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**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution 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 Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) and transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China ZhongDi Dairy Holdings Company Limited. This Composite Document does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about a company making the offer and its management and financial statements.

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**WHOLESOME HARVEST  
LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**CHINA ZHONGDI DAIRY  
HOLDINGS COMPANY LIMITED****中國中地乳業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1492)****COMPOSITE DOCUMENT IN RELATION TO  
MANDATORY CONDITIONAL CASH OFFER BY  
CLSA LIMITED  
FOR AND ON BEHALF OF WHOLESOME HARVEST LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY WHOLESOME HARVEST LIMITED)****Exclusive financial adviser to Wholesome Harvest Limited****Independent Financial Adviser to the Independent Board Committee of  
China ZhongDi Dairy Holdings Company Limited**

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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from CLSA Limited containing, among other things, the details of the terms and conditions of the Offer is set out on pages 9 to 19 of this Composite Document. A letter from the Board is set out on pages 20 to 28 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Shareholders is set out on pages 29 to 30 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 31 to 67 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages I-1 to I-9 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Form of Acceptances of the Offer must be received by the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by no later than 4:00 p.m. on 8 February, 2021 or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in the "Letter from CLSA Limited" and Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document is issued jointly by the Offeror and the Company. The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

This Composite Document will remain on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zhongdidairy.hk](http://www.zhongdidairy.hk)) as long as the Offer remain open.

18 January 2021

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all time and date references contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong time and dates.*

Despatch date of this Composite Document and the accompanying Form of Acceptance ( <i>Note 1</i> ) . . . . .	18 January 2021
Offer open for acceptance ( <i>Notes 1 and 4</i> ) . . . . .	18 January 2021
Latest time and date for acceptance of the Offer by the IU Shareholders under the Irrevocable Undertakings and the Offer expected to be declared unconditional ( <i>Note 6</i> ) . . . . .	by 3:00 p.m. on 25 January 2021
First Closing Date ( <i>Note 2</i> ) . . . . .	8 February 2021
Latest time and date for the Offer remaining open for acceptance on the final Closing Date assuming the Offer becomes or is declared unconditional on or before 25 January 2021 ( <i>Notes 3, 7 and 8</i> ) . . . . .	4:00 p.m. on 8 February 2021
Announcement of the results of Offer as at the Closing Date to be posted on the website of the Stock Exchange . . . . .	8 February 2021
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received at or before the latest time for acceptance of the Offer on the final Closing Date ( <i>Notes 5 and 8</i> ) . . . . .	19 February 2021
Latest time and date by which the Offer can become or be declared unconditional as to acceptances ( <i>Note 9</i> ) . . . . .	19 March 2021

*Notes:*

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
2. The Offer will initially remain open for acceptances until 4:00 p.m. on 8 February 2021 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). In accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on 8 February 2021 stating either the next Closing Date or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Shareholders who have not accepted the Offer.

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## EXPECTED TIMETABLE

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3. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the general rules of CCASS and CCASS operational procedures.
4. Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “IV. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.
5. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Offer) for the Shares tendered under the Offer will be despatched to the accepting Shareholders by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) business days following later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid.
6. Pursuant to the Irrevocable Undertakings, the IU Shareholders will upon request, as soon as possible and in any event no later than 3:00 p.m. on the seventh (7th) day (i.e. 25 January 2021) after the date of despatch of this Composite Document, tender their acceptance of the Offer in respect of the IU Shares in accordance with the terms of the Offer and their obligations under the Irrevocable Undertakings, by lodging the duly completed and signed form of acceptance and transfer in respect of the IU Shares in accordance with the instructions printed thereon with the Registrar.

The percentage of the share capital of the Company made up by all of the IU Shares and the Shares owned by the Offeror Concert Group is over 50.00%. Therefore, once the IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the acceptance condition of the Offer would have been met. Accordingly, the Offer is therefore expected to become unconditional on or prior to the seventh (7th) day after the posting of this Composite Document.

7. In any event, in accordance with the Takeovers Code, when the Offer becomes or is declared unconditional in all respects, at least 14 days’ notice in writing must be given before the Offer is closed to those Shareholders who have not accepted the Offer. The Offeror has the right, subject to the Takeover Code, to extend the Offer until such date as it may determine or as permitted by the Executive.
8. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same business day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, as the case may be, will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the posting of remittances will be next following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
9. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the sixtieth (60th) day after the day this Composite Document is posted, which is 19 March 2021. Accordingly, unless the Offer have previously become unconditional as to acceptances, the Offer will lapse on 19 March 2021 unless extended with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offer can become or declared unconditional as to acceptance is 19 March 2021.

Save as disclosed above, if the latest time for the acceptance of the Offer does not take effect at 4:00 p.m. on 8 February 2021, other dates mentioned in the expected timetable above may be affected. The Offeror and the Company will notify Shareholders by way of announcement of any change to the expected timetable as soon as practicable.

**All times and dates in this Composite Document and the Form of Acceptance shall refer to Hong Kong times and dates.**

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires. The following terms shall have the following meanings:*

“Board”	means the board of Directors;
“business day”	means a day on which the Stock Exchange is open for the transaction of business;
“Cayman Islands Companies Act”	means Companies Act Cap. 22 (Act 3 of 1961) of the Cayman Islands, as consolidated and revised;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Circular”	means the circular dated 11 November 2020 issued by the Company in relation to the Special Deal;
“Closing Date”	means the date to be stated in this Composite Document as the First Closing Date, which is 21 calendar days after the posting of this Composite Document, or any subsequent closing date as and may be extended in accordance with the Takeovers Code;
“CLSA Capital Markets”	means CLSA Capital Markets Limited, a corporation licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the exclusive financial adviser to the Offeror in respect of the Offer, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030);
“CLSA Limited”	means CLSA Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being agent making the Offer on behalf of the Offeror, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030);

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## DEFINITIONS

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“Company”	means 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”	means completion of the Share Subscription in accordance with the terms and conditions of the Share Subscription Agreement;
“Composite Document”	means this composite offer and response document 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 to the Independent Shareholders and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer;
“concert parties”	means, in relation to a person, parties acting in concert with the person, as determined in accordance with the Takeovers Code;
“Director(s)”	means director(s) of the Company;
“Disinterested Share(s)”	means Share(s) other than those which are owned by the Offeror Concert Group;
“EGM”	means the extraordinary general meeting convened on 2 December 2020 by the Company approving the Special Deal;
“Encumbrance”	means any claim, option, charge (fixed or floating), mortgage, lien, pledge, equity, adverse interest, encumbrance, right to acquire, right of pre-emption, right of first refusal, title retention or any other third party right, or other security interest or any agreement or arrangement having a similar effect or any agreement to create any of the foregoing;

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## DEFINITIONS

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“Exchange Shares”	means the aggregate of 1,140,519,522 Shares 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”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“First Closing Date”	means the first closing date of the Offer which is 21 calendar days after the posting of this Composite Document;
“Form of Acceptance”	means the form of acceptance and transfer of Shares in respect of the Offer;
“Green Farmlands”	means Green Farmlands Group, which is wholly and beneficially owned by YeGu Investment;
“Group”	means the Company and its subsidiaries from time to time;
“HKD or HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means an independent committee of the Board comprising all the 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 the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code;

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## DEFINITIONS

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“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 Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code;
“Independent Shareholder(s)”	the Shareholder(s) other than the Offeror Concert Group;
“Irrevocable Undertaking(s)”	means any and all the irrevocable undertakings given by each of IU Shareholders, details of which are set out in the joint announcements issued by the Offeror and the Company dated 27 October 2020, 29 October 2020, 19 November 2020 and 25 November 2020, respectively;
“IU Shareholder(s)”	means any and all of Pacific Eminent Limited, Agriculture Investment Company Limited, Jingm Investment Company Limited, Chingford Holdings Limited and Tianfu Investment Company Limited, which entered into Irrevocable Undertakings in favor of the Offeror on 27 October 2020; Tai Shing Company Limited, Peak Ring Holding Limited, New Century Husbandry Limited, Beyond Dawn Limited and Golden Avenue Investment Limited, which entered into Irrevocable Undertakings in favor of the Offeror on 29 October 2020; Fortune Hero Investment Limited, which entered into an Irrevocable Undertaking in favor of the Offeror on 19 November 2020 and SiYuan Investment, ZhongDi Brothers Investment Company Limited and Square Avis Limited, which entered into irrevocable undertakings in favor of the Offeror on 25 November 2020;
“IU Shares”	means aggregate of 1,377,008,000 Shares held by the IU Shareholders, representing approximately 52.83% of the issued share capital of the Company at the Latest Practicable Date, and any other Shares of which IU Shareholders may become so interested after the date of the Irrevocable Undertakings;



