
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China ZhongDi Dairy Holdings Company Limited, you should at once hand this circular together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

中國中地乳業控股有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1492)

(1) SPECIAL DEAL IN RELATION TO THE SHARE SUBSCRIPTION AGREEMENT AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser
to the Independent Board Committee**



A letter from the Board is set out on pages 6 to 14 of this circular. A letter from the Independent Board Committee including its advice to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser including its advice to the Independent Board Committee is set out on pages 17 to 32 of this circular.

A notice convening the EGM to be held at the Conference Room, 10th Floor, Block A, Times Fortune Compound, No. A6 Shuguang Xili, Chaoyang District, Beijing, the People's Republic of China on Wednesday, 2 December 2020 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed herewith. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory body temperature screening/checks
- (2) Wearing of surgical face mask
- (3) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) to (2) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

11 November 2020

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorised by laws to be closed in mainland China and Hong Kong
“China” or “PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive
“Company”	China ZhongDi Dairy Holdings Company Limited (Stock Code: 1492), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Share Subscription in accordance with the terms and conditions of the Share Subscription Agreement
“Completion Date”	the date on which Completion takes place
“Composite Document”	the composite offer and response document to be jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offer, the recommendation from the Independent Board Committee and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened on 2 December 2020 and any adjournment, to consider, and if thought fit, pass the resolution in relation to the Share Subscription Agreement
“Exchange Shares”	the aggregate of 1,140,519,522 Shares to be transferred by Jingang Trade, YeGu Investment and Green Farmlands in exchange for 1,140,519,522 shares of the Offeror pursuant to the terms of the Share Subscription Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Green Farmlands”	Green Farmlands Group, which is wholly and beneficially owned by YeGu Investment
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all non-executive Directors, namely Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua, and independent non-executive Directors, namely Prof. Li Shengli, Dr. Zhang Shengli and Mr. Zhang Juying Jerry, established for the purpose of providing recommendations in respect of, among other things, the Share Subscription as a special deal
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee in respect of, among other things, the Share Subscription as a special deal
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it

DEFINITIONS

“Irrevocable Undertakings”	the irrevocable undertakings given by each of Pacific Eminent Limited, Agriculture Investment Company Limited, Jingm Investment Company Limited (each of Jingm Investment Company Limited and Agriculture Investment Company Limited being a wholly-owned subsidiary of Shanghai Jingmu Investment Center (Limited Partnership)), Chingford Holdings Limited, Tianfu Investment Company Limited, Tai Shing Company Limited, Peak Ring Holding Limited, New Century Husbandry Limited (each of Peak Ring Holding Limited and New Century Husbandry Limited being a wholly controlled corporation of CITIC Capital Holdings Limited), Beyond Dawn Limited and Golden Avenue Investment Limited, details of which are set out in the joint announcements issued by the Offeror and the Company dated 27 October 2020 and 29 October 2020, respectively
“Jingang Trade”	Hongkong Jingang Trade Holding Co., Limited, which is wholly and beneficially owned by Yili Industrial
“Joint Announcement”	the joint announcement dated 27 September 2020 issued by the Offeror and the Company in relation to, among other things, the Share Subscription Agreement and the Offer
“Latest Practicable Date”	6 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory conditional cash offer to be made by CLSA Limited on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
“Offer Price”	the price at which the Offer is made, being HK\$1.132 per Offer Share
“Offer Share(s)”	any and all the Shares (other than those already owned and/or agreed to be acquired by the Offeror upon Completion)

DEFINITIONS

“Offeror”	Wholesome Harvest Limited, an exempted company incorporated in Cayman Islands with limited liability and wholly and beneficially owned by Jingang Trade as at the Latest Practicable Date and will become a joint venture owned by Jingang Trade as to approximately 72.84% and by YeGu Investment as to approximately 27.16% upon Completion
“Offeror Concert Group”	the Offeror, Jingang Trade, Mr. Zhang Jianshe, YeGu Investment, Green Farmlands, Mr. Zhang Kaizhan, SiYuan Investment and respective parties acting in concert with each of them or party as specified and as determined in accordance with the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) with par value of US\$0.00001 each in the share capital of the Company
“Share Subscription”	the subscription of 2,606,719,522 shares of the Offeror by the Subscribers pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement dated 27 September 2020 entered into by and between the Offeror as issuer and Jingang Trade, Mr. Zhang Jianshe, YeGu Investment and Green Farmlands as subscribers for the subscription of 2,606,719,522 shares
“Shareholder(s)”	holder(s) of the Share(s)
“SiYuan Investment”	SiYuan Investment Company Limited, which is wholly and beneficially owned by Mr. Zhang Kaizhan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the subscribers under the Share Subscription Agreement, namely Jingang Trade, Mr. Zhang Jianshe, YeGu Investment and Green Farmlands

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong
“YeGu Investment”	YeGu Investment Company Limited, which is wholly-owned by Mr. Zhang Jianshe
“Yili Industrial”	Inner Mongolia Yili Industrial Group Co., Ltd (內蒙古伊利實業集團股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange of the PRC (stock code: 600887)
“Zhang Group”	Mr. Zhang Jianshe, YeGu Investment and Green Farmlands
“%”	per cent

LETTER FROM THE BOARD



CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

中國中地乳業控股有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1492)

Executive Directors:

Mr. Zhang Jianshe
(Chairman and Chief Executive Officer)
Mr. Zhang Kaizhan

Non-executive Directors:

Mr. Liu Dai
Mr. Du Yuchen
Mr. Li Jian
Ms. Yu Tianhua

Independent non-executive Directors:

Prof. Li Shengli
Dr. Zhang Shengli
Mr. Zhang Juying Jerry

Registered office in the Cayman Islands:

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

*Headquarters and principal place of
business in the PRC:*

10th Floor
Block A, Time Fortune Compound
No. A6, Shuguang Xili
Chaoyang District
Beijing
The PRC

Place of business in Hong Kong:

20/F, 238 Des Voeux Road Central
Hong Kong

11 November 2020

To the Shareholders

Dear Sir or Madam,

**(1) SPECIAL DEAL IN RELATION TO THE SHARE
SUBSCRIPTION AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Share Subscription Agreement and the Offer.

LETTER FROM THE BOARD

The purpose of this circular is to provide Shareholders with, among other things, (i) information regarding the Share Subscription, which constitutes a special deal; (ii) the recommendation from the Independent Board Committee on the Share Subscription; (iii) the advice from the Independent Financial Adviser on the Share Subscription; and (iv) the notice of the EGM.

THE SHARE SUBSCRIPTION AGREEMENT

The principal terms of the Share Subscription Agreement are summarized below:

Date:	27 September 2020
Parties:	
Issuer:	the Offeror
Subscribers:	(i) Jingang Trade; and (ii) Zhang Group

Subject and Consideration of the Share Subscription Agreement

Jingang Trade has conditionally agreed to (i) transfer 432,641,522 Shares legally and beneficially held by it and (ii) contribute a capital injection of HK\$1,659,738,400 to the Offeror, which is equal to the total value of 1,466,200,000 Shares subject to the Offer (representing approximately 56.25% of the total issued share capital of the Company as at the Latest Practicable Date) calculated based on the Offer Price of HK\$1.132 per Offer Share, in exchange for 1,898,841,522 ordinary shares issued by the Offeror. Zhang Group has conditionally agreed to transfer 707,878,000 Shares beneficially held by Zhang Group, comprising (i) 392,088,000 Shares directly owned by YeGu Investment and (ii) 315,790,000 Shares directly owned by Green Farmlands, to the Offeror in exchange for 707,878,000 ordinary shares issued by the Offeror to YeGu Investment. The transfer and subscription price per share of the Offeror is HK\$1.132 per share, equivalent to the Offer Price.

Conditions precedent to the Share Subscription Agreement

Pursuant to the Share Subscription Agreement, Completion is subject to the satisfaction (or waiver, as stated further below) of the following conditions:

- (i) the passing of all necessary resolutions by the Independent Shareholders (as required under the Takeovers Code) at the general meeting of the Company pursuant to the requirements under the Takeovers Code and/or the Listing Rules to effect the Share Subscription Agreement;
- (ii) the Executive granting “special deal” consent under Rule 25 of the Takeovers Code in relation to the Share Subscription Agreement having been obtained and not having been revoked;

LETTER FROM THE BOARD

- (iii) the receipt of antitrust clearance from the State Administration for Market Regulation of the People's Republic of China;
- (iv) Jingang Trade's warranties in the Share Subscription Agreement shall be true and correct in all respects as of the Completion; and
- (v) Zhang Group's warranties in the Share Subscription Agreement shall be true and correct in all respects as of the Completion.

