

*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 SUPPLY AGREEMENT WITH OUSHI MENGNIU**

### **THE SUPPLY AGREEMENT**

On 7 January 2019, Shanghe, an indirectly non-wholly owned subsidiary of the Company, entered into the Supply Agreement with Oushi Mengniu, pursuant to which Shanghe agreed to sell, and Oushi Mengniu agreed to purchase, the Products from time to time during the term of the Supply Agreement.

### **LISTING RULES IMPLICATIONS**

Oushi Mengniu is a subsidiary of Mengniu Dairy which is a substantial shareholder of the Company. Oushi Mengniu is an associate of Mengniu Dairy and, therefore, a connected person of the Company. Shanghe is an indirectly non-wholly owned subsidiary of the Company. Accordingly, the transactions contemplated the Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Supply Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, 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

On 7 January 2019, Shanghe entered into the Supply Agreement with Oushi Mengniu, pursuant to which Shanghe agreed to sell, and Oushi Mengniu agreed to purchase, the Products from time to time during the term of the Supply Agreement.

The principal terms of the Supply Agreement are as follows:

<b>Date</b>	:	7 January 2019
<b>Parties</b>	:	(1) the supplier: Shanghe; and (2) the purchaser: Oushi Mengniu.
<b>Duration</b>	:	7 January 2019 – 31 December 2019
<b>Products</b>	:	Raw milk
<b>Pricing Terms</b>	:	The unit price of the Products shall be determined based on a cost-plus approach, i.e., cost plus a reasonable margin, which varies within the range of 12% to 16%, with reference to the market price of raw milk from time to time. In case of any change in the raw milk market, the unit price of the Products shall be adjusted as agreed by the parties.
<b>Payment Terms</b>	:	The payment shall be settled on a monthly basis. The parties shall confirm the total payment amount for the previous month before the tenth day of the current month, and Shanghe shall issue the invoice accordingly. Oushi Mengniu shall pay the total payment amount for the previous month within 10 business days upon receipt of the relevant invoice from Shanghe.

## B. ANNUAL CAP

The annual cap in respect of the transactions contemplated under the Supply Agreement is expected to be RMB9 million for the term of the Supply Agreement, i.e., the period from 7 January 2019 to 31 December 2019. This annual cap was determined with reference to the unit price of the Products and the expected volume of the Products to be purchased by Oushi Mengniu during the term of the Supply Agreement.

## **C. INFORMATION ON SHANGHE AND OUSHI MENGNIU**

### **(a) Shanghe**

The Group is the largest dairy farming company and the largest producer of fresh raw milk in the PRC in terms of herd size and quantity. As of 30 June 2018, the Group kept 225,782 dairy cows. As a nationwide farm, the Group is endowed with unique geographical advantages, and its farms are close to various downstream processing plants for dairy products and supply sources of feedstuff. The Group consistently adheres to its “innovative gene” and persists in its unique production mode of “seamless integration of forage grass planting, cow breeding and milk processing” and “zero distance and within two hours from milking to processing” to produce the distinctive quality-assured milk.

Shanghe is an indirectly non-wholly owned subsidiary of the Company and is principally engaged in, among others, breeding dairy cows and production of milk. As of the date of this announcement, Shanghe is indirectly owned by the Company as to approximately 98.18%.

### **(b) Oushi Mengniu**

Oushi Mengniu is a company incorporated in the PRC and a wholly-owned subsidiary of Yashili, a company listed on the Main Board of the Stock Exchange (stock code: 1230) and a subsidiary of Mengniu Dairy which is a substantial shareholder of the Company.

As a subsidiary of Yashili, Oushi Mengniu is principally engaged in the manufacturing and sale of pediatric milk formula products and milk powder products for adults.

## **D. REASONS FOR AND BENEFITS OF THE SUPPLY AGREEMENT**

The transaction contemplated under the Supply Agreement would enable Shanghe to secure a stable and recurring source of income and amplify the synergies between the Group and the Yashili Group as well as the Mengniu Group. The Company believes that the synergies with Yashili Group and Mengniu Group will reinforce the performance of the Group and benefit the Shareholders.

The Directors (including the independent non-executive Directors) consider that the Supply Agreement was entered into in the ordinary course of business of the Company and is fair and reasonable. The annual cap and terms of the Supply Agreement, which have been reached after arm's length negotiation, are on normal commercial terms, and no more favourable to Oushi Mengniu than those offered to independent third parties by the Company. Further, the annual cap and terms of the Supply Agreement are fair and reasonable and, based on the reasons above, are in the interests of the Company and its Shareholders as a whole.

Mr. LU Minfang is an executive director and the chief executive officer of Mengniu Dairy. Mr. WOLHARDT Julian Juul is an independent non-executive director of Mengniu Dairy. Mr. ZHANG Ping is the chief financial officer of Mengniu Dairy. Mr. WEN Yongping is the vice president of Mengniu Dairy and the general manager of the chilled product department of Mengniu Dairy. Accordingly, each of Mr. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping is considered to have a material interest in the Supply Agreement and has abstained from voting on the relevant board resolutions approving the Supply Agreement.

#### **E. LISTING RULES IMPLICATIONS**

Oushi Mengniu is a subsidiary of Mengniu Dairy which is a substantial shareholder of the Company. Oushi Mengniu is an associate of Mengniu Dairy and, therefore, a connected person of the Company. Shanghe is an indirectly non-wholly owned subsidiary of the Company. Accordingly, the transactions contemplated the Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Supply Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, 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

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1117)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mengniu Dairy”	China Mengniu Dairy Company Limited, 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), a substantial shareholder of the Company
“Mengniu Group”	Mengniu Dairy and its subsidiaries
“Oushi Mengniu”	Oushi Mengniu (Inner Mongolia) Dairy Products Co., Ltd. (內蒙古歐世蒙牛乳製品有限責任公司), a wholly-owned subsidiary of Yashili, a connected person of the Company
“PRC”	the People’s Republic of China and for the purposes of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the PRC

“Products”	raw milk under the Supply Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghe”	Modern Farming (Shanghe) Co., Ltd. (現代牧業(商河)有限公司), a company incorporated in the PRC and an indirectly non-wholly owned subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supply Agreement”	the agreement entered into between Shanghe and Oushi Mengniu on 7 January 2019 in relation to the supply of the Products by Shanghe to Oushi Mengniu
“Yashili”	Yashili International Holdings Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 1230), a subsidiary of Mengniu Dairy and a connected person of the Company
“Yashili Group”	Yashili and its subsidiaries
“%”	per cent.

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

Hong Kong, 7 January 2019

*As of the date of this announcement, the executive directors are Ms. GAO Lina and Mr. HAN Chunlin, the non-executive directors are Mr. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping, the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. KANG Yan.*

\* *For identification purpose only*