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## DEFINITIONS

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“Jingang Trade”	means Hongkong Jingang Trade Holding Co., Limited, which is wholly and beneficially owned by Yili Industrial;
“JLL”	means Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer appointed by the Company;
“Last Trading Day”	means 25 September 2020, being the last trading day prior to the Rule 3.5 Announcement;
“Latest Practicable Date”	means 15 January 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Offer”	means the mandatory conditional cash offer being made by CLSA Limited on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code;
“Offer Period”	means the period from 27 September 2020, being the date of the Rule 3.5 Announcement, to the Closing Date;
“Offer Price”	means HK\$1.132 per Share;
“Offer Share(s)”	means any and all the Shares (other than those already owned by the Offeror);
“Offeror”	means Wholesome Harvest Limited, an exempted company incorporated in the Cayman Islands with limited liability;
“Offeror Concert Group”	means 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;
“Overseas Shareholder(s)”	means Shareholder(s) whose address(es) as stated in the register of members of the Company is or are outside Hong Kong;

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## DEFINITIONS

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“Positive Profit Alert Announcement”	means the positive profit alert announcement of the Company dated 14 January 2021 in relation to, among other things, the estimate of the unaudited consolidated profit attributable to the Shareholders for the ten months ended 31 October 2020;
“PRC”	means the People’s Republic of China, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Profit Estimate”	means the estimate of the unaudited consolidated profit attributable to the Shareholders for the ten months ended 31 October 2020 (before and after biological fair value adjustments) disclosed in the Positive Profit Alert Announcement;
“Registrar”	means Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;
“Relevant Period”	means the period from 27 March 2020, being the date falling six months prior to 27 September 2020 (the date of the commencement of the Offer Period) and ending on and including the Latest Practicable Date;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Rule 3.5 Announcement”	means the joint announcement dated 27 September 2020 issued jointly by the Offeror and the Company pursuant to Rule 3.5 of the Takeovers Code;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary share(s) of US\$0.00001 each in the issued capital of the Company as at the date of this Composite Document;

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## DEFINITIONS

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“Share Subscription”	means the subscription of 2,606,719,522 shares of the Offeror by the Subscribers pursuant to the Share Subscription Agreement;
“Share Subscription Agreement”	means 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 of the Offeror;
“Shareholder(s)”	means holder(s) of the Share(s);
“SiYuan Investment”	means SiYuan Investment Company Limited, which is wholly and beneficially owned by Mr. Zhang Kaizhan;
“Special Deal”	means the Share Subscription, which constitutes a special deal under Rule 25 of the Takeovers Code;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscribers”	means the subscribers under the Share Subscription Agreement, namely Jingang Trade, Mr. Zhang Jianshe, YeGu Investment and Green Farmlands;
“Takeovers Code”	means the Code on Takeovers and Mergers of Hong Kong;
“YeGu Investment”	means YeGu Investment Company Limited, which is wholly-owned by Mr. Zhang Jianshe;
“Yili Industrial”	means 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”	means Mr. Zhang Jianshe, YeGu Investment and Green Farmlands;
“%”	means per cent.

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## **IMPORTANT NOTICES**

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### **NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, CLSA Capital Markets, CLSA Limited and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the section headed “Overseas Shareholders” in the “Letter from CLSA Limited” and the section headed “Overseas Shareholders” in Appendix I to this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws.



18 January 2021

*To the Shareholders*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY  
CLSA LIMITED  
FOR AND ON BEHALF OF WHOLESOME HARVEST LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY WHOLESOME HARVEST LIMITED)**

**INTRODUCTION**

Reference is made to (i) the Rule 3.5 Announcement; (ii) the circular dated 11 November 2020 issued by the Company in relation to, among other things, the Special Deal; and (iii) the announcement dated 11 January 2021 made jointly by the Offeror and the Company in relation to Completion. On 20 November 2020, the Executive has conditionally granted its consent to the Special Deal, which has been approved by the Independent Shareholders at the EGM on 2 December 2020.

On 27 September 2020, the Offeror and the Subscribers entered into the Share Subscription Agreement, pursuant to which Jingang Trade 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, in exchange for 1,898,841,522 ordinary shares issued by the Offeror. Zhang Group 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 was HK\$1.132 per share, equivalent to the Offer Price. Completion took place on 11 January 2021.

Immediately prior to Completion, 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 16.6% of the total issued share capital of the Company. As

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## LETTER FROM CLSA LIMITED

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Completion has taken place, as at the Latest Practicable Date, the Offeror owned an aggregate of 1,140,519,522 Shares, representing approximately 43.75% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror).

This letter forms part of this Composite Document and sets out certain background information of the Offeror, the reasons for making the Offer and the intention of the Offeror in relation to the Company. Further terms of the Offer and the procedures of acceptance are set out in this letter, Appendix I to this Composite Document and the accompanying Form of Acceptance.

Your attention is also drawn to the letter from the Board on pages 20 to 28, the letter from the Independent Board Committee on pages 29 to 30 and the letter from the Independent Financial Adviser on pages 31 to 67 of this Composite Document.

As at the Latest Practicable Date, there were 2,606,719,522 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

### **THE OFFER**

#### **Principal terms of the Offer**

CLSA Limited is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code to acquire the Offer Shares on the following basis:

For each Offer Share ..... HK\$1.132 in cash

The Offer Price of HK\$1.132 per Offer Share is equal to the consideration for each Exchange Share under the Share Subscription Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free and clear of any Encumbrance and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of this Composite Document. The Company confirms that it does not intend to declare any dividends during the Offer Period.

#### **Condition of the Offer**

The Offer is conditional on valid acceptance of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned by the Offeror Concert Group and acquired before or during the Offer, will result in the Offeror Concert Group holding more than 50% of the voting rights of the Company.

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## LETTER FROM CLSA LIMITED

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Pursuant to the Irrevocable Undertakings, the IU Shareholders will accept, or procure the acceptance of the Offer, no later than 3:00 p.m. on the seventh (7th) day after the date of this Composite Document in accordance with the terms of the Offer and their obligations under the Irrevocable Undertakings.

The percentage of the share capital of the Company made up by all of the IU Shares and the Shares owned by the Offeror Concert Group is over 50%. Therefore, once the IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the acceptance condition of the Offer would have been met. Accordingly, the Offer is expected to become unconditional on or prior to the seventh (7th) day after the date of this Composite Document.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Offer becomes or is declared unconditional in all respects on or before the seventh (7th) day after the posting of this Composite Document, then the Closing Date would be on (but no earlier than) the First Closing Date. If the Offer becomes or is declared unconditional in all respects later than the seventh (7th) day after the posting of this Composite Document, then the Closing Date would be at least 14 days after the date of such declaration.

The Offer Price shall be payable in cash. The Offeror will not increase the Offer Price as set out above. **Shareholders and potential investors of the Company should be aware that the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.**

**The Offer may or may not become unconditional. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their stockbroker, bank manager, solicitor or other professional advisers.**

### Comparisons of value

The Offer Price of HK\$1.132 per Offer Share represents:

- (i) a premium of approximately 11.0% over the closing price of HK\$1.020 per Share as quoted on the Stock Exchange on 25 September 2020, being the Last Trading Day;
- (ii) a premium of approximately 16.9% over the average closing price of approximately HK\$0.968 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM CLSA LIMITED

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- (iii) a premium of approximately 20.0% over the average closing price of approximately HK\$0.943 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 22.8% over the average closing price of approximately HK\$0.922 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 44.9% over the average closing price of approximately HK\$0.781 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 77.6% over the average closing price of approximately HK\$0.638 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a discount of approximately 0.70% to the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (viii) a premium of approximately 19.8% over the audited consolidated net asset value attributable to the owners of the Company of approximately RMB0.85 (equivalent to approximately HK\$0.94 at the exchange rate of HK\$1.11635 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 31 December 2019) per Share as at 31 December 2019, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB2,206,298,000 as at 31 December 2019 by 2,606,719,522 Shares in issue as at the Latest Practicable Date; and
- (ix) a premium of approximately 16.6% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately RMB0.89 (equivalent to approximately HK\$0.97 at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020) per Share as at 30 June 2020, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB2,311,208,000 as at 30 June 2020 by 2,606,719,522 Shares in issue as at the Latest Practicable Date.



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## LETTER FROM CLSA LIMITED

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### **Highest and Lowest Share Price**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.30 per Share (on 4 August 2020) and HK\$0.35 per Share (from 27 March 2020 to 20 July 2020), respectively.