Conditions (i) to (iii) above are not waivable by any party to the Share Subscription Agreement. Condition (iv) can be waived by Zhang Group in its sole discretion and Condition (v) can be waived by Jingang Trade in its sole discretion.

Warranties

Jingang Trade warrants to Zhang Group that:

- (i) Jingang Trade is the sole legal and beneficial owner of 432,641,522 Shares;
- (ii) there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on, over or affecting such 432,641,522 Shares registered in its name and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any;
- (iii) Jingang Trade has the requisite power and authority to enter into and perform the Share Subscription Agreement; and
- (iv) the Share Subscription Agreement constitutes binding obligations of Jingang Trade in accordance with its terms.

Zhang Group jointly and severally warrant to Jingang Trade that:

- (i) Zhang Group are the beneficial owners of 707,878,000 Shares;
- (ii) there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on, over or affecting such 707,878,000 Shares and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any;
- (iii) Zhang Group have the requisite power and authority to enter into and perform the Share Subscription Agreement; and
- (iv) the Share Subscription Agreement constitutes binding obligations of Zhang Group in accordance with its terms.

LETTER FROM THE BOARD

Completion

Pursuant to the Share Subscription Agreement, Completion shall take place within ten (10) Business Days after all conditions to the Share Subscription Agreement are satisfied (or waived, where applicable), or any other date as may be agreed by the Offeror and the Subscribers. Upon Completion, the Offeror will hold 1,140,519,522 Shares, representing approximately 43.75% of the voting rights of the Company calculated based on the issued share capital of the Company as at the Latest Practicable Date. Jingang Trade and YeGu Investment will respectively hold 1,898,841,522 and 707,878,000 shares of the Offeror, representing approximately 72.84% and 27.16% of the total issued share capital of the Offeror, respectively.

Termination

The Share Subscription Agreement may be terminated by mutual written consent of the parties.

POSSIBLE MANDATORY CONDITIONAL CASH OFFER

As at the Latest Practicable Date, the Offeror did not hold any Shares and the sole shareholder of the Offeror, being Jingang Trade, held 432,641,522 Shares, representing approximately 16.6% of the total issued share capital of the Company. Immediately following the Completion, 432,641,522 Shares, 392,088,000 Shares and 315,790,000 Shares, representing approximately 16.6%, 15.04% and 12.11% of the total issued share capital of the Company, will be transferred to the Offeror from Jingang Trade, YeGu Investment and Green Farmlands, respectively, where the Offeror will be interested in 1,140,519,522 Shares in aggregate, representing approximately 43.75% voting rights of the Company calculated based on the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror).

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document (together with relevant form(s) of acceptance) should be posted to the Shareholders within 21 days of the date of the Joint Announcement. In light of (i) the satisfaction of certain unwaivable conditions precedent to the Share Subscription Agreement cannot be fulfilled within 21 days of the date of the Joint Announcement; (ii) the National Day holidays in the PRC from 1 October 2020 to 8 October 2020 and certain ongoing travel restrictions in light of the COVID-19 pandemic; and (iii) the additional time required by the Offeror and the Company for the collection of information and the preparation of the valuation report and the indebtedness statement for inclusion in the Composite Document, an application has been made to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent and the consent has been granted by the Executive to extend the latest time for the despatch of the Composite Document to within seven days after the date of Completion or 18 January 2021, whichever is earlier.

LETTER FROM THE BOARD

SPECIAL DEAL IN RELATION TO THE SHARE SUBSCRIPTION

The Share Subscription is an arrangement between Jingang Trade (being the beneficial owner of the Offeror as at the Latest Practicable Date and a Shareholder) and Zhang Group (being the direct and indirect Shareholders), which is not capable of being extended to all Shareholders. As such, the Share Subscription constitutes a “special deal” under Note 3 to Rule 25 of the Takeovers Code. Accordingly, the Share Subscription will be conditional upon, among others, obtaining the consent of the Executive. The Executive will normally consent to the special deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that the terms of the special deal are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the EGM by way of poll. An application has been made to the Executive for its consent to the special deal pursuant to Note 3 to Rule 25 of the Takeovers Code.

The Company has appointed Opus Capital as the Independent Financial Adviser to advise the Independent Board Committee in respect of, among other things, the Share Subscription as a special deal. The letter from the Independent Financial Adviser to the Independent Board Committee on the Share Subscription is set out in the “Letter from Opus Capital” on pages 17 to 32 of this circular.

The Independent Board Committee, comprising all non-executive Directors, namely Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua, and independent non-executive Directors, namely Prof. Li Shengli, Dr. Zhang Shengli and Mr. Zhang Juying Jerry, has been established for the purpose of providing recommendations in respect of, among other things, the Share Subscription as a special deal. The letter from the Independent Board Committee setting out its advice and recommendations to the Independent Shareholders on the Share Subscription is set out in the “Letter from the Independent Board Committee” on pages 15 to 16 of this circular.

INFORMATION ON THE OFFEROR

The Offeror is an exempted company incorporated in Cayman Islands and set up for the implementation of the Offer on 28 August 2020. As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Jingang Trade, and the Offeror has not had any business or asset since incorporation and does not hold any interest in the Company. Immediately after the Completion, the Offeror will hold 1,140,519,522 Shares, representing approximately 43.75% of the total issued share capital of the Company, and Jingang Trade and YeGu Investment will legally and beneficially hold 1,898,841,522 and 707,878,000 ordinary shares of the Offeror, representing approximately 72.84% and 27.16% of the total issued share capital of the Offeror, respectively.

Jingang Trade is a company incorporated in Hong Kong, primarily engaged in investment and trading businesses. It is wholly and beneficially owned by Yili Industrial. Yili Industrial is a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange of the PRC (stock code: 600887).

LETTER FROM THE BOARD

Yili Industrial is principally engaged in the business of processing and manufacturing dairy products in the PRC. As at the Latest Practicable Date, Yili Industrial does not have any controlling shareholder (as defined in the Listing Rules). As at the Latest Practicable Date, the largest shareholder of Yili Industrial was Hohhot Investment Company Limited* (呼和浩特投資有限責任公司) with a shareholding of approximately 8.85%.

YeGu Investment is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding Shares. It is wholly and beneficially owned by Mr. Zhang Jianshe.

Green Farmlands is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding Shares. It is wholly and beneficially owned by YeGu Investment.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in business operations including raising and breeding dairy cows, producing and selling premium raw milk, importing and selling dairy cows of quality breeds and breeding stock, and import trading business in cows, alfalfa hay and other animal husbandry-related products.

Set out below is a summary of the audited financial information of the Group for each of the two financial years ended 31 December 2018 and 2019 and the unaudited financial information of the Group for the six months ended 30 June 2020:

	For the year ended		For the six
	31 December		months ended
	2019	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	1,499,381	1,424,986	873,220
Profit before tax	102,373	63,190	103,552
Profit and total comprehensive income for the period	102,373	63,190	103,552

LETTER FROM THE BOARD

	As at 31 December		As at
	2019	2018	30 June
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Total assets	5,323,510	4,833,304	5,438,599
Total liabilities	3,059,174	2,731,341	3,070,711
Net assets	2,264,336	2,101,963	2,367,888

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion.

Shareholders	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
	<i>(approximate)</i>		<i>(approximate)</i>	
Offeror	0	0	1,140,519,522	43.75%
Concert parties of the Offeror whose Shares form the Exchange Shares:				
- Jingang Trade (other than through the Offeror)	432,641,522	16.60%	0	0
- YeGu Investment (other than through Green Farmlands) ⁽¹⁾	392,088,000	15.04%	0	0
- Green Farmlands ⁽¹⁾	315,790,000	12.11%	0	0
Concert parties of the Offeror whose Shares form part of the Offer Shares and do not form part of the disinterested Shares:				
- SiYuan Investment ⁽²⁾	61,460,000	2.36%	61,460,000	2.36%
Aggregate number of Shares held by the Offeror Concert Group	1,201,979,522	46.11%	1,201,979,522	46.11%
Other Shareholders	1,404,740,000	53.89%	1,404,740,000	53.89%
Total	2,606,719,522	100%	2,606,719,522	100%

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment which directly held 392,088,000 Shares and indirectly held, through its shareholding in Green Farmlands, 315,790,000 Shares. Accordingly, under the SFO, Mr. Zhang Jianshe was deemed to be interested in the 707,878,000 Shares held directly and indirectly by YeGu Investment. Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in the Shares in which Mr. Zhang Jianshe is interested under the SFO.
2. Mr. Zhang Jianshe and Mr. Zhang Kaizhan are parties acting in concert pursuant to section 317 of the SFO. As at the Latest Practicable Date, Mr. Zhang Kaizhan, through his holding company (SiYuan Investment), indirectly held 61,460,000 Shares. Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the Shares in which Mr. Zhang Kaizhan is interested under the SFO.
3. The table assumes there will be no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date.
4. Shareholding percentages may not add up to 100% due to rounding.

