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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

PROVISION OF GUARANTEE FOR AIYANGNIU TECHNOLOGY

INTRODUCTION

On July 25, 2022 (after trading hours), Modern Farming, an indirect non-wholly owned subsidiary of the Company entered into the Letter of Guarantee in favour of the Suppliers for Aiyangniu Technology, an indirect non-wholly owned subsidiary and a connected subsidiary of the Company, in respect of the due performance of the payment obligations arising from Aiyangniu Technology under the Purchase Orders commencing from August 1, 2022 to July 31, 2023 between Aiyangniu Technology and one or more of the Suppliers.

PROVISION OF GUARANTEE

The principal terms of the Letter of Guarantee are as follows:

Date: July 25, 2022

Form of guarantee: Upon the expiry of the credit period under the Purchase Orders, Modern Farming shall become liable in the event of a default by Aiyangniu Technology of its payment obligations to the Suppliers within the scope of guarantee set out in the Letter of Guarantee.

Amount of guarantee: The maximum amount of the guarantee shall be RMB55.5 million.

The amount of guarantee is determined with reference to the forecasted monthly purchases by Aiyangniu Technology taking into account the anticipated growth of demands from Aiyangniu Technology's dairy farm customers and the expected increase in average market prices of the commodities contemplated under the Purchase Orders.

Scope of guarantee: All payables of Aiyangniu Technology under the Purchase Orders, including but not limited to the principal, interest, penalty interest, liquidated damages and all other reasonable expenses incurred by the Suppliers from the realization of its rights over the debts in connection with the Purchase Orders.

Terms of guarantee: From the date on which the Letter of Guarantee becomes effective to the date falling three years after the expiry of the period of settlement of overdue trade payables by Aiyangniu Technology under the Purchase Orders.

REASONS FOR AND BENEFITS OF THE PROVISION OF GUARANTEE

As the Suppliers have stronger confidence in the financial position of the Company as a global leading dairy farming operator listed in Hong Kong, they have required the provision of guarantee from Modern Farming (a subsidiary of the Company) in the capacity of the majority shareholder of Aiyangniu Technology. The Letter of Guarantee will therefore secure better credit terms and a stable supply of commodities in the prevailing market for Aiyangniu Technology.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Letter of Guarantee was entered into in the ordinary and usual course of business of the Group and 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, Mr. ZHAO Jiejun, a non-executive Director, is also the chairman of the board of directors of Aiyangniu Technology. Accordingly, Mr. ZHAO Jiejun is considered to have a material interest in the Letter of Guarantee and has abstained from voting on the relevant resolutions of the Board approving the Letter of Guarantee.

INFORMATION ON THE PARTIES

(1) The Company

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.

(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 98.35% 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 animal husbandry e-commerce platform, animal husbandry service cloud platform, animal husbandry service business, sale of feedstuffs, additives, organic fertilizers and veterinary medicine, as well as trade consulting of agricultural and livestock products in the PRC.

(4) The Suppliers

The Suppliers comprise certain subsidiaries of COFCO from time to time. COFCO is the ultimate controlling shareholder of Mengniu, a substantial shareholder and connected person of the Company. COFCO is engaged in a wide range of businesses through its subsidiaries including property development and management in the PRC and overseas, agricultural commodities trading, agricultural products cultivation and processing, processing of animal byproducts, food and beverages, dairy products and packaging materials, hotel management and provision of logistics and financial services in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Aiyangniu Technology is owned as to 75% by Modern Farming and is an indirect non-wholly owned subsidiary of the Company. Aiyangniu Technology is owned as to 25% by Inner Mongolia Mengniu, a 99.99% owned subsidiary of Mengniu, which is a substantial shareholder and connected person of the Company. Accordingly, Aiyangniu Technology is a connected subsidiary of the Company. The provision of guarantee under the Letter of Guarantee constitutes a connected transaction of the Company.

As all the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Letter of Guarantee exceed 0.1% but are less than 5%, the transactions contemplated under the Letter of Guarantee is 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.

DEFINITIONS

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

“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
“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
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned enterprise incorporated in the PRC in September 1952 currently under the purview of the SASAC and the ultimate controlling shareholder of Mengniu
“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 incorporated in the PRC with limited liabilities, a 99.99% owned subsidiary of Mengniu as of the date of this announcement
“Letter of Guarantee”	the irrevocable and unconditional letter of guarantee dated July 25, 2022 entered into by Modern Farming (as the guarantor), pursuant to which Modern Farming agreed to guarantee the due performance of payment obligations of Aiyangniu Technology under the Purchase Orders in favour of the Suppliers
“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
“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
“Purchase Orders”	the purchase orders commencing from August 1, 2022 to July 31, 2023 and to be entered into between Aiyangniu Technology and the Suppliers in relation to the purchase of protein-based, soybean hull and oil-based commodities by Aiyangniu Technology from the Suppliers

“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suppliers”	certain subsidiaries of COFCO from time to time
“%”	per cent.

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

* *For identification purpose only*

Hong Kong, July 25, 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, the independent non-executive Directors are Mr. LI Shengli, Mr. LEE Kong Wai, Conway and Mr. CHOW Ming Sang.