### **Value of the Offer**

As at the Latest Practicable Date, there were 2,606,719,522 Shares in issue. On the basis of the Offer Price of HK\$1.132 per Offer Share, the total issued share capital of the Company would be valued at approximately HK\$2,950,806,498.9.

Excluding the Exchange Shares and assuming no other change in the issued share capital of the Company from the date of this Composite Document up to the Closing Date, 1,466,200,000 Shares will be subject to the Offer. 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.

### **Confirmation of financial resources**

The Offeror will finance and satisfy the consideration payable under the Offer with its internal resources.

Assuming the Offer is accepted in full, the maximum aggregate amount payable by the Offeror under the Offer will be HK\$1,659,738,400. CLSA Capital Markets, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable by the Offeror upon full acceptance of the Offer.

### **Effect of accepting the Offer**

Acceptance of the Offer by any person will constitute a warranty by such person that all Offer Shares to be sold by such person under the Offer are fully paid and free and clear of all lien whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the Closing Date.

Acceptances of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty payable by the relevant holders of Offer Shares on acceptances of the Offer calculated at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable by the Offeror to such person

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## LETTER FROM CLSA LIMITED

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on acceptance of the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant holders of the Offer Shares who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Payment**

Subject to the Offer having become, or having been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offer, net of seller's Hong Kong ad valorem duty, will be made as soon as possible but in any event within seven (7) business days following the later of the date on which (i) the Offer becomes, or is declared unconditional; and (ii) the date on which the duly completed Form of Acceptance and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror (or its agent) to render such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

### **Taxation advice**

Relevant holders of Offer Shares are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, the Company, CLSA Limited, CLSA Capital Markets and their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Overseas Shareholders**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, CLSA Capital Markets, CLSA Limited and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

According to the register of members of the Company as at the Latest Practicable Date, apart from the Offeror, there were two Overseas Shareholders with registered address located in Cayman Islands. The Offeror was advised by relevant legal advisers that there is no

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## LETTER FROM CLSA LIMITED

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restriction for the Offeror to despatch this Composite Document and the Form(s) of Acceptance and to make general offer to the shareholders with registered address in the Cayman Islands, as long as there is no offer of shares of the Company to the public in the Cayman Islands. The Company will therefore despatch this Composite Document and the Form(s) of Acceptance to such Overseas Shareholders accordingly. This Composite Document will not be filed, nor approved for its issuance sought, under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. Whether or not this Composite Document is sent to the Overseas Shareholders, this Composite Document will be published on the websites of the Company and the Stock Exchange, and will be available for collection in the office of the Registrar.

**Any acceptance of the Offer by a Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror, the Company and their respective advisers that all applicable laws and requirements have been complied with by such Shareholder and that the Offer can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.**

### **Extension of the Offer Period**

The Offeror will issue an announcement in relation to the revision, extension, expiry or unconditionality of the Offer in accordance with the Takeovers Code and the Listing Rules by 7:00 p.m. on the Closing Date.

### **IRREVOCABLE UNDERTAKINGS**

The IU Shareholders entered into the Irrevocable Undertakings in favor of the Offeror, pursuant to which, they have undertaken, among other things, to accept, or procure the acceptance of the Offer no later than 3:00 p.m. on the seventh (7th) day after the date of this Composite Document, in respect of all IU Shares. The IU Shareholders have further undertaken that they would and would procure the holders of the IU Shares (where applicable), among others, that (i) except pursuant to the Offer, not dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of the IU Shares or any interest in them (whether conditionally or unconditionally) or enter into any transaction having a similar economic effect; and (ii) except for SiYuan Investment, which is a concert party of the Offeror, exercise (or, where relevant, procure the exercise of) all voting rights attaching to the IU Shares to vote in favor of the Special Deal, and otherwise in such manner as to enable the Offer to be made and become or be declared unconditional.

The Irrevocable Undertakings, except for the irrevocable undertaking provided by Fortune Hero Investments Limited, shall terminate immediately only if the Offer is not made in accordance with the requirements under the Takeovers Code in all material respects or the Offer closes, lapses or is withdrawn. In the event of the termination, the Irrevocable Undertakings shall terminate in all respects with immediate effect, and no party shall have any obligations and liabilities thereunder or any claim under the Irrevocable Undertakings against

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## LETTER FROM CLSA LIMITED

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any other party, save that (i) the provisions regarding announcements, publicity, termination, notices and process agent (if applicable) shall continue to apply in full force and effect thereafter; and (ii) such termination shall be without prejudice to a party's accrued rights, remedies, obligations and liabilities under the Irrevocable Undertakings as at the date of such termination. The Irrevocable Undertaking entered into by Fortune Hero Investments Limited does not contain any event of termination.

As at the Latest Practicable Date, there were 1,377,008,000 IU Shares, representing (i) approximately 52.83% of the total issued share capital of the Company; and (ii) approximately 93.92% of the Offer Shares.

### 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. Immediately prior to Completion, the Offeror was wholly and beneficially owned by Jingang Trade, and the Offeror did not have any business or asset since incorporation and did not hold any interest in the Company. Immediately after Completion, the Offeror held 1,140,519,522 Shares, representing approximately 43.75% of the total issued share capital of the Company, and Jingang Trade and YeGu Investment legally and beneficially held 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. As at the Latest Practicable Date, the sole director of the Offeror was Mr. Wang Xiaogang.

Jingang Trade is a company incorporated in Hong Kong, primarily engaged in investment and trading businesses. As at the Latest Practicable Date, Jingang Trade was wholly and beneficially owned by Yili Industrial, and the board of Jingang Trade comprised Mr. Pan Gang, Mr. Wang Xiaogang, Ms. Yuan Ping and Ms. Jiang Yuanzi.

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). 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 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 Hohhot Investment Company Limited (呼和浩特投資有限責任公司) with a shareholding of approximately 8.85%. As at the Latest Practicable Date, the board of Yili Industrial comprised Mr. Pan Gang, Ms. Zhao Chengxia, Mr. Wang Xiaogang, Ms. Zhao Ying, Ms. Wang Aiqing, Mr. Zhang Junping, Mr. Lv Gang, Mr. Peng Heping, Ms. Ji Shao, Mr. Cai Yuanming, and Ms. Shi Fang.

YeGu Investment is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding the Shares. As at the Latest Practicable Date, YeGu Investment was wholly and beneficially owned by Mr. Zhang Jianshe, the sole director of YeGu Investment.

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## LETTER FROM CLSA LIMITED

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Green Farmlands is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding the Shares. As at the Latest Practicable Date, Green Farmlands was wholly and beneficially owned by YeGu Investment, and Mr. Zhang Jianshe was the sole director of Green Farmlands.

### **INTENTION OF THE OFFEROR ON THE GROUP**

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 a continuing review of its operations and the development of a plan to realize efficiencies and synergies with affiliated businesses of Yili Industrial, the ultimate controlling shareholder of the Offeror.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate) as a result of completion of the Offer. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimize the value of the Group.

The Offer is expected to become unconditional on or prior to the seventh (7th) day after the posting of this Composite Document, and the Offeror intends not to retain the listing of the Shares on the Stock Exchange. For more details, please refer to section headed "Irrevocable Undertakings" and "Possible Compulsory Acquisition and Withdrawal of Listing" in "Letter from CLSA Limited".

### **PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY**

As at the Latest Practicable Date, the Board comprised of Mr. Zhang Jianshe and Mr. Zhang Kaizhan as executive Directors, Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua as the non-executive Directors; and Prof. Li Shengli, Dr. Zhang Shengli and Mr. Zhang Juying Jerry as independent non-executive Directors.

The Offeror intends to nominate new Director(s) with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror had not identified any candidates to be appointed as new Director(s). Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

### **POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING**

The Offeror intends (but is not obliged) to exercise any right it may have under section 88 of the Cayman Islands Companies Act to compulsorily acquire those Shares not acquired by the Offeror under the Offer on the condition that the Offeror, within four (4) months of this

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## LETTER FROM CLSA LIMITED

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posting of this Composite Document, acquires not less than 90% of the Offer Shares pursuant to the Offer. On completion of such compulsory acquisition, if exercised, the Company will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize the Company by means of the Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Act, acceptance of the Offer and purchases made by the Offeror and its concert parties during the four months after posting of this Composite Document total 90% or more of the Disinterested Shares.