GENERAL

The EGM

The EGM will be held at the Conference Room, 10th Floor, Block A, Times Fortune Compound, No. A6 Shuguang Xili, Chaoyang District, Beijing, the People's Republic of China on Wednesday, 2 December 2020 at 9:30 a.m., to consider and, if thought fit, pass the ordinary resolution in respect of the Share Subscription. A notice to convene the EGM is set out on pages EGM-1 to EGM-2 of this circular.

As at the Latest Practicable Date, the Offeror Concert Group, which held 1,201,979,522 Shares in aggregate, representing approximately 46.11% of the total issued share capital of the Company as at the Latest Practicable Date, had material interest in the Share Subscription and therefore shall abstain from voting on the resolution at the EGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders has any material interest in the matters to be approved at the EGM and accordingly, none of the Shareholders is required to abstain from voting on the resolution at the EGM.

Pursuant to the Irrevocable Undertakings, in respect of (i) the Shares owned by each party; and (ii) any other Shares of which each party may become the registered holder or beneficial owner or in which each party may become so interested after date of the relevant Irrevocable Undertaking, each party has undertaken, amongst other things, to exercise (or where relevant, procure the exercise of) all voting rights attaching to the relevant Shares to vote in favor of the special deal in respect of the Share Subscription. As at the Latest Practicable Date, the total number of Shares held by the Shareholders who have entered into an Irrevocable Undertaking is 1,141,206,000 Shares, represent approximately 43.78% of the total issued share capital of the Company and approximately 81.24% of the total issued Shares held by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed herewith. Whether or not the Shareholders are able to attend the EGM, they are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong

LETTER FROM THE BOARD

share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if the Shareholder(s) so wish.

In accordance with the requirements of the Listing Rules, the resolution to be put forward at the EGM will be voted on by the Independent Shareholders by way of poll.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Friday, 27 November 2020 to Wednesday, 2 December 2020 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company on Thursday, 26 November 2020 will be entitled to attend and vote at the EGM.

RECOMMENDATIONS

The Independent Board Committee (comprising all the non-executive Directors and independent non-executive Directors) has been formed to advise the Independent Shareholders on, among other things, the Share Subscription as a special deal. In addition, the Company has appointed Opus Capital as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders in respect of the Share Subscription, based on the advice from the Independent Financial Adviser set out on pages 17 to 32 of this circular which contains their recommendation to the Independent Board Committee and the principal factors and reasons taken into consideration.

The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, considers that the terms of the Share Subscription are fair and reasonable so far the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Subscription.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in Appendix to this circular.

Yours faithfully,
For and On behalf of the Board
China ZhongDi Dairy Holdings Company Limited
Zhang Jianshe
Chairman



CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

中國中地乳業控股有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1492)

11 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) SPECIAL DEAL IN RELATION TO THE SHARE
SUBSCRIPTION AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company (the “**Circular**”) dated 11 November 2020 of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of, among other things, the Share Subscription (which constitutes a special deal), the details of which are set out in the “Letter from the Board” on pages 6 to 14 of the Circular. Opus Capital has been appointed to advise us in this regard.

Details of the advice and the principal factors and reasons that Opus Capital has taken into consideration in rendering its advice are set out in the “Letter from Opus Capital” on pages 17 to 32 of this circular. Your attention is also drawn to the additional information set out in the Circular.

Having taken into account the terms of the Share Subscription and the advice of Opus Capital, we are of the opinion that the terms of the Share Subscription are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Share Subscription.

Yours faithfully,

For and on behalf of the Independent Board Committee

China ZhongDi Dairy Holdings Company Limited

Mr. Liu Dai

Mr. Du Yuchen

Mr. Li Jian

Ms. Yu Tianhua

Non-executive Directors

Prof. Li Shengli

Dr. Zhang Shengli

Mr. Zhang Juying Jerry

Independent non-executive Directors

LETTER FROM OPUS CAPITAL

Set out below is the letter of advice from the Independent Financial Adviser, Opus Capital, to the Independent Board Committee, in respect of the Share Subscription as a special deal, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

11 November 2020

*To: The Independent Board Committee of
China ZhongDi Dairy Holdings Company Limited*

Dear Sir or Madam,

SPECIAL DEAL IN RELATION TO THE SHARE SUBSCRIPTION AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the Share Subscription as a special deal, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular of the Company to the Shareholders dated 11 November 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the Joint Announcement dated 27 September 2020 in relation to, among other things, the Share Subscription Agreement and the Offer, which commenced the offer period for the Offer. The Company was informed by the Offeror that the Offeror and the Subscribers entered into the Share Subscription Agreement on 27 September 2020, pursuant to which Jingang Trade has conditionally agreed to (i) transfer 432,641,522 Shares legally and beneficially held by it and (ii) contribute a capital injection of HK\$1,659,738,400 to the Offeror, which is equal to the total value of 1,466,200,000 Shares (representing approximately 56.25% of the total issued share capital of the Company as at the Latest Practicable Date) subject to the Offer calculated based on the Offer Price of HK\$1.132 per Offer Share, in exchange for 1,898,841,522 ordinary shares issued by the Offeror, and Zhang Group has conditionally agreed to transfer 707,878,000 Shares beneficially held by Zhang Group, comprising (i) 392,088,000 Shares directly owned by YeGu Investment and (ii) 315,790,000 Shares directly owned by Green Farmlands, to the Offeror in exchange for 707,878,000 ordinary shares to be issued by the Offeror to YeGu Investment. The transfer and subscription price per share of the Offeror (the “**Exchange Price**”) is HK\$1.132 per share, equivalent to the Offer Price.

LETTER FROM OPUS CAPITAL

Upon Completion, the Offeror will hold 1,140,519,522 Shares, representing approximately 43.75% of voting rights of the Company calculated based on the issued share capital of the Company as at the Latest Practicable Date. Jingang Trade and YeGu Investment will respectively hold 1,898,841,522 and 707,878,000 shares of the Offeror, representing approximately 72.84% and 27.16% of the total issued share capital of the Offeror, respectively.

As at the Latest Practicable Date, the Offeror was not interested in any Shares and the sole shareholder of the Offeror, being Jingang Trade, was holding 432,641,522 Shares, representing approximately 16.60% of the total issued share capital of the Company. Such Shares were acquired by Jingang Trade pursuant to a subscription agreement dated 31 July 2020 entered into by and between the Company as issuer and Jingang Trade as subscriber for the subscription of 432,641,522 new Shares at the subscription price of HK\$0.47 per Share (the “**Yili Subscription Agreement**”). For more details, please refer to the announcement of the Company dated 31 July 2020 in relation to the Yili Subscription Agreement (the “**Yili Subscription Announcement**”).

Immediately following Completion, 432,641,522 Shares, 392,088,000 Shares and 315,790,000 Shares, representing approximately 16.60%, 15.04% and 12.11% of the total issued share capital of the Company, will be transferred to the Offeror from Jingang Trade, YeGu Investment and Green Farmlands, respectively, where the Offeror will be interested in 1,140,519,522 Shares in aggregate, representing approximately 43.75% voting rights of the Company calculated based on the issued share capital of the Company as at Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror) (i.e. the Offer).

The Share Subscription is an arrangement between Jingang Trade (being the beneficial owner of the Offeror as at the Latest Practicable Date and a Shareholder) and Zhang Group (being the direct and indirect Shareholders), which is not capable of being extended to all Shareholders. As such, the Share Subscription constitutes a “special deal” under Note 3 to Rule 25 of the Takeovers Code. Accordingly, the Share Subscription will be conditional upon, among others, obtaining the consent of the Executive. The Executive will normally consent to the special deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that the terms of the special deal are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the EGM, which is to be held on 2 December 2020, by way of poll. An application has been made to the Executive for its consent to the special deal pursuant to Note 3 to Rule 25 of the Takeovers Code.

As at the Latest Practicable Date, the Offeror Concert Group, which held 1,201,979,522 Shares in aggregate, representing approximately 46.11% of the total issued share capital of the Company as at the Latest Practicable Date, had material interest in the Share Subscription and therefore shall abstain from voting on the resolution at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors and having made all

LETTER FROM OPUS CAPITAL

reasonable enquiries, none of the Shareholders has any material interest in the matters to be approved at the EGM and accordingly, none of the Shareholders is required to abstain from voting on the resolution at the EGM.

Pursuant to the Irrevocable Undertakings, in respect of (i) the Shares owned by each party; and (ii) any other Shares of which each party may become the registered holder or beneficial owner or in which each party may become so interested after date of the relevant Irrevocable Undertaking, each party has undertaken, amongst other things, to exercise (or where relevant, procure the exercise of) all voting rights attaching to the relevant Shares to vote in favor of the special deal in respect of the Share Subscription. As at the Latest Practicable Date, the total number of Shares held by the Shareholders who had entered into an Irrevocable Undertaking is 1,141,206,000 Shares, representing approximately 43.78% of the total issued share capital of the Company and approximately 81.24% of the total issued Shares held by the Independent Shareholders.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all non-executive Directors, namely Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua, and independent non-executive Directors, namely Prof. Li Shengli, Dr. Zhang Shengli and Mr. Zhang Juying Jerry, has been established for the purpose of providing recommendations to the Independent Shareholders in respect of, among other things, the Share Subscription as a special deal. Our appointment as the Independent Financial Adviser to advise the Independent Board Committee in the same regard has been approved by the Independent Board Committee.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and independent shareholders of the Company on certain continuing connected transactions (including the relevant annual caps) (the “**CCT IFA Appointment**”), details of the continuing connected transactions under the CCT IFA Appointment are set out in the circular of the Company dated 15 October 2020. The relevant continuing connected transactions under the CCT IFA Appointment are independent of the Share Subscription Agreement and the Offer.

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, the Offeror Concert Group, Zhang Group, the Subscribers or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with the CCT IFA Appointment and this appointment regarding the Share Subscription and the Offer, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror Concert Group, Zhang Group, the Subscribers or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Share Subscription and the Offer pursuant to Rule 2.6 of the Takeovers Code.

LETTER FROM OPUS CAPITAL

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, among other things:

- (i) the Joint Announcement;
- (ii) the Share Subscription Agreement;
- (iii) the Company's annual report for the year ended 31 December (“FY”) 2019 (the “**2019 Annual Report**”);
- (iv) the Company's interim report for the six months ended 30 June (“HY”) 2020 (the “**2020 Interim Report**”);
- (v) the Yili Subscription Announcement; and
- (vi) other information as set out in the Circular.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”) regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

LETTER FROM OPUS CAPITAL

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed (other than those relating to the Offeror, the Subscribers or any of their associates or parties acting in concert with it) and confirm, having made all reasonable enquiries that, that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

Mr. Zhang Jianshe accepts full responsibility for the accuracy of information disclosed (other than those relating to the Offeror and Jingang Trade) and confirms, having made all reasonable inquiries, that to the best of his knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

Information relating to the Offeror, the Subscribers (other than Zhang Group) or any of their associates or parties acting in concert with it set out in this letter were extracted from the information in the Joint Announcement and reproduced in this letter. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Share Subscription as a special deal, and except for its inclusion in the Circular is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation for the Share Subscription as a special deal, we have considered the following principal factors and reasons:

1. Information on Yili Industrial, Jingang Trade and the Offeror

Yili Industrial

Yili Industrial is a limited liability company incorporated in the PRC. Its shares are listed on the Shanghai Stock Exchange in the PRC (stock code: 600887). Yili Industrial is one of the largest dairy product enterprises in the PRC with substantial scale in terms of market capitalisation and annual revenue and a comprehensive product portfolio. It is principally engaged in the processing, manufacturing, and sale of various dairy products and health beverages. It has several major product series, comprising of liquid milk, milk beverages, milk powder, yogurt, frozen beverages, cheese, milk fat, and packaged drinking water. As at the Latest Practicable Date, Yili Industrial did not have any controlling shareholder (as defined in the Listing Rules). As at the Latest Practicable Date, the largest shareholder of Yili Industrial was 呼和浩特投資有限責任公司 (Hohhot Investment Company Limited)* with a shareholding of approximately 8.85%. Based on its annual reports, Yili Industrial recorded revenue and net profit of approximately RMB90,233.1 million and RMB6,950.7 million, respectively for FY2019 and had net asset value and cash and bank balances of approximately RMB26,274.1 million and

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RMB11,325.3 million, respectively, as at 31 December 2019. In addition, Yili Industrial had a total market capitalisation of approximately RMB231.8 billion as at the last trading date prior to the date of the Joint Announcement.

Jingang Trade

Jingang Trade is a company incorporated in Hong Kong, primarily engaged in investment and trading businesses. It is wholly and beneficially owned by Yili Industrial. As at the Latest Practicable Date, Jingang Trade directly held 432,641,522 Shares, representing approximately 16.60% of the total issued share capital of the Company.

The Offeror

The Offeror is an exempted company incorporated in Cayman Islands and was set up for the implementation of the Offer on 28 August 2020. As at the Latest Practicable Date and prior to Completion, the Offeror is wholly and beneficially owned by Jingang Trade, and the Offeror has not had any business or asset since incorporation and does not hold any interest in the Company. Upon Completion and prior to the Offer, all the Exchange Shares (i.e. an aggregate of 1,140,519,522 Shares to be transferred by Jingang Trade, YeGu Investment and Green Farmlands to the Offeror) will be held by the Offeror.

2. Information on Zhang Group

Mr. Zhang Jianshe

As set out in the 2019 Annual Report, Mr. Zhang Jianshe is the Chairman, executive Director and Chief Executive Officer of the Company. He is also the Chairman of the Nomination Committee of the Company. Mr. Zhang Jianshe joined the Group in October 2002 and worked as a deputy manager of 寬甸中地生態牧場有限公司 (Kuandian ZhongDi Farming Co., Ltd.)* (“**ZhongDi Kuandian**”) from October 2002 to February 2003. Mr. Zhang Jianshe was appointed as an executive Director in April 2014 and is primarily responsible for the overall management of the Company’s strategic planning and supervision of its implementation. Mr. Zhang Jianshe is currently a director of all the Company’s subsidiaries and the chairman of 中地乳業集團有限公司 (ZhongDi Dairy Corporation)*.

Mr. Zhang Jianshe graduated from Northwest Agriculture College (currently known as Northwest Agriculture and Forestry University (西北農林科技大學)) located in Shaanxi Province with a bachelor’s degree of science in management of agricultural economics in July 1984. He has been the vice president of the China Animal Agriculture Association (中國畜牧業協會) since December 2011 and the vice president of the Dairy Association of China (中國奶業協會) since July 2018. He is a senior economist in agricultural economics credentialed by the Ministry of Agriculture of the PRC (now the Ministry of Agriculture and Rural Affairs) (中華人民共和國農業農村部).

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Mr. Zhang Jianshe is also the founder of the Group and the single largest shareholder of the Company holding an aggregate shareholding interests of 27.16%. Owing to Mr. Zhang Jianshe's extensive experience and network in the industry, he has been instrumental for the founding and historical development of the Group.

YeGu Investment

YeGu Investment is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding Shares. It is wholly and beneficially owned by Mr. Zhang Jianshe. As at the Latest Practicable Date, YeGu Investment directly held 392,088,000 Shares, representing approximately 15.04% issued share capital of the Company.

Green Farmlands

Green Farmlands is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding Shares. It is wholly and beneficially owned by YeGu Investment. As at the Latest Practicable Date, Green Farmlands directly held 315,790,000 Shares, representing approximately 12.11% issued share capital of the Company.

3. Information on the Company

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since December 2015. The Company is a modern agricultural and animal husbandry enterprise which is mainly engaged in dairy farming in the PRC. The Group's business models cover participating in multiple stages of the dairy farming industry value chain, including raising dairy cows, breeding dairy cows, producing and selling premium raw fresh milk, importing and selling dairy cows of quality breeds and breeding stock, as well as import-trading business in alfalfa hay and other animal husbandry-related products. As set out in the 2020 Interim Report, the Group's dairy farming business had eight modern dairy farms in operation in the PRC and a total of 66,065 dairy cows as at 30 June 2020.

A summary of the audited financial information of the Group for each of FY2018, FY2019 and the unaudited financial information of the Group for the HY2020 is set out in the section headed "Information on the Group" in the Letter from the Board.

