniu, Zhurong No.1 (Hainan) Technology Partnership (Limited Partnership)* (築嶸一號(海南)科技合夥企業(有限合夥)) and Shanghai Kepaiteng Information Technology Co., Ltd.* (上海科湃騰資訊科技有限公司) at a total consideration of RMB19,080,000 pursuant to an equity transfer agreement dated March 17, 2023
“Previous Farm Supplies Framework Agreement”	the framework agreement dated December 28, 2022, entered into between Modern Farming and Aiyangniu Technology in relation to the supply of Farm Supplies by the Aiyangniu Technology Group to the Modern Farming Group
“Previous Framework Agreement”	the framework agreement dated February 10, 2023, entered into between Modern Farming and Yunyangniu Technology in relation to the supply of intelligent IoT software and hardware and the provision of supporting services by Yunyangniu Technology Group to Modern Farming Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yunyangniu Technology”	Inner Mongolia Yunyangniu Technology Co., Ltd.* (內蒙古雲養牛科技有限公司), formerly known as Hainan Yunyangniu Technology Co., Ltd.* (海南雲養牛科技有限公司), a company incorporated in the PRC with limited liabilities
“Yunyangniu Technology Group”	Yunyangniu Technology and its subsidiaries
“%”	per cent.

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

* *For identification purpose only*

Hong Kong, December 20, 2023

As of the date of this announcement, the executive Directors are Mr. Sun Yugang and Mr. Zhu Xiaohui, the non-executive Directors are Mr. Zhao Jiejun (Chairman), Mr. Zhang Ping, Mr. Chen Yiyi and Ms. Gan Lu, and the independent non-executive Directors are Mr. Li Shengli, Mr. Lee Kong Wai Conway and Mr. Chow Ming Sang.