If the level of acceptances of the Offer reaches the prescribed level under the Cayman Islands Companies Act and the requirements of Rule 2.11 of the Takeovers Code are satisfied and the Offeror exercises its compulsory acquisition right referred to above, the Company will apply to the Stock Exchange for the suspension of trading in the Shares on the Stock Exchange from the next trading day of the Stock Exchange immediately after Closing Date up to the date of withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

Pursuant to Rule 15.6 of the Takeovers Code, as the Offeror has stated in this Composite Document its intention to avail itself of its powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months from the date of this Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

### **LISTING STATUS/PUBLIC FLOAT OF THE COMPANY**

According to the Listing Rules, if, upon the close of the Offer, the Offeror does not become entitled to exercise the power of compulsory acquisition under the Cayman Islands Companies Act or the Offeror does not exercise such power of compulsory acquisition and less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares until appropriate steps have been taken to restore the minimum percentage of the Shares in public hands. In such circumstances, the Offeror will take appropriate steps to restore the sufficient public float of the Shares after the close of the Offer accordingly.

The sole director of the Offeror and any new Directors to be appointed to the Board, once appointed, will jointly and severally undertake, to the Stock Exchange to take appropriate steps to ensure sufficient public float exists in the Shares, if the Offeror is not entitled to exercise the compulsory acquisition rights as referred to in this Composite Document.

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## LETTER FROM CLSA LIMITED

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### GENERAL

This Composite Document has been prepared for the purpose of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules. The information disclosed in it may not be the same as that which would have been disclosed if this Composite Document had been prepared in accordance with the laws or rules of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owners separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regards to the Offer.

The attention of the Overseas Shareholders is drawn to the paragraph headed “VI. Overseas Shareholders” in Appendix I to this Composite Document.

All documents and remittances to be sent to Shareholders will be sent to them by ordinary post at their own risk at their respective addresses as they appear in the register of the members of the Company, in the case of joint holdings, to such Shareholders whose name appears first in the register of members of the Company. The Offeror Concert Group, the Company, CLSA Capital Markets, CLSA Limited, Opus Capital, the Registrar, their professional advisers and their respective directors or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof in connection therewith.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Board on pages 20 to 28 of this Composite Document, the letter from the Independent Board Committee on pages 29 to 30 of this Composite Document and the letter from the Independent Financial Adviser on pages 31 to 67 of this Composite Document in relation to their respective recommendations and advice with respect to the Offer.

Your attention is also drawn to the additional information set out in the Appendices to this Composite Document.

Yours faithfully,  
For and on behalf of  
**CLSA Limited**

**Edmund Chan**  
*Managing Director, Head of M&A*

**Terry Chan**  
*Managing Director*

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## LETTER FROM THE BOARD

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### CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED

中國中地乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1492)

*Executive Directors:*

Mr. Zhang Jianshe  
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

*Principal place of business in the PRC:*

10th Floor  
Block A, Times 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

18 January 2021

*To the Shareholders*

Dear Sir/Madam,

**MANDATORY CONDITIONAL CASH OFFER  
BY CLSA LIMITED  
FOR AND ON BEHALF OF WHOLESOME HARVEST LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY WHOLESOME HARVEST LIMITED)**

#### INTRODUCTION

On 27 September 2020, the Offeror and the Subscribers entered into the Share Subscription Agreement, pursuant to which Jingang Trade 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



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## LETTER FROM THE BOARD

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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, in exchange for 1,898,841,522 ordinary shares issued by the Offeror. Zhang Group 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 was HK\$1.132 per share, equivalent to the Offer Price. Completion took place on 11 January 2021.

Immediately prior to Completion, 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 16.6% of the total issued share capital of the Company. As Completion has taken place, as at the Latest Practicable Date, the Offeror owned an aggregate of 1,140,519,522 Shares, representing approximately 43.75% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror).

Further terms and the procedures of acceptances of the Offer are set out in the “Letter from CLSA Limited” and Appendix I to this Composite Document and the accompanying Form of Acceptance. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee in relation to the Offer.

### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.1 of the Takeovers Code, 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, who have no direct or indirect interest in the Offer, has been established to make recommendations on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

### **THE OFFER**

As set out in the “Letter from CLSA Limited” contained in this Composite Document, CLSA Limited is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share ..... HK\$1.132 in cash

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## LETTER FROM THE BOARD

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Further details of the Offer, including, among other things, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from CLSA Limited” in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

### Securities of the Company

As at the Latest Practicable Date, the Company had 2,606,719,522 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. As at the Latest Practicable Date, the Company had not granted any share option pursuant to the share option scheme adopted by the Company dated 28 October 2015.

### 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 as extracted from the annual report of the Company for the year ended 31 December 2019 and the unaudited financial information of the Group for the six months ended 30 June 2020 as extracted from the interim report of the Company for the six months ended 30 June 2020:

	<b>For the year ended</b>		<b>For the six</b>
	<b>31 December</b>		<b>months</b>
	<b>2019</b>	<b>2018</b>	<b>ended</b>
	<b>Results after</b>	<b>Results after</b>	<b>30 June</b>
	<b>biological</b>	<b>biological</b>	<b>2020</b>
	<b>fair value</b>	<b>fair value</b>	<b>Results after</b>
	<b>adjustments</b>	<b>adjustments</b>	<b>biological</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>fair value</b>
	<i>(audited)</i>	<i>(audited)</i>	<b>adjustments</b>
			<i>RMB'000</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

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## LETTER FROM THE BOARD

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	As at 31 December		As at
	2019	2018	30 June
	RMB'000	RMB'000	2020
	(audited)	(audited)	(unaudited)
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

### POSITIVE PROFIT ALERT ANNOUNCEMENT AND PROFIT ESTIMATE

As set out in the Positive Profit Alert Announcement, based on a preliminary review of the unaudited consolidated management accounts of the Company for the ten months ended 31 October 2020, the Company is expected to record an unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 (before biological fair value adjustments) of approximately RMB394,506,000 and an unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 (after biological fair value adjustments) of approximately RMB235,968,000 (i.e. the Profit Estimate), which represents a significant improvement compared to: (i) the audited profit attributable to the Shareholders for the year ended 31 December 2019 (before biological fair value adjustments) of RMB239,390,000; (ii) the audited profit attributable to the Shareholders for the year ended 31 December 2019 (after biological fair value adjustments) of RMB104,335,000; (iii) the unaudited profit attributable to the Shareholders for the six months ended 30 June 2020 (before biological fair value adjustments) of RMB155,376,000; and (iv) the unaudited profit attributable to the Shareholders for the six months ended 30 June 2020 (after biological fair value adjustments) of RMB104,910,000.

The Board believes the significant increase in unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 was mainly attributable to an increase in both the selling price and sales volume of raw fresh milk during the relevant period, thanks to the Group's intensified marketing efforts, as well as the increased yield per dairy cow and the growth in milking herd.

The Profit Estimate constitutes a "profit forecast" under Rule 10 of the Takeovers Code and shall be reported on by the Independent Financial Adviser and the Company's auditor in accordance with the requirements under Rule 10 of the Takeovers Code. The Profit Estimate has been reported on by Ernst & Young, the Company's auditors and Opus Capital, the Independent Financial Adviser. Ernst & Young has reported that, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Estimate in accordance with the bases adopted by the Directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Opus Capital is satisfied that the Profit Estimate has been made by the Directors with due care and consideration.

## LETTER FROM THE BOARD

Your attention is drawn to the reports issued by Opus Capital and Ernst & Young on the Profit Estimate set out in Appendix IV and Appendix V to this Composite Document respectively.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

Shareholders	Number of Shares	Approximate% of the issued share capital
<b>Offeror<sup>(1)(2)</sup></b>	1,140,519,522	43.75%
<b>Concert party of the Offeror:</b>		
– SiYuan Investment <sup>(3)</sup>	61,460,000	2.36%
<b>Aggregate number of Shares held by the Offeror Concert Group</b>	1,201,979,522	46.11%
<b>IU Shareholders</b>		
– Pacific Eminent Limited	315,790,000	12.11%
– Agriculture Investment Company Limited	172,500,000	6.62%
– Tai Shing Company Limited	147,040,000	5.64%
– Jingm Investment Company Limited	105,260,000	4.04%
– Chingford Holdings Limited	100,000,000	3.84%
– Peak Ring Holding Limited	89,800,000	3.44%
– New Century Husbandry Limited	84,300,000	3.23%
– Beyond Dawn Limited	54,316,000	2.08%
– Tianfu Investment Company Limited	36,100,000	1.38%
– Golden Avenue Investment Limited	36,100,000	1.38%
– Fortune Hero Investment Limited	105,260,000	4.04%
– SiYuan Investment <sup>(3)</sup>	61,460,000	2.36%
– ZhongDi Brothers Investment Company Limited	42,622,000	1.64%
– Square Avis Limited	26,460,000	1.02%
<b>Aggregate number of Shares held by IU Shareholders</b>	1,377,008,000	52.83%
<b>Other Shareholders</b>	89,192,000	3.42%
<b>Total</b>	<b><u>2,606,719,522</u></b>	<b><u>100%</u></b>

*Notes:*

- As at the Latest Practicable Date, Mr. Wang Xiaogang, being the sole director of the Offeror, was not interested in any Shares.
- As at the Latest Practicable Date, Jingang Trade and YeGu Investment legally and beneficially held 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.

