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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)

CONNECTED TRANSACTION PRODUCTS PURCHASE AND SALES CONTRACT

THE PRODUCTS PURCHASE AND SALES CONTRACT

The Board is pleased to announce that in order to join the force to fight the epidemic and fulfill corporate social responsibility, Modern Farming (an indirect non-wholly owned subsidiary of the Company) entered into the Products Purchase and Sales Contract with Inner Mongolia Mengniu on February 27, 2020 to purchase “Modern Farming” branded Products for donation to areas infected by “COVID-19”.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Inner Mongolia Mengniu is a subsidiary of Mengniu which is a substantial shareholder of the Company holding approximately 58.15% of the issued share capital of the Company. Inner Mongolia Mengniu is an associate of Mengniu and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Products Purchase and Sales Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Products Purchase and Sales Contract exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting 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.

* For identification purposes only

A. THE PRODUCTS PURCHASE AND SALES CONTRACT

The Board is pleased to announce that in order to join the force to fight the epidemic and fulfill corporate social responsibility, Modern Farming (an indirect non-wholly owned subsidiary of the Company) entered into the Products Purchase and Sales Contract with Inner Mongolia Mengniu on February 27, 2020 to purchase “Modern Farming” branded Products for donation to areas infected by “COVID-19”.

The principal terms of the Products Purchase and Sales Contract are as follows:

Date	:	February 27, 2020
Parties	:	(a) the supplier: Inner Mongolia Mengniu; and (b) the purchaser: Modern Farming.
Products for Purchase and Sale	:	“Modern Farming” branded Products processed and distributed by Mengniu, with remaining shelf lives not less than half of the original shelf lives.
Consideration and Payment	:	The total amount is limited to RMB10 million. The unit price of the Products will be based on the ex-factory unit price charged by Inner Mongolia Mengniu determined after arm’s length negotiation between both parties with reference to (i) the value of raw milk; and (ii) processing costs.

The Products will be donated to areas infected by “COVID-19” through the Inner Mongolia Red Cross. Modern Farming shall pay by wire transfer or other payment forms acceptable to Inner Mongolia Mengniu upon receipt of receipts issued by the Inner Mongolia Red Cross after confirming the donation.

The final settlement shall be subject to the number of “Modern Farming” Products checked and confirmed as stated on the written confirmations or receipt issued by the Inner Mongolia Red Cross.

B. REASONS FOR AND BENEFITS TO THE COMPANY OF THE PRODUCTS PURCHASE AND SALES CONTRACT

To join the force to fight the epidemic and fulfill corporate social responsibility through cooperation, the Company is going to donate dairy consumer products through the Inner Mongolia Red Cross to assist those in need in the infected areas and to provide high-quality nutrition protection to epidemic-fighters in the infected areas. As the liquid milk business of the Group was handed over to Mengniu for operation in April 2018, the Group will purchase “Modern Farming” branded Products, which are processed from raw milk supplied by the Group, directly from Inner Mongolia Mengniu at ex-factory price for donation.

The Directors (including the independent non-executive Directors) consider that the Products Purchase and Sales Contract was entered into 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.

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. WOLHARDT Julian Juul, a non-executive Director, is also an independent non-executive director of Mengniu; (iii) Mr. ZHANG Ping, a non-executive Director, is also the chief financial officer of Mengniu; and (iv) Mr. ZHAO Jiejun, a non-executive Director, is also the assistant vice president and general manager of milk sources business department of Mengniu. Accordingly, each of Mr. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. ZHAO Jiejun is considered to have a material interest in the Products Purchase and Sales Contract and has abstained from voting on the relevant board resolutions approving the Products Purchase and Sales Contract.

C. INFORMATION ON THE PARTIES

(1) The Group and Modern Farming

The Group is the largest dairy farm operator and fresh raw milk producer in the PRC in terms of herd size and milk yield. It operates 26 dairy farms in the PRC with over approximately 230,000 dairy cows and an annual milk yield of over 1.3 million tons. The Company initiated the production mode of “zero-distance integration of forage grass planting, cow breeding and milk processing within two hours” which is the first and only enterprise at present in the PRC that applies integration of forage grass planting, cow breeding and milk processing, and qualified with SGS certification by Societe Generale de Surveillance S.A.

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 98.18% of the equity interest in Modern Farming.

As at the date of this announcement, Mengniu is the single largest shareholder of the Company holding approximately 58.15% of the issued share capital of the Company.

(2) Mengniu and Inner Mongolia Mengniu

Inner Mongolia Mengniu is a subsidiary of Mengniu and is principally engaged in production and sale of dairy products in the PRC.

Mengniu Group is principally engaged in manufacture and distribution of quality dairy products, including liquid milk, ice cream, milk formula products and other dairy products, and is headquartered in the PRC. As at the date of this announcement, the three strategic shareholders of Mengniu are COFCO Corporation, Danone SA and Arla Foods amba, owning an aggregate of 31.35% of the interest in Mengniu.

D. CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS

As at the date of this announcement, Inner Mongolia Mengniu is a subsidiary of Mengniu which is a substantial shareholder of the Company holding approximately 58.15% of the issued share capital of the Company. Inner Mongolia Mengniu is an associate of Mengniu and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Products Purchase and Sales Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Products Purchase and Sales Contract exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting 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.

E. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“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
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited, a company incorporated in the PRC with limited liability, a subsidiary of Mengniu and a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Mengniu”	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 and connected person of the Company
“Mengniu Group”	Mengniu and its subsidiaries
“Modern Farming”	Modern Farming (Group) Co., Ltd., a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China and, for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Products”	qualified “Modern Farming” branded products
“Products Purchase and Sales Contract”	the contract entered into between Modern Farming and Inner Mongolia Mengniu on February 27, 2020 in relation to the purchase of the Products
“RMB”	Renminbi, the lawful currency of the PRC
“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
“%”	per cent.

By order of the Board
China Modern Dairy Holdings Ltd.
LU Minfang
Chairman

Hong Kong, February 27, 2020

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 (Chairman), Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. ZHAO Jiejun, the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. KANG Yan.