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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)

UPDATE ANNOUNCEMENT

ON

**(1) COMPLETION OF ACQUISITION OF 100% EQUITY INTERESTS IN
ZHONGYUAN MUYE COMPANY LIMITED***

AND

(2) CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated April 8, 2021 and July 21, 2021 (the “**Announcements**”) in relation to, among other things, the acquisition of 100% of the equity interests in the Target Company. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

COMPLETION OF ACQUISITION OF 100% EQUITY INTERESTS IN ZHONGYUAN MUYE COMPANY LIMITED*

The Board is pleased to announce that all conditions as set out in the Sale and Purchase Agreement (as amended by the Supplemental Agreement) have been fulfilled and Completion of the Acquisition took place on July 21, 2021.

Immediately upon Completion, the Target Company has become a non-wholly owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the financial statements of the Group accordingly.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Announcements, the Target Company has entered into a milk supply agreement with Baoding Mengniu in December 2020 (as further amended by a supplemental agreement entered into between the parties in April 2021) (the “**Milk Supply Agreement**”), pursuant to which Baoding Mengniu agreed to purchase from the Target Company, and the Target Company agreed to supply to Baoding Mengniu, fresh raw milk.

As of the Completion Date, Baoding Mengniu is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, Baoding Mengniu is an associate of Mengniu and a connected person of the Company. Following Completion, the Target Company has become a non-wholly owned subsidiary of the Company, and therefore the transactions between the Target Company and Baoding Mengniu under the Milk Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Milk Supply Agreement are set out as follows:

Date:	December 29, 2020 and subsequently amended on April 8, 2021
Parties:	(1) Target Company (2) Baoding Mengniu
Term of supply (the “Term”):	From January 1, 2021 to December 31, 2025
Subject Matter:	The Target Company agreed to supply all fresh raw milk it produces to Baoding Mengniu during the Term.
Pricing policy:	The final purchase price of fresh raw milk shall be calculated with reference to a base price, plus transportation subsidy, and adjusted based on the quality standards of the fresh raw milk supplied (such as level of fat and protein content, microbial content and somatic cell content).

The base price will be adjusted in accordance with movements in market price, and shall be negotiated and determined on the grounds of fairness. The base price payable by Baoding Mengniu under the Milk Supply Agreement shall not be lower than the price it pays for purchasing fresh raw milk of the same physicochemical indices from any third party in the area where the Target Company is located. The Target Company will review the base price from time to time to ensure compliance with the pricing terms.

Settlement terms:

- (1) Baoding Mengniu shall provide details of the settlement amount for the previous month to the Target Company for confirmation before the 4th day of each month;
- (2) The Target Company shall issue an invoice for the confirmed settlement amount of the previous month to Baoding Mengniu before the 8th day of each month; and
- (3) Baoding Mengniu shall pay the invoiced amount to the designated account of the Target Company before the 23rd day (or the next business day if such date is a public holiday) of each month.

REASONS FOR AND BENEFITS OF CONTINUING CONNECTED TRANSACTIONS

Mengniu is one of the leading dairy product enterprises in the PRC. The entering into of the Milk Supply Agreement between the Target Company and Baoding Mengniu (i) secures stable demand for raw milk of the Group; (ii) further strengthens the strategic partnership between Mengniu and the Company, thus providing high degree of stability to the business development and strategy and business planning of the Group; and (iii) will be beneficial to the Group's leading position in the dairy farming industry in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Milk 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.

INFORMATION ABOUT THE GROUP, THE TARGET COMPANY AND BAODING MENGNIU

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, 2020, the Group operated 26 dairy farms in the PRC with over 247,000 dairy cows and annual milk yield of approximately 1.49 million tons.

The Target Company is a company incorporated with limited liability under the laws of the PRC and a non-wholly owned subsidiary of the Company as at the date of this announcement. The Target Company is principally engaged in cow breeding, farms management and operation, milk production and sales, meat processing and sales, forage grass planting and sales, livestock breeding technology development, as well as import and export of products and technology.

Baoding Mengniu is a company incorporated with limited liabilities under the laws of the PRC and a subsidiary of Mengniu as at the date of this announcement. Baoding Mengniu is principally engaged in the production and sales of dairy products, beverages and plastic packaging containers.

LISTING RULES IMPLICATIONS

As of the Completion Date, Baoding Mengniu is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, Baoding Mengniu is an associate of Mengniu and a connected person of the Company. Following Completion, the Target Company has become a non-wholly owned subsidiary of the Company, and therefore the transactions between the Target Company and Baoding Mengniu under the Milk Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements including publishing an announcement and annual reporting in respect of the continuing connected transactions under the Milk Supply Agreement. The Company will further comply with all applicable connected transaction requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Milk Supply Agreement.

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

* *For identification purpose only*

Hong Kong, July 23, 2021

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