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## LETTER FROM THE BOARD

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3. As at the Latest Practicable Date, Mr. Zhang Kaizhan, through his holding company (SiYuan Investment, of which, Mr. Zhang Kaizhan is the sole director), indirectly held 61,460,000 Shares.

### **INTENTION OF THE OFFEROR ON THE GROUP**

Your attention is drawn to the paragraph headed “INTENTION OF THE OFFEROR ON THE GROUP” in the letter from “Letter from CLSA Limited” in this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to continue to focus on the development of its existing businesses, namely dairy farming in China subject to a continuing review of its operations and the development of a plan to realize efficiencies and synergies with affiliated businesses of Yili Industrial, the ultimate controlling shareholder of the Offeror. The Board also understands that the Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate) as a result of completion of the Offer.

### **PROPOSED CHANGE OF BOARD COMPOSITION**

Your attention is drawn to the section headed “Proposed Change to the Board Composition of the Company” in “Letter from CLSA Limited” in this Composite Document which sets out further details regarding the proposed change of Board composition. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

### **POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING**

The Board notes that, according to the “Letter from CLSA Limited” in this Composite Document, the Offeror intends (but is not obliged) to exercise any right it may have under section 88 of the Cayman Islands Companies Act to compulsorily acquire those Shares not acquired by the Offeror under the Offer on the condition that the Offeror, within four (4) months of the posting of this Composite Document, has received valid acceptance in respect of not less than 90% of the Offer Shares.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize the Company by means of the Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Act, acceptance of the Offer and purchases made by the Offeror and its concert parties during the four months after posting of this Composite Document total 90% or more of the Disinterested Shares.

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## LETTER FROM THE BOARD

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Pursuant to Rule 15.6 of the Takeovers Code, as the Offeror has stated in this Composite Document its intention to avail itself of its powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months from the date of this Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

**If the level of acceptances of the Offer reaches the prescribed level under the Cayman Islands Companies Act required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied and the Offeror exercises its compulsory acquisition right referred to above, the Company will apply to the Stock Exchange for the suspension of trading in the Shares on the Stock Exchange from the next trading day of the Stock Exchange immediately after the Closing Date up to the date of withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.**

Whilst it is the intention of the Offeror to privatise the Company, the Offeror's ability to exercise rights of compulsory acquisition in respect of the Offer Shares is dependent on the level of acceptances of the Offer reaching the prescribed level under the Cayman Islands Companies Act and on the requirements of Rule 2.11 of the Takeovers Code being satisfied. If the Offer Shares validly tendered for acceptance under the Offer are less than 90% of the Offer Shares or less than 90% of the Disinterested Shares, the Offeror will not become entitled to exercise the power of compulsory acquisition under the Cayman Islands Companies Act and the Company will remain listed on the Stock Exchange.

Pursuant to the Irrevocable Undertakings, the IU Shareholders will upon request, as soon as possible and in any event no later than 3:00 p.m. on the seventh (7th) day (i.e. 25 January 2021) after the date of despatch of this Composite Document, tender their acceptance of the Offer in respect of the IU Shares in accordance with the terms of the Offer and their obligations under the Irrevocable Undertakings, by lodging the duly completed and signed form of acceptance and transfer in respect of the IU Shares in accordance with the instructions printed thereon with the Registrar.

As at the Latest Practicable Date, the percentage of the share capital of the Company made up by all of the IU Shares and the Shares owned by the Offeror Concert Group was over 50%. Therefore, once the IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the acceptance condition of the Offer would have been met. Accordingly, the Offer is expected to become unconditional on or prior to the seventh (7th) day after the date of this Composite Document.

As at the Latest Practicable Date: (i) the percentage of the Offer Shares made up by all of the IU Shares was approximately 93.92%, which was over 90%; and (ii) the percentage of the Disinterested Shares made up by all of the IU Shares (other than the IU Shares held by SiYuan Investment, a concert party of the Offeror) was approximately 93.65%, which was also over 90%. Therefore, once the relevant IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the conditions of the

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## **LETTER FROM THE BOARD**

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compulsory acquisition under section 88 of the Cayman Islands Companies Act and Rule 2.11 of the Takeovers Code would have been met. Accordingly, on completion of such compulsory acquisition, the Company will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

### **PUBLIC FLOAT OF THE COMPANY**

According to the Listing Rules, if, upon the close of the Offer, the Offeror does not become entitled to exercise the power of compulsory acquisition under the Cayman Islands Companies Act and less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares until appropriate steps have been taken to restore the minimum percentage of the Shares in public hands. In such circumstances, the Offeror will take appropriate steps to restore the sufficient public float of the Shares after the close of the Offer accordingly.

### **SPECIAL DEAL**

Save for the Special Deal as disclosed in the Circular, there is no other agreement entered into or to be entered into between the Offeror Concert Group on one hand and each of the Shareholders and parties acting in concert with them on the other hand which will constitute a special deal under Rule 25 of the Takeovers Code.

### **GENERAL**

None of the members of the Independent Board Committee is interested in or involved in the Offer.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 29 to 30 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders in respect of the Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 31 to 67 of this Composite Document, which contains its advice to the Independent Board Committee, the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

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## LETTER FROM THE BOARD

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### PROPERTY VALUATION REPORT

Your attention is drawn to the property valuation report as set out in Appendix III to this Composite Document, which contains, among other things, the value of properties in which the Group is interested. In particular, for the property interests held for future development by the Group in the PRC as set out on pages III-15 to III-18, as at 31 October 2020, the Group had not obtained the necessary consents or approvals for the development of the land parcel and the land had no immediate development potential. In addition, the Group had no specific development plan in respect of such land parcel in the immediate future.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,

By Order 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**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1492)**

18 January 2021

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY CONDITIONAL CASH OFFER BY  
CLSA LIMITED  
FOR AND ON BEHALF OF WHOLESOME HARVEST LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY WHOLESOME HARVEST LIMITED)**

We refer to this Composite Document dated 18 January 2021 jointly issued by the Offeror and the Company, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Opus Capital has been appointed as the Independent Financial Adviser to make recommendation to us in this respect. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 31 to 67 of this Composite Document.

We also wish to draw your attention to the “Letter from CLSA Limited”, the “Letter from the Board” and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and the acceptance and settlement procedures for the Offer.

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, we consider that the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Independent Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” as set out in this Composite Document. Notwithstanding our recommendations, the Independent Shareholders are strongly advised that their decisions to realise or to hold their investment in the Shares are subject to individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the letter of advice from the Independent Financial Adviser, Opus Capital, to the Independent Board Committee, in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



18<sup>th</sup> Floor, Fung House  
19-20 Connaught Road Central  
Central, Hong Kong

18 January 2021

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

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY  
CLSA LIMITED  
FOR AND ON BEHALF OF WHOLESOME HARVEST LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY WHOLESOME HARVEST LIMITED)**

### INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee in connection with the Offer. Details of the Offer are set out in the Composite Document dated 18 January 2021, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Rule 3.5 Announcement. On 27 September 2020, the Offeror and the Subscribers entered into the Share Subscription Agreement, pursuant to which Jingang Trade 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, in exchange for 1,898,841,522 ordinary shares issued by the Offeror. Zhang Group 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 was HK\$1.132 per share, equivalent to the Offer Price. According to the announcement of the Company dated 11 January 2021, Completion took place on 11 January 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Immediately prior to Completion, the Offeror was not interested in 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. As Completion has taken place, as at the Latest Practicable Date, the Offeror owned an aggregate of 1,140,519,522 Shares, representing approximately 43.75% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror).

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the non-executive Directors, namely Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua, and all the independent non-executive Directors, namely Prof. Li Shengli, Dr. Zhang Shengli and Mr. Zhang Juying Jerry, who have no direct or indirect interest in the Offer, has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to make recommendations on whether the terms of the Offer and the Share Subscription as the Special Deal are fair and reasonable and as to the acceptance of the Offer. We have been appointed by the Company to advise the Independent Board Committee in the same regard.

### OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the 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 Offer. In addition, and as a pre-condition to the Offer, we were appointed as the Independent Financial Adviser to advise the Independent Board Committee on the Share Subscription as the Special Deal, with details set out in the circular of the Company dated 11 November 2020.

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 Offer and the Share Subscription as the Special Deal, 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 Offer and the Share Subscription as the Special Deal pursuant to Rule 2.6 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

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

- (i) the Rule 3.5 Announcement;
- (ii) the announcement (the “**Yili Subscription Announcement**”) of the Company dated 31 July 2020 in relation to a subscription agreement (the “**Yili Subscription Agreement**”) dated 31 July 2020 entered into by and between the Company as issuer and Jingang Trade as subscriber for the subscription (the “**Yili Subscription**”) of 432,641,522 new Shares at the subscription price of HK\$0.47 per Share (the “**Yili Subscription Price**”);
- (iii) the Company’s interim report for the six months ended 30 June (“**1H**”) 2020 (the “**2020 Interim Report**”);
- (iv) the Company’s annual reports for the two years ended 31 December (“**FY**”) 2018 (the “**2018 Annual Report**”) and 2019 (the “**2019 Annual Report**”);
- (v) a summary of the property valuation report issued by JLL to value the properties owned by the Group as at 31 October 2020 (the “**Valuation Summary**”) with the text of the relevant property valuation report enclosed in Appendix III to the Composite Document; and
- (vi) other information as set out in the Composite Document.

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 Composite Document 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 Composite Document and provided to us by the Management, for which they are solely and wholly 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Composite Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any such statement contained in the Composite Document 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 Composite Document, 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries 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.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Offer, and except for its inclusion in the Composite Document, 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.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

### PRINCIPAL TERMS OF THE OFFER

#### 1. The Offer

CLSA Limited is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code to acquire the Offer Shares on the following basis:

**For each Offer Share . . . . . HK\$1.132 in cash**

The Offer Price of HK\$1.132 per Offer Share is equal to the consideration for each Exchange Share under the Share Subscription Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free and clear of any Encumbrance and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of the Composite Document. The Company confirms that it does not intend to declare any dividends during the Offer Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Condition of the Offer

The Offer is conditional on valid acceptance of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned by the Offeror Concert Group and acquired before or during the Offer, will result in the Offeror Concert Group holding more than 50% of the voting rights of the Company.

Pursuant to the Irrevocable Undertakings, the IU Shareholders will accept, or procure the acceptance of the Offer, no later than 3:00 p.m. on the seventh (7th) day after the date of the Composite Document in accordance with the terms of the Offer and their obligations under the Irrevocable Undertakings.

The percentage of the share capital of the Company made up by all of the IU Shares (excluding the IU Shares owned by SiYuan Investment) (i.e. approximately 50.5%) and the Shares owned by the Offeror Concert Group (including the Shares owned by SiYuan Investment) (i.e. approximately 46.1%) is over 50% (i.e. approximately 96.6%). Therefore, once the IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the acceptance condition of the Offer would have been met. Accordingly, the Offer is expected to become unconditional on or prior to the seventh (7th) day after the date of the Composite Document.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Offer becomes or is declared unconditional in all respects on or before the seventh (7th) day after the posting of the Composite Document, then the Closing Date would be on (but no earlier than) the First Closing Date. If the Offer becomes or is declared unconditional in all respects later than the seventh (7th) day after the posting of the Composite Document, then the Closing Date would be at least 14 days after the date of such declaration.

The Offer Price shall be payable in cash. The Offeror will not increase the Offer Price as set out above. Shareholders and potential investors of the Company should be aware that the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

### 3. Value of the Offer

As at the Latest Practicable Date, there were 2,606,719,522 Shares in issue. On the basis of the Offer Price of HK\$1.132 per Offer Share, the total issued share capital of the Company would be valued at approximately HK\$2,950,806,498.9.

Excluding the Exchange Shares and assuming no other change in the issued share capital of the Company from the date of the Composite Document up to the Closing Date, 1,466,200,000 Shares (i.e. the Offer Shares) will be subject to the Offer. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Irrevocable Undertakings

We note that there has been strong support for the Offer as evidenced by the fact that the Offeror has received the Irrevocable Undertakings from the IU Shareholders. The IU Shareholders entered into the Irrevocable Undertakings in favor of the Offeror, pursuant to which, they have undertaken, among other things, to accept, or procure the acceptance of the Offer no later than 3:00 p.m. on the seventh (7th) day after the date of the Composite Document, in respect of all IU Shares.

The IU Shareholders have further undertaken that they would and would procure the holders of the IU Shares (i.e. licensed securities dealer/registered institution in securities/custodian bank which hold, through CCASS, the IU Shares on behalf of the IU Shareholders) (where applicable) that, among others, (i) except pursuant to the Offer, not to dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of the IU Shares or any interest in them (whether conditionally or unconditionally) or enter into any transaction having a similar economic effect; and (ii) except for SiYuan Investment, which is a concert party of the Offeror, exercise (or, where relevant, procure the exercise of) all voting rights attaching to the IU Shares to vote in favor of the Special Deal, and otherwise in such manner as to enable the Offer to be made and become or be declared unconditional.

The Irrevocable Undertakings, except for the Irrevocable Undertaking provided by Fortune Hero Investments Limited, shall terminate immediately only if the Offer is not made in accordance with the requirements under the Takeovers Code in all material respects or the Offer closes, lapses or is withdrawn. In the event of the termination, the Irrevocable Undertakings shall terminate in all respects with immediate effect, and no party shall have any obligations and liabilities thereunder or any claim under the Irrevocable Undertakings against any other party, save that (i) the provisions regarding announcements, publicity, termination, notices and process agent (if applicable) shall continue to apply in full force and effect thereafter; and (ii) such termination shall be without prejudice to a party's accrued rights, remedies, obligations and liabilities under the Irrevocable Undertakings as at the date of such termination. The Irrevocable Undertaking entered into by Fortune Hero Investments Limited does not contain any event of termination.

As at the Latest Practicable Date, there were 1,377,008,000 IU Shares, representing (i) approximately 52.8% of the total issued share capital of the Company; (ii) approximately 93.9% of the Offer Shares, which is over 90%; and (iii) when excluding those 61,460,000 IU Shares associated with the Irrevocable Undertaking provided by SiYuan Investment, approximately 93.7% of the Disinterested Shares, which is over 90%.

The Independent Shareholders are urged to read the relevant sections in the Composite Document and its appendices in full. The latest time and date for the Offer remaining open to acceptance is 4:00 p.m. (Hong Kong time) on 8 February 2021 (i.e. the final Closing Date), assuming the Offer becomes or is declared unconditional in all respects on or before the seventh (7th) day (i.e. 25 January 2021) after the posting of the Composite Document, unless extended or revised in accordance with the Takeovers Code.



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

### 1. Business information, financial performance and prospects of the Group

#### A. Business of the Group

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.

#### B. Financial information of the Group

Set forth below is a summary of the: (i) audited consolidated financial information of the Group for FY2017, FY2018 and FY2019 as extracted from the 2018 Annual Report and the 2019 Annual Report; and (ii) unaudited consolidated financial information for 1H2019 and 1H2020 as extracted from the 2020 Interim Report. Further details of the financial information of the Group are set out in Appendix II to the Composite Document.

**Table 1: Consolidated financial results of the Group**<sup>Note 1</sup>

	1H2020 (Unaudited) RMB'000	1H2019 (Unaudited) RMB'000	FY2019 (Audited) RMB'000	FY2018 (Audited) RMB'000	FY2017 (Audited) RMB'000
Revenue					
– Dairy farming business	849,038	705,635	1,498,727	1,335,839	1,033,286
– Import trading business	24,182	80	654	89,147	100,996
	<b>873,220</b>	<b>705,715</b>	<b>1,499,381</b>	<b>1,424,986</b>	<b>1,134,282</b>
Cost of sales	(838,921)	(678,753)	(1,435,124)	(1,367,932)	(1,091,426)

