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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 THE SHARED FINANCIAL SERVICES FRAMEWORK AGREEMENT

On December 30, 2024 (after trading hours), Modern Farming, an indirect non-wholly owned subsidiary of the Company, entered into the Shared Financial Services Framework Agreement with Inner Mongolia Mengniu, pursuant to which Inner Mongolia Mengniu shall provide financial accounting related shared services to the Group for a term commencing from January 1, 2025 to December 31, 2027.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Inner Mongolia Mengniu is wholly owned by Mengniu, which is a substantial Shareholder and connected person of the Company, and therefore Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Accordingly, the transactions contemplated under the Shared Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Shared Financial Services Framework Agreement is more than 0.1% but less than 5%, the Shared Financial Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On December 30, 2024 (after trading hours), Modern Farming, an indirect non-wholly owned subsidiary of the Company, entered into the Shared Financial Services Framework Agreement with Inner Mongolia Mengniu, pursuant to which Inner Mongolia Mengniu shall provide financial accounting related shared services to the Group for a term commencing from January 1, 2025 to December 31, 2027.

THE SHARED FINANCIAL SERVICES FRAMEWORK AGREEMENT

The principal terms of the Shared Financial Services Framework Agreement are as follows:

Date:	December 30, 2024
Parties:	(1) Modern Farming (Group) Co., Ltd. (2) Inner Mongolia Mengniu Dairy (Group) Company Limited
Duration:	The Shared Financial Services Framework Agreement will be valid and effective from January 1, 2025 to December 31, 2027.
Subject matter:	Mengniu shall provide financial accounting related shared services to the Group.
Pricing Policy:	The fees payable by the Company under the Shared Financial Services Framework Agreement for the financial accounting related shared services shall be determined using cost-plus basis, being the total costs incurred by Inner Mongolia Mengniu in respect of the provision of the financial accounting related shared services plus a fixed percentage of 5%.
Annual Caps:	RMB8,000,000 for each of the financial year ending on December 31, 2025, 2026 and 2027, respectively.

INTERNAL CONTROL MEASURES

In order to further safeguard the interests of the Shareholders, the Company has adopted the following measures with respect to the transactions contemplated under the Shared Financial Services Framework Agreement:

- (i) in respect of the Shared Financial Services Framework Agreement, the Group's raw financial and accounting data are independently handled through segregation of shared service staffs;
- (ii) the financial services center of Mengniu Group will implement strict role-based access control measures and enforce robust password policies and identity authentication to ensure data security. A system of checks and balances and system audit trails will also be maintained for the financial accounting related shared services system;
- (iii) the Company's internal control department, with the assistance of IT department, will periodically review the confidentiality obligations, data handling procedures, network security, segregation of duties of related personnels, data security and access controls etc conducted or maintained under the Shared Financial Services Framework Agreement, and report to the audit committee of the Company. The Company may seek advice from independent IT security experts as deemed necessary;
- (iv) during its annual audit, the Company will engage its auditors to review the continuing connected transactions to ensure that the transactions under the Shared Financial Services Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms and the annual caps thereunder; and
- (v) the Company's finance, compliance and internal control departments will coherently monitor the implementation of the Shared Financial Services Framework Agreement and ensure it is in compliance with the Group's internal control procedures, pricing policies and measures regarding continuing connected transactions. A monthly report will be submitted to the Company's chief financial officer, audit committee and the Board on a monthly basis.

HISTORICAL TRANSACTION AMOUNT, ANNUAL CAP AND BASIS OF DETERMINATION

The historical transaction amount between Modern Farming Group and Inner Mongolia Mengniu in respect of the financial accounting related shared services was approximately RMB1,390,000 for the period from July 1, 2024 to November 30, 2024.

The annual caps under the Shared Financial Services Framework Agreement will be RMB8,000,000 for each of the financial years ending December 31, 2025, December 31, 2026 and December 31, 2027.