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4. Terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are summarised below:

Date: 27 September 2020

Parties:

Issuer: the Offeror

Subscribers: (i) Jingang Trade; and

(ii) Zhang Group

Subject and Consideration of the Share Subscription Agreement

Jingang Trade has conditionally agreed to (i) transfer 432,641,522 Shares legally and beneficially held by it and (ii) contribute a capital injection of HK\$1,659,738,400 to the Offeror, which is equal to the total value of 1,466,200,000 Shares subject to the Offer (representing approximately 56.25% of the total issued share capital of the Company as at the Latest Practicable Date) calculated based on the Offer Price of HK\$1.132 per Offer Share, in exchange for 1,898,841,522 ordinary shares issued by the Offeror. Zhang Group has conditionally agreed to transfer 707,878,000 Shares beneficially held by Zhang Group, comprising (i) 392,088,000 Shares directly owned by YeGu Investment and (ii) 315,790,000 Shares directly owned by Green Farmlands, to the Offeror in exchange for 707,878,000 ordinary shares issued by the Offeror to YeGu Investment. The Exchange Price per share of the Offeror is HK\$1.132 per share, equivalent to the Offer Price.

Conditions precedent to the Share Subscription Agreement

Pursuant to the Share Subscription Agreement, Completion is subject to the satisfaction (or waiver, as stated further below) of the following conditions:

- (i) the passing of all necessary resolutions by the Independent Shareholders (as required under the Takeovers Code) at the general meeting of the Company pursuant to the requirements under the Takeovers Code and/or the Listing Rules to effect the Share Subscription Agreement;
- (ii) the Executive granting “special deal” consent under Rule 25 of the Takeovers Code in relation to the Share Subscription Agreement having been obtained and not having been revoked;
- (iii) the receipt of antitrust clearance from the State Administration for Market Regulation of the PRC;

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- (iv) Jingang Trade's warranties in the Share Subscription Agreement shall be true and correct in all respects as of Completion; and
- (v) Zhang Group's warranties in the Share Subscription Agreement shall be true and correct in all respects as of Completion.

Conditions (i) to (iii) above are not waivable by any party to the Share Subscription Agreement. Condition (iv) can be waived by Zhang Group in its sole discretion and Condition (v) can be waived by Jingang Trade in its sole discretion.

Warranties

Jingang Trade warrants to Zhang Group that:

- (i) Jingang Trade is the sole legal and beneficial owner of 432,641,522 Shares;
- (ii) there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on, over or affecting such 432,641,522 Shares registered in its name and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any;
- (iii) Jingang Trade has the requisite power and authority to enter into and perform the Share Subscription Agreement; and
- (iv) the Share Subscription Agreement constitutes binding obligations of Jingang Trade in accordance with its terms.

Zhang Group jointly and severally warrant to Jingang Trade that:

- (i) Zhang Group are the beneficial owners of 707,878,000 Shares;
- (ii) there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on, over or affecting such 707,878,000 Shares and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any;
- (iii) Zhang Group have the requisite power and authority to enter into and perform the Share Subscription Agreement; and
- (iv) the Share Subscription Agreement constitutes binding obligations of Zhang Group in accordance with its terms.

LETTER FROM OPUS CAPITAL

Completion

Pursuant to the Share Subscription Agreement, Completion shall take place within ten (10) Business Days after all conditions to the Share Subscription Agreement are satisfied (or waived, where applicable), or any other date as may be agreed by the Offeror and the Subscribers. Upon Completion, the Offeror will hold 1,140,519,522 Shares, representing approximately 43.75% of the voting rights of the Company calculated based on the issued share capital of the Company as at the Latest Practicable Date. Jingang Trade and YeGu Investment will respectively hold 1,898,841,522 and 707,878,000 shares of the Offeror, representing approximately 72.84% and 27.16% of the total issued share capital of the Offeror, respectively.

Termination

The Share Subscription Agreement may be terminated by mutual written consent of the parties to the Share Subscription Agreement.

5. Shareholding analysis

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion.

Shareholders	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	% (approximate)	Number of Shares	% (approximate)
Offeror	0	0	1,140,519,522	43.75%
Concert parties of the Offeror whose Shares form the Exchange Shares:				
- Jingang Trade (other than through the Offeror)	432,641,522	16.60%	0	0
- YeGu Investment (other than through Green Farmlands) ⁽¹⁾	392,088,000	15.04%	0	0
- Green Farmlands ⁽¹⁾	315,790,000	12.11%	0	0
Concert parties of the Offeror whose Shares form part of the Offer Shares and do not form part of the disinterested Shares:				
- SiYuan Investment ⁽²⁾	61,460,000	2.36%	61,460,000	2.36%
Aggregate number of Shares held by the Offeror Concert Group	1,201,979,522	46.11%	1,201,979,522	46.11%
Other Shareholders	1,404,740,000	53.89%	1,404,740,000	53.89%
Total	2,606,719,522	100%	2,606,719,522	100%

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Notes:

1. As at the Latest Practicable Date, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment which directly held 392,088,000 Shares and indirectly held, through its shareholding in Green Farmlands, 315,790,000 Shares. Accordingly, under the SFO, Mr. Zhang Jianshe was deemed to be interested in the 707,878,000 Shares held directly and indirectly by YeGu Investment. Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in the Shares in which Mr. Zhang Jianshe is interested under the SFO.
2. Mr. Zhang Jianshe and Mr. Zhang Kaizhan are parties acting in concert pursuant to section 317 of the SFO. As at the Latest Practicable Date, Mr. Zhang Kaizhan, through his holding company (SiYuan Investment), indirectly held 61,460,000 Shares. Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the Shares in which Mr. Zhang Kaizhan is interested under the SFO.
3. The table assumes there will be no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date.
4. Shareholding percentages may not add up to 100% due to rounding.

Based on our observation and discussion with the representatives of the Offeror and Mr. Zhang Jianshe, we understand that the idea of the Share Subscription is for the shareholding structure of the Offeror to emulate that of the Company whereby at Completion, the total number of shares of the Offeror (i.e. 2,606,719,522) would equate to that of the Company of 2,606,719,522 Shares. For a simplified tabulated presentation of the shareholding structures of the Offeror and the Company upon Completion, please see below:

	The Offeror			The Company	
	<i>Number of shares</i>	<i>% (approximate)</i>		<i>Number of Shares</i>	<i>% (approximate)</i>
Jingang Trade	1,898,841,522	72.84%	The Offeror	1,140,519,522	43.75%
Zhang Group⁽¹⁾	707,878,000	27.16%			
Other			Other		
shareholders⁽²⁾	–	–	Shareholders	1,466,200,000	56.25%
Total	2,606,719,522	100%		2,606,719,522	100%

Notes:

1. Upon Completion, the newly issued shares of the Offeror shall be held by Zhang Group through YeGu Investment.
2. Save for Jingang Trade and Zhang Group (through shareholding to be held by YeGu Investment), there will be no other shareholder at the Offeror level upon Completion.
3. The table assumes there will be no change in the issued share capital of the Offeror and the Company from the Latest Practicable Date to the Completion Date.

To achieve the above shareholding structures, Mr. Zhang Jianshe has agreed to procure YeGu Investment and Green Farmlands to transfer 707,878,000 Shares in exchange for 707,878,000 shares to be issued by the Offeror. On the other hand, (i) Jingang Trade has agreed to transfer to the Offeror 432,641,522 Shares; and (ii) Jingang Trade has agreed to contribute HK\$1,659,738,400 to the Offeror, which is equal to the total value of 1,466,200,000 shares of

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the Offeror calculated based on the Exchange Price per share of the Offeror of HK\$1.132 per share (equivalent to the Offer Price), in exchange for 1,898,841,522 shares of the Offeror. Upon Completion, the Offeror would hold 1,140,519,522 Shares with HK\$1,659,738,400 reserved for the potential acquisition of 1,466,200,000 Shares subject to the Offer which are held by the other Shareholders, with the Offer Price equivalent to HK\$1.132 per Offer Share.

As at the Latest Practicable Date, there were 2,606,719,522 Shares in issue. On the basis of the Offer Price being HK\$1.132 per Offer Share, the total issued share capital of the Company would be valued at HK\$2,950,806,498.9 (the “**Implied Market Value**”). On the basis of full acceptance of the Offer, the maximum cash consideration payable by the Offeror under the Offer would be HK\$1,659,738,400 based on the Offer Price, which is equal to the amount to be contributed by the Jingang Trade to the Offeror pursuant to the Share Subscription Agreement.

We note that Zhang Group’s shareholding in the Company as at the Latest Practicable Date was approximately 27.16%. As each share of the Offeror is priced at HK\$1.132 per share (i.e. the Exchange Price) and each Offer Share under the Offer is priced at HK\$1.132 per Offer Share (i.e. the Offer Price) and with the Offeror and the Company having the same number of issued shares upon Completion, the Implied Market Value is also the total equity value of the Offeror. Therefore, upon Completion, although Zhang Group, through YeGu Investment, would become a 27.16% shareholder of the Offeror by exchanging such number of Exchanged Shares for the same number of shares in the Offeror, its effective economic interests in the Implied Market Value would remain the same at 27.16%. Upon Completion, both Jingang Trade and Zhang Group are entitled to the fair share of the economic interests in the Implied Market Value according to their respective shareholding in the Offeror.

6. Basis for the Share Subscription

As spoken with the representatives of the Offeror and Mr. Zhang Jianshe, we are given to understand that, in light of the Offer and the possible privatisation of the Company (if the Offeror exercises the compulsory acquisition rights available to it), the main purpose of the Share Subscription would be to retain the business interest of Mr. Zhang Jianshe, the founder, Chairman, executive Director and Chief Executive Officer of the Company, whose biography is set out in the section headed “2. Information on Zhang Group” above, given it is considered important to align Mr. Zhang Jianshe’s interest with that of Yili Industrial, the ultimate controlling shareholder of the Offeror after the Offer. Such retention mechanism (the “**Subscription Rollover Arrangement**”) is in some form similar to the rollover arrangements commonly used under scheme of arrangement type of privatisation cases where the participating shareholders, who are usually management shareholders, would be allowed to retain their respective shareholdings in the offeree after the scheme of arrangement becomes effective.

As discussed in the section headed “Intention of the Offeror on the Group” as set out in the Joint Announcement, it is the intention of the Offeror that the Company will continue to focus on the development of its existing businesses, namely dairy farming in China subject to

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a continuing review of its operations and the development of a plan to realise efficiencies and synergies with affiliated businesses of Yili Industrial. Given Mr. Zhang Jianshe's decades-long experience in the industry and deep experience in all facets of the Group's operations, he is the centerpiece of the Management and the single largest shareholder of the Company holding an aggregate shareholding interests of 27.16% and who is someone with an extensive operational expertise and an in-depth understanding of the dairy farming industry, as well as long-established relationships with customers, suppliers, regulators, local authorities, management and employees of the Group. Accordingly, to retain Mr. Zhang Jianshe under the Subscription Rollover Arrangement will enable him to continue to contribute to the development of the Company's existing business. As advised by both the representatives of the Offeror and the Management, we understand that the retention of Mr. Zhang Jianshe as a substantial shareholder of the Offeror, which will later become the controlling shareholder of the Company, after Completion and close of the Offer, so that his interest is aligned with Yili Industrial and who will have incentives to continue to contribute to the long-term growth and development of the Group, is of critical importance for Yili Industrial and is a major contributing factor to Yili Industrial's confidence in making the Offer.

7. Assessment of the Subscription Rollover Arrangement

To assess whether the Subscription Rollover Arrangement is fair and reasonable, we took turn in examining the following principal factors:

(A) Risks associated with minority protection in the Offeror as a private company

As advised by both the representatives of the Offeror and Mr. Zhang Jianshe, save for the memorandum of association and articles of association of the Offeror, there is no other shareholders agreement between Jingang Trade and Zhang Group which offers minority protection at the Offeror level. The memorandum of association and articles of association of the Offeror do not provide for any reserved matters or other special rights for minority shareholders, and ordinary resolutions require approval only with the simple majority of votes by shareholders, and special resolutions require approval by a majority of not less than two-thirds of votes by shareholders. Therefore, should the Independent Shareholders be given the opportunity to take part in the Subscription Rollover Arrangement by transferring their Shares into the Offeror and to become the shareholders of the Offeror by way of subscribing new shares in the Offeror (the "**Hypothetical Scenario**"), whether or not the Company would eventually be privatised, the Independent Shareholders' interests in the Offeror and/or the Company upon the Hypothetical Scenario would no longer be safeguarded by regulations to protect minority shareholders applicable to listed companies on the Stock Exchange, as detailed below.

Firstly, as a private company, the Offeror would not be subject to the same level of corporate governance and minority protection requirements as set out in the Listing Rules. In particular, protection under the general principles of the Listing Rules (including the fair and equal treatment of all shareholders), information rights for shareholders under the Listing Rules (such as the release of financial results/reports), and Chapter 14 and Chapter 14A of the

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Listing Rules regarding notifiable transactions and connected transactions that are currently applicable to the Company as a Hong Kong listed company would no longer apply so far as the Independent Shareholders are concerned. Under the Listing Rules, a Hong Kong listed company would require general mandate for issuing new shares which is limited to a maximum of 20% of the issued share capital and specific shareholders' approval is required if such limit is to be exceeded. In addition, the Takeovers Code would only remain applicable to the Offeror should the Offeror remain a public company in Hong Kong. In the event that the Offeror ceases to be a public company, for example due to having fewer than 50 members, it would no longer be subject to the Takeovers Code. In that case, the interests of the Independent Shareholders would only be safeguarded primarily by the constitutional documents of the Offeror (i.e. the memorandum and articles of association of the Offeror, with no shareholders agreement) and provisions regarding minority shareholders' interest protection under the Companies Law of the Cayman Islands, which do not provide the level of minority protection that would be available had the Takeovers Code and the Listing Rules continued to apply.

(B) Investment risks associated with holding the shares of the Offeror as a private investment

Under the Hypothetical Scenario, the Independent Shareholders might find it difficult to realise their shareholdings as no public trading of the shares of the Offeror would be available. To realise its investment under the Hypothetical Scenario, the Independent Shareholders may wait for the shares of the Offeror to be listed again on an exchange for a future disposal of the relevant shares or they may dispose of the relevant shares by way of a private transaction. None of the above alternatives offers any certainty. Unlike Zhang Group who are parties acting in concert with the Offeror under the Offer and Mr. Zhang Jianshe who, being the core senior management of the Group, is actively involved in the management and operations of the Group, the Independent Shareholders under the Hypothetical Scenario would likely not have the in-depth knowledge of the strategic directions of the Offeror and/or the Group and would likely not be able to shape important strategic decisions of the Offeror. Independent Shareholders should note that the Offeror currently has no intention of a future listing of its shares and there is no indication of such future listing in the Joint Announcement. Likewise, it would be difficult, if not impossible, for individual Independent Shareholders to find potential buyers for the shares of the Offeror through private transactions. As set out in the memorandum and articles of association of the Offeror, subject to the terms of issue thereof, the directors of the Offeror may determine to decline to register any transfer of the shares of the Offeror without assigning a reason. Furthermore, by committing to the Hypothetical Scenario, the Independent Shareholders are basically forfeiting the opportunity to dispose of their Shares under the Offer and on market. In other words, under the Hypothetical Scenario, the Independent Shareholders could be left with the shares of the Offeror that are highly illiquid and difficult to dispose of. All in all, Independent Shareholders subscribing into new shares of the Offeror as a private investment would not represent a sound investment decision and would inevitably expose them to future investment risks as discussed above.

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(C) Mr. Zhang Jianshe's unique position to contribute to the future transitions and development of the Group

Unlike the Independent Shareholders, Mr. Zhang Jianshe, as the founder, the Chairman, executive Director and Chief Executive Officer of the Company with extensive operational expertise and an in-depth understanding of the operations of the Group, is in a unique position enabling him to justify himself for the risks for remaining as a substantial shareholder of the Offeror, which will later become the controlling shareholder of the Company, upon Completion and close of the Offer to contribute to the future transitions and development of the Group. The prospects and future performance of the Group would therefore, to a certain extent and among other things, hinge on the capabilities and performance of its senior management, and in particular Mr. Zhang Jianshe, and how they formulate and implement business growth strategies and react to market challenges in the future. Independent Shareholders therefore need not be comparing themselves to Mr. Zhang Jianshe under the Subscription Rollover Arrangement as the Subscription Rollover Arrangement was designated to Mr. Zhang Jianshe due to his unique position of being the core senior management of the Group.