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	1H2020 (Unaudited) RMB'000	1H2019 (Unaudited) RMB'000	FY2019 (Audited) RMB'000	FY2018 (Audited) RMB'000	FY2017 (Audited) RMB'000
<b>Gross profit</b>	<b>34,299</b>	<b>26,962</b>	<b>64,257</b>	<b>57,054</b>	<b>42,856</b>
<i>Gross profit margin (%)</i>	3.9	3.8	4.3	4.0	3.8
Loss arising from changes in fair values less costs to sell of biological assets	(40,344)	(59,844)	(135,055)	(173,691)	(176,016)
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	262,385	230,323	486,353	415,969	346,127
Other income	9,828	6,933	15,424	34,661	34,975
Other gain and losses	704	4,419	8,179	(1,495)	(12,300)
Distribution costs	(38,302)	(29,303)	(65,272)	(59,716)	(46,916)
Administrative expenses	(59,972)	(46,781)	(109,877)	(93,953)	(71,473)
Other expenses	(726)	(554)	(1,006)	(1,110)	(394)
Finance costs	(64,260)	(82,054)	(160,748)	(114,543)	(103,482)
Share of profits and losses of associates	(60)	(26)	118	14	–
<b>Profit before tax</b>	<b>103,552</b>	<b>50,075</b>	<b>102,373</b>	<b>63,190</b>	<b>13,377</b>
Income tax expenses <sup>Note 2</sup>	–	–	–	–	–
<b>Profit attributable to the Shareholders</b>	<b>104,910</b>	<b>50,075</b>	<b>104,335</b>	<b>63,190</b>	<b>13,377</b>

Sources: 2018 Annual Report, 2019 Annual Report and 2020 Interim Report

Note:

- The figures presented are after the application of biological fair value adjustments.
- Pursuant to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Group engaged in agricultural business are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC

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### **FY2018**

The Group recorded a total revenue of approximately RMB1,425.0 million in FY2018, representing an increase of approximately RMB290.7 million or approximately 25.6% as compared to the total revenue of approximately RMB1,134.3 million in FY2017 which was mainly attributable to the increase in revenue generated from the dairy farming business. In FY2018, the revenue was primarily generated from two major business lines: (i) dairy farming business which included production and sale of premium raw fresh milk and the feeding, breeding and sale of dairy cows, etc.; and (ii) import-trading business which mainly included the import and sales of quality dairy cows and breeding of livestock as well as import-trading business in alfalfa hay and other animal husbandry related products. In FY2018, the revenue generated from the dairy farming business accounted for more than 90% of the total revenue of the Group which amounted to approximately RMB1,335.8 million, representing a year-on-year increase of approximately 29.3% as compared to approximately RMB1,033.3 million in FY2017. The increase in revenue from the dairy farming business was attributable to: (i) the expansion of the scale of milkable cows which increased from 33,797 heads as at 31 December 2017 to 36,068 heads as at 31 December 2018, representing an increase of approximately 6.7%; (ii) an increase in the sales of raw milk which increased from 278,406 tonnes in FY2017 to 354,141 tonnes in FY2018, representing an increase of approximately 27.2%; and (iii) increase in the average selling price of raw milk which increased from RMB3,711 per tonne in FY2017 to RMB3,772 per tonne in FY2018, representing a slight increase of approximately 1.6%.

The profit attributable to the Shareholders increased from approximately RMB13.4 million in FY2017 to approximately RMB63.2 million in FY2018, representing a significant increase of more than 370% as compared that for FY2017. It resulted from the aforementioned increase in gross profit and the increase in the gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest which increased from approximately RMB346.1 million in FY2017 to approximately RMB416.0 million, representing an increase of approximately RMB69.9 million which primarily reflected an increase in the sales volume of the Group's raw milk.

### **FY2019**

For FY2019, the revenue was generated from two major business lines: (i) dairy farming business which included production and sale of premium raw fresh milk and the feeding, breeding and sale of dairy cows, etc.; and (ii) import-trading business which mainly included the import and sales of quality dairy cows and breeding of livestock as well as import-trading business in alfalfa hay and other animal husbandry related products. During FY2019, the revenue of the Group amounted to approximately RMB1,499.4 million, representing an increase of approximately RMB74.4 million or 5.2% from approximately RMB1,425.0 million for FY2018. Such increase was mainly attributable to the increase in revenue from dairy farming business of selling raw fresh milk amounted to approximately RMB1,498.7 million, representing an increase of

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approximately RMB162.9 million or 12.2% as compared to approximately RMB1,335.8 million in FY2018. The increase in the sale of raw fresh milk was due to the increase in both: (i) the volume of raw fresh milk sold, which increased from 354,141 tonnes for FY2018 to 373,713 tonnes for FY2019, representing an increase of approximately 5.5%; and (ii) the average unit selling prices of the raw fresh milk, which increased from approximately RMB3,772 per tonne in FY2018 to approximately RMB4,010 per tonne in FY2019, representing an increase of approximately 6.3%. The revenue of the sale of raw milk accounted for over 99.9% of the Group's total revenue in FY2019.

For FY2019, the revenue generated from import-trading business amounted to approximately RMB0.7 million, representing a decrease of approximately 99.2% as compared to approximately RMB89.1 million for FY2018, the decrease was mainly attributed to a decline in the total import-trading volume in FY2019.

The profit attributable to the Shareholders for FY2019 increased significantly by approximately RMB41.1 million or 65.0%, from approximately RMB63.2 million for FY2018 to approximately RMB104.3 million for FY2019, mainly due to: (i) an increase in both the unit selling price and sales volume of raw fresh milk as mentioned above; and (ii) the increase in the gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest of the Group of approximately RMB70.4 million or 16.9% from RMB416.0 million for FY2018 to approximately RMB486.4 million for FY2019 which reflected an increase in the unit selling price of the Group's raw fresh milk.

### 1H2020

In the first half of 2020, the PRC's economic activities once grounded to a halt and contracted sharply due to the outbreak of novel coronavirus ("COVID-19"). Despite the great challenges from the external economic environment, the dairy industry weathered through the adverse impact of the pandemic. During 1H2020, the revenue of the Group amounted to approximately RMB873.2 million, representing an increase of approximately RMB167.5 million or 23.7% from approximately RMB705.7 million for 1H2019 which was mainly attributable to the increase in revenue from dairy farming business of selling raw fresh milk amounted to approximately RMB849.0 million, representing an increase of approximately RMB143.4 million or 20.3% from approximately RMB705.6 million in 1H2019. The increase in revenue from dairy farming business was mainly attributable to: (i) the increase in sales volume of raw milk which increased from 184,588 tonnes in 1H2019 to 219,290 tonnes in 1H2020, representing an increase of approximately 18.8%; (ii) the average unit selling price of the raw milk, that increased from approximately RMB3,823 per tonne in 1H2019 to approximately RMB3,872 per tonne in 1H2020, representing a slight increase of approximately 1.3%; and (iii) the proactive arrangements adopted by the Group to cope with COVID-19 to prevent the Group from sluggish sales as mentioned in the 2020 Interim Report. The revenue of the sale of raw milk accounted for approximately 97.2% of the Group's total revenue for 1H2020.

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For 1H2020, the revenue generated from import-trading business amounted approximately RMB24.2 million as compared to approximately RMB0.08 million for 1H2019, representing a significant increase of 300 times. Such an increase was mainly attributed to the increase in the total import-trading volume in 1H2020.

The profit attributable to the Shareholders for 1H2020 increased significantly by approximately RMB54.8 million or 109.4%, from approximately RMB50.1 million for 1H2019 to approximately RMB104.9 million for 1H2020 which was mainly due to (i) an increase in both the selling price and sales volume of raw fresh milk as mentioned above; (ii) an increase in gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest of the Group of approximately RMB32.1 million or 13.9% from approximately RMB230.3 million in 1H2019 to approximately RMB262.4 million in 1H2020 which reflected an increase in the sales volume of the Group's raw fresh milk; and (iii) a decrease of financing costs by approximately RMB17.8 million or 21.7%, from approximately RMB82.1 million for 1H2019 to approximately RMB64.3 million for 1H2020 which was primary due to the acquisition of low-cost financing loans as a result of the pandemic and the increased interval time of renewal of other borrowings during 1H2020.