In arriving at the annual caps, the Directors considered the following:

- (i) the historical transaction amount in respect of the financial accounting related shared services for the period from July 1, 2024 to November 30, 2024 and the expected increase in the amount of usage of financial accounting related shared services in 2025, 2026 and 2027 as the Group started gradually promoting the use of financial accounting related shared services since the second half of 2024, and will fully adopt the financial accounting front-line services sharing system from 2025 onwards;
- (ii) the estimated costs to be incurred by Inner Mongolia Mengniu in providing the financial accounting related shared services taking into account the number of members of the Group using such services, the historical financial services needs of such members considering their respective business scale, financial position and nature of business operation, and each of such members' expansion plan; and
- (iii) a 10% buffer for potential inflation and increase in demand for the financial accounting related shared services due to market conditions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARED FINANCIAL SERVICES FRAMEWORK AGREEMENT

The reasons for and benefits of entering into the Shared Financial Services Framework Agreement are as follows:

- (i) promoting financial accounting front-line services sharing, utilizing professional labor division and standardized procedures to achieve a fully automatic processing model of and large-scale benefits from fundamental operation, effectively assisting the Group's digital transformation and cost saving strategy, achieving management synergy effects; and

- (ii) having considered that Inner Mongolia Mengniu has (a) established a mature system in providing shared financial services for many years; (b) rich experience in providing such services to other parties in the industry of dairy products; (c) offered competitive rate for the financial accounting related shared services as compared to other third party service providers; and (d) the cost of relying on and developing in-house resources to carry out such financial accounting related work, the Company considers that Inner Mongolia Mengniu is the suitable and ideal service provider for the financial accounting related shared services.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Shared Financial Services 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 annual cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

(1) The Group

The Group is a leading dairy farming operator and raw milk producer in the PRC. As of June 30, 2024, the Group operated 42 dairy farms in the PRC with approximately 445,000 dairy cows and annualized milk yield of over 2.59 million tons.

(2) Modern Farming (Group) Co., Ltd.

Modern Farming (Group) Co., Ltd. is an indirect non-wholly owned subsidiary of the Company and is principally engaged in the 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) Inner Mongolia Mengniu Dairy (Group) Company Limited

Inner Mongolia Mengniu was established in the PRC and is principally engaged in the production and sale of dairy products. As at the date of this announcement, Inner Mongolia Mengniu is wholly owned by Mengniu.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Inner Mongolia Mengniu is wholly owned by Mengniu, which is a substantial Shareholder and connected person of the Company, and therefore Inner Mongolia Mengniu is an associate of Mengniu and a connected person of the Company. Accordingly, the transactions contemplated under the Shared Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Shared Financial Services Framework Agreement is more than 0.1% but less than 5%, the Shared Financial Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, (i) Mr. Zhao Jiejun, a non-executive Director and the chairman of the Board, is also a vice president and the head of milk sourcing and animal husbandry industry chain business unit of Mengniu Group; (ii) Mr. Zhang Ping, a non-executive Director, is the vice-president and chief financial officer of Mengniu Group; and (iii) Mr. Chen Yiyi, a non-executive Director, is a vice president and head of strategy management of Mengniu Group, and is responsible for the strategic and investment management of Mengniu Group. Accordingly, Mr. Zhao Jiejun, Mr. Zhang Ping and Mr. Chen Yiyi have abstained from voting on the relevant resolutions of the Board approving the Shared Financial Services Framework Agreement. Save as the above, no other director was considered to have a material interest in the transaction and required to abstain from voting.

DEFINITIONS

“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)
“connected person(s)”, “percentage ratio(s)”, “subsidiary(ies)”, “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC with limited liabilities, a wholly owned subsidiary of Mengniu as of the date of this announcement
“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 and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shared Financial Services Framework Agreement”	the shared financial services framework agreement dated December 30, 2024 entered into between Inner Mongolia Mengniu and Modern Farming in respect of the provision of accounting related services by Inner Mongolia Mengniu to the Group

“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For and on behalf of the Board
China Modern Dairy Holdings Ltd.
Zhao Jiejun
Chairman

* *For identification purpose only*

Hong Kong, December 30, 2024

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, and the independent non-executive Directors are Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang.