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CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

**CONTINUING CONNECTED TRANSACTIONS
STRATEGIC COOPERATION FRAMEWORK AGREEMENT
REGARDING PROVISION OF FACTORING SERVICES TO
COFCO GROUP COMPANIES**

STRATEGIC COOPERATION FRAMEWORK AGREEMENT

On 6 March 2023, Shanghai Mengyuan, a subsidiary of the Company, entered into the Strategic Cooperation Framework Agreement with COFCO Capital Fintech, a connected person of the Company, pursuant to which Shanghai Mengyuan will, subject to all applicable laws, rules and regulatory requirements, provide commercial factoring services to COFCO Group Companies or creditors/suppliers of COFCO Group Companies in respect of receivables through factoring or reverse factoring services.

LISTING RULES IMPLICATIONS

COFCO Capital Fintech is a subsidiary of COFCO Corporation. COFCO Corporation indirectly holds an approximately 24.02% interest in the Company, and thus is a substantial shareholder of the Company. Therefore, COFCO Capital Fintech is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Shanghai Mengyuan is an indirect subsidiary of the Company, the transactions under the Strategic Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 23 December 2020 in relation to the Strategic Collaboration Agreement. As the highest applicable percentage ratios in respect of the Strategic Cooperation Framework Agreement and the Strategic Collaboration Agreement on an aggregated basis, are more than 0.1% but are all less than 5%, the continuing connected transactions under the Strategic Cooperation Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Principal terms of the Strategic Cooperation Framework Agreement are summarized below.

Date	6 March 2023
Parties	Shanghai Mengyuan COFCO Capital Fintech
Description of Transactions	Subject to all applicable laws, rules and regulatory requirements, Shanghai Mengyuan will provide commercial factoring services to COFCO Group Companies or creditors/suppliers of COFCO Group Companies in respect of receivables through factoring or reverse factoring services.

Factoring service

COFCO Group Companies shall transfer to Shanghai Mengyuan the ownership of accounts receivables payable to the COFCO Group Companies, and Shanghai Mengyuan shall provide factoring financing services to the relevant COFCO Group Company. In consideration, the relevant COFCO Group Company shall pay to Shanghai Mengyuan finance interest and other miscellaneous fees (as applicable).

Reverse factoring service

Shanghai Mengyuan shall grant credit to COFCO Group Companies in respect of its payables or potential payables. In line with such credit, the creditors/suppliers of COFCO Group Companies in respect of these payables or potential payables will transfer their rights under such payables to Shanghai Mengyuan, and Shanghai Mengyuan shall provide factoring financing services to such creditors/suppliers. In consideration, the relevant creditors/suppliers will pay to Shanghai Mengyuan finance interest and other miscellaneous fees (as applicable).

COFCO Capital Fintech, COFCO Corporation and COFCO Group Companies are connected persons of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the creditors/suppliers of COFCO Corporation under the reverse factoring services arrangement are independent third parties of the Group and COFCO Corporation.

The factoring and reverse services may be with recourse or without recourse. Under the recourse factoring arrangement, in the event that the accounts receivables are not paid in time by the debtor of such receivables, Shanghai Mengyuan may recover the factoring financing amount from the original creditor by requiring the original creditor to repurchase the accounts receivables. Under the non-recourse factoring arrangement, in the event that the accounts receivables are not paid in time by the debtor of such receivables, Shanghai Mengyuan may only recover it from the debtor of the accounts receivables and may not require the original creditor to repurchase the accounts receivables.

Shanghai Mengyuan will separately enter into individual factoring agreements with the relevant COFCO Group Companies or their creditors/suppliers. Such individual factoring agreements shall contain the specific types and arrangements of the factoring services, interests, any service fees, and rights and obligations of the parties, on normal commercial terms and in accordance with the principles set out in the Strategic Cooperation Framework Agreement.

Shanghai Mengyuan has discretion as to whether to provide factoring services to a particular party, depending on regulatory requirements and Shanghai Mengyuan's risk management assessment on a variety of factors, including the operational status of the counter-party and the transaction(s) underlying the receivables. Accordingly, Shanghai Mengyuan is not obliged to enter into any individual factoring agreement with any particular party.

Term

Subject to the satisfaction of the Condition Precedent, the Strategic Cooperation Framework Agreement shall be valid for a term of three years, effective from the date of signing of the Strategic Cooperation Framework Agreement.

Condition Precedent The Strategic Cooperation Framework Agreement shall have complied with all applicable regulatory requirements, including but not limited to the applicable requirements under the Listing Rules.

Pricing Basis and Payment Terms The interest rate and any other miscellaneous fees payable to Shanghai Mengyuan by COFCO Group Companies or their creditors/suppliers shall be determined on a fair and reasonable basis, and shall not be less favourable than the interests and fees charged by Shanghai Mengyuan to independent third parties in providing the same type of factoring services under similar conditions. The interest rate shall also be determined by reference to the benchmark interest rate of loans for the same periods as published by the People's Bank of China.

ANNUAL CAP

The proposed cap for the transactions under the Strategic Cooperation Framework Agreement for each of the calendar years during the term of the agreement, being the maximum daily balance outstanding in respect of the factoring services (including the principal amount, finance interest and any other miscellaneous fees), shall be RMB1.3 billion (the “**Annual Cap**”).

In calculating the Annual Cap, the Company has taken into account (i) the capacity and flexibility of Shanghai Mengyuan in providing commercial factoring services, (ii) the expected growth of business of Shanghai Mengyuan, (iii) the market rate of interests and fees for factoring services, and (iv) the demand for factoring and reverse factoring services of the COFCO Group Companies based on its historical amounts of accounts receivables and payables.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

The Company has adopted the following internal control measures to supervise the continuing connected transactions of the Company as contemplated under the Strategic Cooperation Framework Agreement.

Prior to entering into individual factoring agreements with the relevant COFCO Group Companies or their creditors/suppliers, the Company will review and assess the specific terms and conditions of the individual agreements to ensure their consistency with the Strategic Cooperation Framework Agreement.

The relevant authorized departments of the Company will trace, monitor and check the progress of the daily balance outstanding on a continuous basis, to ensure that the actual transaction amount does not exceed the Annual Cap at any time.

In addition, the Audit Committee of the Company will strictly review the Company's continuing connected transactions on a regular basis to ensure the integrity and effectiveness of the internal control measures regarding the continuing connected transactions. The Audit Committee will also review the annual report and financial report which consist of the implementation of and opinions on the continuing connected transactions during the relevant period in respect of the fairness of the continuing connected transactions and whether the actual transaction amounts incurred are within the annual caps.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions are appropriate.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The core business of the Group is to manufacture and distribute quality dairy products. Shanghai Mengyuan is a subsidiary of the Group which engages in the provision of commercial factoring services, mainly to upstream and downstream businesses along the Group's supply chain with the aim to better support the Group's supply chain.

In this connection, Shanghai Mengyuan is currently providing factoring services mainly to customers related to the Group's businesses. However, factoring service providers are generally required under domestic regulatory requirements to have a more diversified customer base, to cover customers both related and unrelated to a group's business. Entering into the Strategic Cooperation Framework Agreement enables Shanghai Mengyuan to gain access to the COFCO Group Companies and their creditors/suppliers, which, on one hand, are not related to Shanghai Mengyuan, and on the other hand, are credit worthy. Accordingly, Shanghai Mengyuan is able to widen its customer base in accordance with regulatory requirements with a relatively low risk. Meanwhile, Shanghai Mengyuan will be able to continue to provide better support to businesses along the supply chain of the Group.

The Directors (including the independent non-executive Directors but excluding Mr. Chen Lang, Mr. Wang Xi and Ms. Wang Yan) are of the view that the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder are conducted on arm's length basis and on normal commercial terms in the ordinary and usual course of business of the Company, that the terms of the Strategic Cooperation Framework Agreement are fair and reasonable, and that the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP, SHANGHAI MENGYUAN, COFCO CAPITAL FINTECH AND COFCO CORPORATION

The Group is one of the leading dairy product manufacturers in China and is principally engaged in the manufacturing and distribution of quality dairy products including liquid milk, ice-cream and other dairy products.

Shanghai Mengyuan is an indirect subsidiary of the Company. Its principal business is the provision of commercial factoring services.

COFCO Capital Fintech is a company incorporated in the PRC with limited liability and is a subsidiary of COFCO Corporation. Its principal business is the provision of financial services, and it engages in financial advisory, technology and software research and development, consulting, information system, information system integration, and data processing services.

COFCO Corporation is a state-owned enterprise and one of the largest sugar beet and edible oil producers and distributors in the PRC, and is engaged in a wide array of businesses, including, amongst others, agricultural products trading and processing food and beverages in the PRC.

Mr. Chen Lang and Mr. Wang Xi are directors of certain COFCO Group Companies. Ms. Wang Yan previously held a senior position in COFCO Corporation. None of the Directors have a material interest in the transactions under the Strategic Collaboration Agreement. However, Mr. Chen Lang, Mr. Wang Xi and Ms. Wang Yan have voluntarily abstained from voting on the board resolutions for approving the Strategic Cooperation Framework Agreement and the Annual Cap.

LISTING RULES IMPLICATIONS

As of the date of the Strategic Cooperation Framework Agreement and this announcement, COFCO Corporation indirectly holds an approximately 24.02% interest in the Company, and thus is a substantial shareholder of the Company. COFCO Capital Fintech is a subsidiary of COFCO Corporation. Therefore, COFCO Capital Fintech is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Shanghai Mengyuan is an indirect subsidiary of the Company, the transactions under the Strategic Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 23 December 2020 in relation to the Strategic Collaboration Agreement. The Directors consider the Strategic Cooperation Framework Agreement and the Strategic Collaboration Agreement to be related, as they both involve financial services transactions with the COFCO Group Companies. Therefore, the transactions contemplated under the Strategic Cooperation Framework Agreement shall be aggregated with the transactions under the Strategic Collaboration Agreement pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratios in respect of the Strategic Cooperation Framework Agreement and the Strategic Collaboration Agreement on an aggregated basis are more than 0.1% but are all less than 5%, the continuing connected transactions under the Strategic Cooperation Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

“Board”	the board of directors of the Company
“COFCO Capital Fintech”	COFCO Capital Fintech Co., Ltd. (中糧資本科技有限責任公司), a company incorporated in the PRC and a subsidiary of COFCO Corporation
“COFCO Corporation”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company incorporated in the PRC
“COFCO Group Companies”	COFCO Corporation, its direct and indirect subsidiaries from time to time and certain associated companies
“Company”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2319)
“Condition Precedent”	the condition precedent to the Strategic Cooperation Framework Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) 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 of Hong Kong Limited (as amended from time to time)
“PRC or China”	the People’s Republic of China, which for the purpose of this announcement, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Mengyuan”	Shanghai Mengyuan Commercial Factoring Co., Ltd* (上海蒙元商業保理有限公司), a company incorporated in the PRC and an indirect subsidiary of the Company
“Strategic Collaboration Agreement”	the strategic collaboration agreement dated 23 December 2020 and entered into between the Company and COFCO Trust Company Limited in relation to the purchase of various financial services and products, which has a term commencing from 23 December 2020 and ending on 22 December 2023, as disclosed in the announcement of the Company dated 23 December 2020
“Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 6 March 2023 and entered into between Shanghai Mengyuan and COFCO Capital Fintech in relation to the provision of factoring services to the COFCO Group Companies
“%”	per cent

By order of the Board
China Mengniu Dairy Company Limited
中國蒙牛乳業有限公司*
Jeffrey, Minfang Lu
Chief Executive Officer and Executive Director

Hong Kong, 6 March 2023

As at the date of this announcement, the Board comprises: Mr. Jeffrey, Minfang Lu, Ms. Wang Yan and Mr. Zhang Ping as executive directors; Mr. Chen Lang, Mr. Wang Xi and Mr. Simon Dominic Stevens as non-executive directors; and Mr. Yih Dieter (alias Yih Lai Tak, Dieter), Mr. Li Michael Hankin and Mr. Ge Jun as independent non-executive directors.

* For identification purposes only