(D) No price advantage or additional effective interests in the Company to be gained by Mr. Zhang Jianshe

As stated in the section headed "5. Shareholding analysis" above, given the total number of the shares of the Offeror and the total number of the Shares are the same upon Completion, the implied market value of the Offeror and the Implied Market Value would be the same upon Completion. As such, the Exchange Price per share of the Offeror and Offer Price per Offer Share would both be HK\$1.132. In this case, the Independent Shareholders should note that although Mr. Zhang Jianshe would be subscribing into new shares of the Offeror as a private investment, the per share price of the Offeror and the Company would be the same upon Completion. Likewise, upon Completion, the number of shares of the Offeror to be held by Mr. Zhang Jianshe (through YeGu Investment) would be exactly the same as the number of Shares held by Zhang Group as at the Latest Practicable Date, being 707,878,000, both of which would represent effective interests in the Company of approximately 27.16%.

Independent Shareholders should note that our assessment of the fairness and reasonableness of the terms of the Offer do not fall under the ambit of this letter and we shall provide such assessment and issue our opinion and recommendation with respect to the Offer in a separate letter of advice to be enclosed in the Composite Document.

DISCUSSION AND ANALYSIS

The making of the Offer is subject to the occurrence of Completion, which in turn is conditional on the fulfilment of the conditions precedent of the Share Subscription Agreement of which require, among others, (i) the approval by the Independent Shareholders of the Share Subscription as a special deal at the EGM; and (ii) the Executive granting a special deal consent under Rule 25 of the Takeovers Code in relation to the Share Subscription. Considering that, among others, (i) the retention of Mr. Zhang Jianshe as a substantial shareholder of the Offeror after Completion and close of the Offer is of critical importance for Yili Industrial and is a major contributing factor to Yili Industrial's confidence in making the Offer; (ii) under the Hypothetical Scenario, the Independent Shareholders would not have the same level of minority protections which is applicable to Hong Kong listed companies; (iii) under the

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Hypothetical Scenario, the Independent Shareholders subscribing into new shares of the Offeror as a private investment would not represent a sound investment decision and would inevitably expose them to future investment risks; (iv) the Independent Shareholders would be able to realise their investment by accepting the Offer or to dispose of their Shares on the open market during the offer period without the restrictions as the shareholders of the Offeror under the Hypothetical Scenario; (v) Mr. Zhang Jianshe, as the core senior management of the Group with extensive operational expertise and an in-depth understanding of the operations of the Group, is in a unique position enabling him to justify himself for the risks for remaining as a substantial shareholder of the Offeror, which will later become the controlling shareholder of the Company, upon Completion and close of the Offer; and (vi) there is no price difference between the Exchange Price and the Offer Price and Mr. Zhang Jianshe would not be able to obtain additional effective interests in the Company through the Subscription Rollover Arrangement, we are of the view that the Share Subscription, which can be seen as the key pre-condition to the Offer, is fair and reasonable. We do not consider, after taking into account the above considerations, and as far as the interests of the Independent Shareholders are concerned, that the Subscription Rollover Arrangement can be interpreted as having extended any favourable terms to Mr. Zhang Jianshe, but simply an arrangement supported by Yili Industrial and Jingang Trade to ensure core senior management of the Group continues to be retained and committed to the Group for its future transitions and development.

Independent Shareholders should note that the Offer is subject to the occurrence of Completion, which in turn is conditional upon, among others, the approval by the Independent Shareholders of the Share Subscription as a special deal at the EGM and the consent from the Executive to the Share Subscription, otherwise Completion will not take place and the Offer will not proceed.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider that the Share Subscription to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to approve the Share Subscription at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 12 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purpose only*

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Offeror, the Subscribers or any of their associates or parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

Mr. Zhang Jianshe accepts full responsibility for the accuracy of information contained in this circular (other than those relating to the Offeror and Jingang Trade) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

Information relating to the Offeror, the Subscribers (other than Zhang Group) or any of their associates or parties acting in concert with it set out in this circular were extracted from the information in the Joint Announcement. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) were as follows:

Name of Directors	Nature of Interest	Total Number of Shares	Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date
Mr. Zhang Jianshe ^{(1), (3)}	Interest of controlled corporation/ Interest of concert parties	769,338,000(L)	29.51%
Mr. Zhang Kaizhan ^{(1), (3)}	Interest of controlled corporation/ Interest of concert parties	769,338,000(L)	29.51%

Notes:

- (1) As at the Latest Practicable Date, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment which directly held 392,088,000 Shares and indirectly held, through its shareholding in Green Farmlands, 315,790,000 Shares. Accordingly, under the SFO, Mr. Zhang Jianshe was deemed to be interested in the 707,878,000 Shares held directly and indirectly by YeGu Investment. In addition, as at the Latest Practicable Date, Mr. Zhang Kaizhan, through his holding company (SiYuan Investment), indirectly held 61,460,000 Shares.

Mr. Zhang Jianshe and Mr. Zhang Kaizhan are substantial shareholders (as defined in the Listing Rules) of the Company and parties acting in concert under the SFO. Therefore, Mr. Zhang Jianshe and Mr. Zhang Kaizhan jointly held 769,338,000 Shares through their respective holding companies. As such, Mr. Zhang Jianshe and Mr. Zhang Kaizhan were each deemed to be interested in approximately 29.51% of the issued share capital of the Company under the SFO as at the Latest Practicable Date.

- (2) (L) – long position.

- (3) Pursuant to the Share Subscription Agreement, Jingang Trade has conditionally agreed to transfer 432,641,522 Shares legally and beneficially held by it to the Offeror, and Zhang Group has conditionally agreed to transfer (i) 392,088,000 Shares directly owned by YeGu Investment and (ii) 315,790,000 Shares directly owned by Green Farmlands, to the Offeror. Upon Completion, the Offeror will hold 1,140,519,522 Shares, representing approximately 43.75% of voting rights of the Company calculated based on the issued share capital of the Company as at the Latest Practicable Date. Jingang Trade and YeGu Investment will respectively hold 1,898,841,522 and 707,878,000 shares of the Offeror, representing approximately 72.84% and 27.16% of the total issued share capital of the Offeror, respectively. For details, please refer to the Joint Announcement and the “Letter from the Board” of this circular.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying Shares of the Company were as follows:

Name of Substantial Shareholders	Nature of Interest	Total Number of Shares	Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date
Li Jingtao ^{(1), (10)}	Interest of spouse	769,338,000(L)	29.51%
YeGu Investment ⁽¹⁰⁾	Beneficial owner/ Interest of concert parties	769,338,000(L)	29.51%
Zhang Fanghong ^{(2), (10)}	Interest of spouse	769,338,000(L)	29.51%
SiYuan Investment ⁽¹⁰⁾	Beneficial owner/ Interest of concert parties	769,338,000(L)	29.51%
Green Farmlands ⁽¹⁰⁾	Beneficial owner/ Interest of concert parties	769,338,000(L)	29.51%
Yili Industrial ^{(3), (10)}	Interest of controlled corporation	2,281,725,522(L)	87.53%
New Energy Investment GP Ltd ⁽⁴⁾	Interest of controlled corporation	315,790,000(L)	12.11%
New Energy Investment Limited Partnership ⁽⁴⁾	Interest of controlled corporation	315,790,000(L)	12.11%

Name of Substantial Shareholders	Nature of Interest	Total Number of Shares	Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date
VTD705HL Hong Kong Ltd. ⁽⁴⁾	Interest of controlled corporation	315,790,000(L)	12.11%
PACIFIC EMINENT LIMITED ⁽⁴⁾	Beneficial owner	315,790,000(L)	12.11%
Agriculture Investment Company Limited (“Agriculture Investment”) ⁽⁵⁾	Beneficial owner	172,500,000(L)	6.62%
Shanghai Jingmu Investment Center (limited partnership) (“Shanghai Jingmu”) ⁽⁵⁾	Interest of controlled corporation	277,760,000(L)	10.66%
Goldstone Agri-Investment Funds Management Center (Limited Partnership) ⁽⁵⁾	Interest of controlled corporation	277,760,000(L)	10.66%
Beijing Agriculture Investment Fund (Limited Partnership) (“Agriculture Investment Fund”) ⁽⁵⁾	Interest of controlled corporation	277,760,000(L)	10.66%
Beinong Xingbang Investment Consulting Co., Ltd. (formerly known as Beijing Jianye Fengde Investment Consulting Co., Ltd.) ⁽⁵⁾	Interest of controlled corporation	277,760,000(L)	10.66%
CITIC Capital Holdings Limited ⁽⁶⁾	Interest of controlled corporation	174,100,000(L)	6.68%
Jin Jiejing ⁽⁷⁾	Interest of controlled corporation	147,040,000(L)	5.64%
Bao Ying ⁽⁸⁾	Interest of spouse	147,040,000(L)	5.64%
Marvel One Limited ⁽⁷⁾	Interest of controlled corporation	147,040,000(L)	5.64%
Tai Shing Company Limited ⁽⁷⁾	Beneficial owner	147,040,000(L)	5.64%

