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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)

**CONTINUING CONNECTED TRANSACTION
RENEWAL OF FRAMEWORK AGREEMENT WITH
YUNYANGNIU TECHNOLOGY**

Reference is made to the announcement of the Company dated July 7, 2022 in relation to the Previous Framework Agreement. As the term of the Previous Framework Agreement has expired on December 31, 2022, Modern Farming, an indirect non-wholly owned subsidiary of the Company, and Yunyangniu Technology, a connected person of the Company, entered into the Renewed Framework Agreement on February 10, 2023 (after trading hours) 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 during the term from February 10, 2023 to December 31, 2023.

As at the date of this announcement, Yunyangniu Technology is owned by Modern Farming as to 48% and Inner Mongolia Mengniu as to 20%, which in turn is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, Yunyangniu Technology is an associate of Mengniu and a connected person of the Company. Accordingly, the transactions contemplated under the Renewed 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 Renewed Supply Framework Agreement exceeds 0.1% but is less than 5%, the entry into the Renewed 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

Reference is made to the announcement of the Company dated July 7, 2022 in relation to the Previous Framework Agreement. As the term of the Previous Framework Agreement has expired on December 31, 2022, Modern Farming, an indirect non-wholly owned subsidiary of the Company, and Yunyangniu Technology, a connected person of the Company, entered into the Renewed Framework Agreement on February 10, 2023 (after trading hours) 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 during the term from February 10, 2023 to December 31, 2023.

RENEWED FRAMEWORK AGREEMENT

The principal terms of the Renewed Framework Agreement are as follows:

- Date:** February 10, 2023
- Parties:** (1) Modern Farming (as the purchaser); and
(2) Yunyangniu Technology (as the supplier).
- Duration:** For a term commencing from February 10, 2023 to December 31, 2023
- Subject matter:** Modern Farming Group agrees to purchase, and Yunyangniu Technology Group agrees to supply and deliver to the designated farms of Modern Farming Group, the intelligent IoT software and hardware which shall meet the relevant specifications, along with supporting services.

Specifications: The intelligent IoT software and hardware supplied by Yunyangniu Technology Group shall (i) satisfy the quality standards as specified in the purchase orders; and (ii) comply with national and local laws and regulations of the PRC.

Pricing policy: The price payable by Modern Farming Group to Yunyangniu Technology Group shall be determined by way of price inquiry and comparison, and with reference to the lowest quotation that Modern Farming Group could obtain from independent suppliers (whether domestic or foreign) for the intelligent IoT software and hardware with the same standards and specifications and similar quality. Yunyangniu Technology Group will assist Modern Farming Group to estimate its specific needs of relevant software and hardware according to the relevant business needs and requirements (including, but not limited to, standards, quantities, specifications and quality). Modern Farming Group will seek price quotations from at least three independent sizeable suppliers with relevant qualifications, and will determine the purchase price through price consultation with suppliers to ensure that the price and terms of the supply of the intelligent IoT software and hardware by Yunyangniu Technology Group to Modern Farming Group are no less favorable than those offered by other independent suppliers. The price mentioned above refers to the on-site price.

Modern Farming Group will review the technical development within the industry and market standards of the relevant software and hardware from time to time to ensure that the intelligent IoT software and hardware supplied by Yunyangniu Technology are in line with the industry and market standards and the requirements of the Group, and are capable of achieving the expected benefits.

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 Renewed Framework Agreement to ensure that they will be conducted in accordance with the terms of the Renewed Framework Agreement and in compliance with Chapter 14A of the Listing Rules; and in particular, the internal compliance department will continuously review and monitor market information, published reports and guidance, and the quotations and terms proposed by independent and qualified suppliers in the price consultation process to ensure that the price of the intelligent IoT software and hardware provided under the Renewed 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 Group's external auditors and independent non-executive Directors will also conduct an annual review and confirmation of the transactions under the Renewed Framework Agreement in accordance with the requirements under Chapter 14A of the Listing Rules.

HISTORICAL TRANSACTION AMOUNTS, MAXIMUM TRANSACTION AMOUNT AND BASIS OF DETERMINATION

The historical transaction amount between Modern Farming Group and Yunyangniu Technology Group in respect of the procurement and supply of the intelligent IoT software and hardware and the supporting services is approximately RMB11,432,000 for the period from July 7, 2022 to December 31, 2022.

The maximum transaction amount in respect of the transactions contemplated under the Renewed Framework Agreement commencing from February 10, 2023 to December 31, 2023 is RMB50,000,000.

The maximum transaction amount was determined with reference to (i) the average market price of intelligent IoT software and hardware (as there is neither any government-prescribed price nor official guidance price in respect of the intelligent IoT software and hardware, the average market price is determined with reference to publicly available information in the market); (ii) the expected demand for intelligent IoT software and hardware of Modern Farming Group; and (iii) the historical transaction amount as set out above.

REASONS FOR AND BENEFITS OF ENTRY INTO THE RENEWED FRAMEWORK AGREEMENT

Yunyangniu Technology is a technology company 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.

In terms of industry technical strength, Yunyangniu Technology cooperates with a number of authoritative technical experts in the agriculture and animal husbandry industry, and the technicians it employs possess many years of experience in farm management and the ability to analyze and predict industry development. In terms of software product development, the development team of Yunyangniu Technology has many years of experience in the development of platforms for industries such as agriculture and animal husbandry, as well as a deep understanding of the pasture breeding business, and provides comprehensive software and hardware supporting intelligent solutions to the farms.

As a leading dairy farming enterprise in the PRC, Modern Farming advocates the mission and vision of “raise healthy cows, safeguard each and every drop of quality milk, deploy the whole industry chain, innovate with digital intelligence, and be a global dairy farming leader”. Modern Farming believes that digitalized management will be an important means for enterprises to save costs, increase efficiency and implement lean management in the future, and it is also an important grip for the Group to turn into a global dairy farming leader. Modern Farming has many years of experience in dairy farming, while Yunyangniu Technology has information construction capabilities. Both parties are committed to building the most advanced farm management platform in the PRC.

Modern Farming believes that the cooperation with Yunyangniu Technology will help Modern Farming realize its strategic vision of digitalization in the future, build smart farms innovatively with digital intelligence, become a pioneer in the dairy farming industry through its forward-looking vision, keep abreast of industry developments and enhance its core competitiveness.

The Directors (including the independent non-executive Directors) consider that the Renewed 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 maximum transaction amount) 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 Chairman of the Board, is also a vice president and the head of milk sourcing and supply chain business unit of Mengniu Group; (ii) Mr. ZHANG Ping, a non-executive Director, is also an executive director and the chief financial officer of Mengniu Group; (iii) Mr. Chen Yiyi, a non-executive Director, is also a vice president of Mengniu Group responsible for the strategic and investment management of Mengniu Group. Accordingly, each of Mr. ZHAO Jiejun, Mr. ZHANG Ping and Mr. CHEN Yiyi is considered to have a material interest in the Renewed Framework Agreement and has abstained from voting on the relevant resolutions of the Board approving the Renewed Framework Agreement.

INFORMATION ON THE PARTIES

(1) The Group

The Group is a leading dairy farm operator and fresh raw milk producer in the PRC. As of June 30, 2022, the Group operated 38 dairy farms in the PRC with over 380,000 dairy cows and annual milk yield of over 2.3 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) Yunyangniu Technology

Yunyangniu Technology was established in the PRC in 2022 and is principally engaged in software research and development, hardware research and development and providing AIOT intelligent solutions for agriculture and animal husbandry. As at the date of this announcement, Yunyangniu Technology is owned by Modern Farming as to 48% and Inner Mongolia Mengniu as to 20% and is a connected person of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yunyangniu Technology is owned by Modern Farming as to 48% and Inner Mongolia Mengniu as to 20%, which in turn is a subsidiary of Mengniu, a substantial shareholder and connected person of the Company. Therefore, Yunyangniu Technology is a connected person of the Company. Accordingly, the transactions contemplated under the Renewed 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 Renewed Framework Agreement, exceeds 0.1% but is less than 5%, the entry into the Renewed 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:

“associate(s)”, “connected person(s)”, “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 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“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 Framework Agreement”	the framework agreement dated July 7, 2022, 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
“Renewed 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, further details of which are disclosed in the section headed “Renewed Framework Agreement” in this announcement
“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 which is owned by Modern Farming as to 48% and Inner Mongolia Mengniu as to 20% and is a connected person of the Company as of the date of this announcement
“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, February 10, 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, the independent non-executive Directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. CHOW Ming Sang.