Notes:

- (1) Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in Shares in which Mr. Zhang Jianshe is interested under the SFO.
- (2) Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the Shares in which Mr. Zhang Kaizhan is interested under the SFO.
- (3) As at the Latest Practicable Date, the Offeror was wholly-owned by Jingang Trade, which was in turn wholly-owned by Yili Industrial. Therefore, Yili Industrial was interested in 1,140,519,522 Shares to be held by the Offeror upon the Completion under the SFO.
- (4) PACIFIC EMINENT LIMITED is wholly owned by VTD705HL Hong Kong Ltd. and VTD705HL Hong Kong Ltd. is wholly owned by New Energy Investment Limited Partnership, New Energy Investment Limited Partnership is wholly owned by New Energy Investment GP Ltd. Each of New Energy Investment Limited Partnership and New Energy Investment GP Ltd. is deemed to be interested in the same number of Shares in which PACIFIC EMINENT LIMITED is interested under the SFO.
- (5) Shanghai Jingmu was the sole shareholder of both Agriculture Investment and Jingm Investment Company Limited and was therefore deemed to be interested in the same number of Shares held by each of them (being 277,760,000 Shares in total). Agriculture Investment Fund was the limited partner of Shanghai Jingmu holding approximately 99.85% of its registered capital, while Goldstone Agri-Investment Funds Management Center (Limited Partnership) was the general partner of Shanghai Jingmu holding approximately 0.15% of its registered capital. Accordingly, each of Agriculture Investment Fund and Goldstone Agri-Investment Funds Management Center (Limited Partnership) was deemed to be interested in the 277,760,000 Shares held by Agriculture Investment and Jingm Investment Company Limited in aggregate under the SFO. Furthermore, Beinong Xingbang Investment Consulting Co., Ltd., the general partner of Goldstone Agri-Investment Funds Management Center (Limited Partnership), was also deemed to be interested in the 277,760,000 Shares referenced above under the SFO.
- (6) CITIC Capital Holdings Limited held 174,100,000 Shares through a number of wholly-owned subsidiaries.
- (7) Tai Shing Company Limited is wholly-owned by Marvel One Limited and Marvel One Limited is wholly-owned by Jin Jiejing, Therefore, Jin Jiejing and Marvel One Limited are interested in the 147,040,000 Shares held by Tai Shing Company Limited under the SFO.
- (8) Bao Ying is the spouse of Jin Jiejing and is therefore deemed to be interested in Shares in which Jin Jiejing is interested under the SFO.
- (9) (L) – long position.
- (10) Pursuant to the Share Subscription Agreement, Jingang Trade has conditionally agreed to transfer 432,641,522 Shares legally and beneficially held by it to the Offeror, and Zhang Group has conditionally agreed to transfer (i) 392,088,000 Shares directly owned by YeGu Investment and (ii) 315,790,000 Shares directly owned by Green Farmlands, to the Offeror. Upon Completion, the Offeror will hold 1,140,519,522 Shares, representing approximately 43.75% of voting rights of the Company calculated based on the issued share capital of the Company as at the Latest Practicable Date. Jingang Trade and YeGu Investment will respectively hold 1,898,841,522 and 707,878,000 shares of the Offeror, representing approximately 72.84% and 27.16% of the total issued share capital of the Offeror, respectively.

Pursuant to the Takeovers Code, upon the Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror). For details, please refer to the Joint Announcement and “Letter from the Board” of this circular.

Based on the Irrevocable Undertakings, the Offeror, which is a wholly owned subsidiary of Yili Industrial, received 10 irrevocable undertakings from Shareholders to accept the Offer in respect of 1,141,206,000 Shares in total.

Save as disclosed above, as at the Latest Practicable Date, the Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

IV. DIRECTORS' POSITIONS HELD WITH THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were in the employment with the companies which had interests or short positions in the Shares or underlying Shares which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of Substantial Shareholder	Position
Mr. Zhang Jianshe	YeGu Investment	Director
	Green Farmlands	Director
Mr. Zhang Kaizhan	SiYuan Investment	Director
Mr. Du Yuchen	Shanghai Jingmu	CEO
	Goldstone Agri-Investment Funds Management Center (Limited Partnership)	CEO
	Agriculture Investment Fund	CEO
	Beijing Agriculture Investment Co. Ltd	Deputy general manager
Mr. Li Jian	CITIC Capital Holdings Limited	Managing director

V. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

VI. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.

VII. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

SinoFarm Genetics & Seeds (Group) Co., Ltd. (“**SinoFarm Genetics & Seeds**”) entered into the property lease agreements with ZhongDi Farm Technology Corporation and ZhongDi Dairy Corporation* (中地乳業集團有限公司), each being a wholly-owned subsidiary of the Group on 21 June 2018 in respect of the leasing of the premises for a term of three years commencing from 22 June 2018 and expiring on 21 June 2021. SinoFarm Genetics & Seeds is beneficially owned by Beijing YeGu Agriculture Technology Development Company limited (“**YeGu Agriculture**”) as to 51% and Beijing Qin Long Da Bio Technology Co., Ltd (“**Qin Long Da**”) as to 49% respectively. YeGu Agriculture is wholly owned by Mr. Zhang Jianshe, being an executive Director as well as a substantial Shareholder. Furthermore, Qin Long Da is owned as to 1% by Ms. Chang Na (常娜), being an independent third party and 99% by Mr. Li Jingbo (李景波), being the brother-in-law of Mr. Zhang Jianshe. Please refer to the announcement of the Company dated 21 June 2018 for details.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which were proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

VIII. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was significant in relation to the business of the Group.

IX. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

X. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

XI. EXPERT AND CONSENT

The following are the qualifications of the expert, being the Independent Financial Adviser, who has given opinion or advice which is contained in this circular:

Name	Qualifications
Opus Capital	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Opus Capital did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Opus Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Opus Capital had not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letter and reference to its name and opinion in the form and context in which they appear in this circular.

XII. MISCELLANEOUS

- (a) The registered office of the Company is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is situated at 20/F, 238 Des Voeux Road Central, Hong Kong.
- (b) The company secretary of the Company is Ms. Zhang Xin, a member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.
- (c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

XIII. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be made available for inspection at the Hong Kong at 20/F, 238 Des Voeux Road Central, Hong Kong during normal business hours for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (a) the Share Subscription Agreement;
- (b) the letter from the Board in respect of the Share Subscription;
- (c) the letter from Opus Capital to the Independent Board Committee in respect of the Share Subscription;
- (d) the letter from the Independent Board Committee to the Independent Shareholders in respect of the Share Subscription;
- (e) the written consent from Opus Capital referred to in the section headed “XI. Expert and Consent” in this Appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

中國中地乳業控股有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1492)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China ZhongDi Dairy Holdings Company Limited (the “**Company**”) will be held at the Conference Room, 10th Floor, Block A, Times Fortune Compound, No. A6 Shuguang Xili, Chaoyang District, Beijing, the People’s Republic of China on Wednesday, 2 December 2020 at 9:30 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT** the subscription of 2,606,719,522 shares of Wholesome Harvest Limited (as issuer) by Hongkong Jingang Trade Holding Co., Limited, Mr. Zhang Jianshe, YeGu Investment Company Limited and Green Farmlands Group (as subscribers) pursuant to the share subscription agreement dated 27 September 2020 entered into between the aforementioned parties, which constitutes a special deal under the Codes on Takeovers and Mergers of Hong Kong, be and is hereby approved.”

On behalf of the Board

China ZhongDi Dairy Holdings Company Limited

Zhang Jianshe

Chairman

Hong Kong, 11 November 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The resolution at the EGM will be taken by poll (except where the chairman, in good faith, decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy or, if holding two or more shares of the Company, more than one proxy (who must be an individual) to attend and on a poll, vote instead of him. A proxy needs not be a shareholder of the Company. If more than one proxy is appointed, the number of shares of the Company in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

On a show of hands, every shareholder of the Company who is present in person (or, in the case of a corporation, by its duly authorised representative) shall have one vote. In the case of a poll, every shareholder of the Company present in person or by proxy or, in the case of a shareholder of the Company being a corporation, by its duly authorized representative shall be entitled to one vote for each share held by him.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of that power of attorney or authority, must be deposited at the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (i.e. not later than 9:30 a.m. on Monday, 30 November 2020). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 27 November 2020 to Wednesday, 2 December 2020, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 November 2020.
5. References to time and dates in this notice are to Hong Kong time and dates.