**Table 2: Consolidated financial position of the Group**

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,973,193	1,905,714
Prepayments	90,055	71,564
Right-of-use assets	520,320	545,638
Pledged deposits	52,802	32,590
Prepaid land lease payments	–	–
Biological assets	1,766,514	1,693,560
Investments in an associate	10,341	10,401
	<b>4,413,225</b>	<b>4,259,467</b>
<b>Current assets</b>		
Inventories	386,566	465,326
Trade and other receivables	190,055	184,100
Prepaid land lease payments	–	–
Biological assets	428	–
Pledged bank deposits	47,948	23,852
Cash and bank balances	400,377	390,765
	<b>1,025,374</b>	<b>1,064,043</b>
<b>Total current assets</b>	<b>1,025,374</b>	<b>1,064,043</b>

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	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
<b>Current liabilities</b>		
Trade and other payables	430,841	783,997
Contract liabilities	49,286	6,405
Interest-bearing bank and other borrowings	1,206,303	1,146,449
<b>Total current liabilities</b>	<b>1,686,430</b>	<b>1,936,851</b>
<b>Net current liabilities</b>	<b>(661,056)</b>	<b>(872,808)</b>
<b>Total assets less current liabilities</b>	<b>3,752,169</b>	<b>3,386,659</b>
<b>Non-current liabilities</b>		
Interest-bearing bank and other borrowings	1,349,922	1,087,959
Deferred income	34,359	34,364
<b>Total non-current liabilities</b>	<b>1,384,281</b>	<b>1,122,323</b>
<b>Net assets</b>	<b>2,367,888</b>	<b>2,264,336</b>
<b>Equity</b>		
Equity attributable to the Shareholders		
Share capital	135	135
Share premium and reserves	2,311,073	2,206,163
	<b>2,311,208</b>	<b>2,206,298</b>
Non-controlling interests	56,680	58,038
<b>Total equity</b>	<b>2,367,888</b>	<b>2,264,336</b>

*Source: 2020 Interim Report*

### **Property, plant and equipment**

The property, plant and equipment of the Group (“PPE”) includes principally buildings, motor vehicles, plant and equipment and construction in progress accounted for approximately 36.3% and 35.8% of the total assets of the Group as at 30 June 2020 and 31 December 2019 respectively which was the most significant portion of the total assets of the Group. As at 31 December 2019, the net carrying amount of the buildings of the Group of approximately RMB1,577.9 million accounted for approximately 82.8% of PPE. PPE increased slightly by approximately RMB67.5 million or 3.5% during 1H2020, from approximately RMB1,905.7 million as at 31 December 2019 to approximately RMB1,973.2 million as at 30 June 2020. As disclosed in the 2020 Interim Report, PPE with an aggregate carrying amount of approximately RMB466.0 million and RMB287.7 million were pledged to secure interest-bearing bank and other borrowings to the Group as at 30 June 2020 and 31 December 2019 respectively.

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### **Biological assets**

As set out in the 2020 Interim Report, the biological assets of the Group are: (i) dairy cows held to produce raw milk such as milkable cows, heifers and calves; and (ii) cows held for sale. Dairy cows held to produce raw milk are categorized as bearer biological assets and cows held for sale are categorized as consumable biological assets. The biological assets also accounted for a significant portion of the total assets of the Group which accounted for approximately 32.5% and 31.8% of the total assets of the Group as at 30 June 2020 and 31 December 2019 respectively. As at 30 June 2020, the biological assets of the Group amounted to approximately RMB1,766.9 million, representing an increase of approximately 4.3% as compared to that as at 31 December 2019. The total quantity of cows increased slightly from 65,429 heads as at 31 December 2019 to 66,065 heads as at 30 June 2020. The Group held 38,331 heads of milkable cows, 27,708 heads of heifers and calves and 26 heads of cows held for sale as at 30 June 2020. Cows held for sale, which are classified as current assets, comprise heifers imported and held in quarantine farms and heifers/calves reproduced by the Group for sale to external customers. Milkable cows, heifers and calves are dairy cows of the Group for the purpose of production of raw milk and are classified as non-current assets. As at 30 June 2020, the biological assets classified as current assets amounted to approximately RMB428,000 while those classified as non-current assets amounted to approximately RMB1,766.5 million.

### **Right-of-use assets**

As at 31 December 2019, the right-of use assets of the Group was approximately RMB545.6 million, mainly comprising of the lease of land parcels and land use rights with lease terms ranged from 1 to 50 years amounted to approximately RMB440.8 million and RMB95.7 million respectively. The Group also leased office buildings with lease terms ranged from three to five years amounted to approximately RMB9.1 million. During 1H2020, the right-of-use assets slightly decreased by approximately RMB25.3 million, to approximately RMB520.3 million as at 30 June 2020.

### **Interest-bearing bank and other borrowings and gearing ratio**

The interest-bearing bank and other borrowings of the Group (the “**Borrowings**”) amounted to approximately RMB2,556.2 million represented approximately 83.3% of the total liabilities of the Group as at 30 June 2020 which increased from approximately RMB2,234.4 million as at 31 December 2019, representing an increment of approximately 14.4%. As at 30 June 2020, the Borrowings of the Group repayable within one year amounted to approximately RMB1,206.3 million, representing approximately 47.2% of the Borrowings. Over half of the Borrowings were fixed-rate borrowings and also more than half of the Borrowings were unsecured. The secured Borrowings were primarily secured by the dairy cows, bank deposits, prepayment assets, long-term pledged assets, PPE and trade receivables. The gearing ratio of the Company was approximately 56.5% as at 30 June 2020, representing a slight decline of approximately 1.0% from approximately 57.5% as at 31 December 2020.

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### **Pledged bank deposits, cash and bank balances**

As at 30 June 2020, the pledged bank deposits amounted to approximately RMB47.9 million, representing an increase of approximately RMB24.1 million or 101.0% as compared to that as at 31 December 2019. The cash and bank balance of the Group was approximately RMB400.4 million as at 30 June 2020, represented a slight increase of approximately RMB9.6 million or 2.5% as compared to that as at 31 December 2019. Most of the Group's pledged bank deposits and cash and bank balance were denominated in RMB.

### **NAV attributable to the Shareholders**

The net asset value ("NAV") attributable to the Shareholders increased slightly by approximately RMB104.9 million or 4.8% as at 30 June 2020, from approximately RMB2,206.3 million as at 31 December 2019 to approximately RMB2,311.2 million as at 30 June 2020.

### **Subscription of new shares under general mandate**

As disclosed in the Yili Subscription Announcement, the Company, as the issuer, entered into the Yili Subscription Agreement dated 31 July 2020 with Jingang Trade, as the subscriber, for the subscription of 432,641,522 (representing approximately 16.6% of the total issued share capital of the Company as at the Latest Practicable Date) new Shares at the Yili Subscription Price of HK\$0.47 per Share under general mandate (i.e. the Yili Subscription). The Yili Subscription was completed on 12 August 2020 and the net proceeds from the Yili Subscription (after deducting expenses arising from the Yili Subscription) were approximately HK\$201.8 million. The Company intended to use approximately 70% of the net proceeds from the Yili Subscription to supplement the general working capital, mainly for the purchase of production materials such as feeds and veterinary drugs necessary for farm operations, approximately 30% for repayment of bank loans that were falling due to support the operation of the Company's existing business. As a result of the Yili Subscription, the cash and bank balance and the NAV attributable to the Shareholders as at 30 June 2020 would have increased by approximately HK\$201.8 million (equivalent to approximately RMB184.3 million at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020) (the "Yili Subscription Proceeds") upon completion of the Yili Subscription to approximately RMB584.7 million and RMB2,495.5 million respectively.



### Valuation Summary

According to our review of the Valuation Summary, we note that the carrying amount of the property interests owned by the Group was approximately RMB2,122.5 million as at 31 October 2020 while the market value of the property interests owned by the Group amounted to approximately RMB2,298.6 million as at 31 October 2020, represented a revaluation surplus of approximately RMB176.1 million (the “**Property Revaluation Surplus**”). Taking into account the Yili Subscription Proceeds of approximately HK\$201.8 million (equivalent to approximately RMB184.3 million at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020) and the Property Revaluation Surplus of approximately RMB176.1 million, the NAV attributable to the Shareholders as at 30 June 2020 would have increased to approximately RMB2,671.6 million (the “**Adjusted NAV**”).

### C. *Industry overview*

The raw milk production industry in China experienced substantial growth in the early 2000’s. According to “The ongoing modernization of China’s dairy sector” published by PricewaterhouseCoopers in 2019 (the “**PwC Report**”), China’s raw milk production increased by more than 20 times from approximately 1.4 million tonnes to over 30 million tonnes between 1980 and 2006. Such growth has stagnated since 2008 and the production peaked at approximately 33 million tonnes in 2012. However, Chinese dairy consumption has continued to increase. More than 30% of China’s dairy products (measured in raw milk equivalents) come from imports now, compared to approximately 5% in 2007. The PRC Government has been issuing new plans, policies and regulations to modernize production, improve food safety and quality and reduce dependence on imports. Dairy manufacturers are encouraged to build or acquire controlling stakes in dairy farms and government policies actively encouraged the establishment of strong domestic brands and increased consumption of pasteurized milk and dry products. There are still a number of key challenges for the raw milk production industry in China to continue to grow, to name just a few:

- (i) *The increasingly strict government policies and regulations, in particular, on food safety and quality*

According to the PwC Report, ever since the melamine milk scandal in 2008, dairy products are among the most strictly regulated and monitored products of all food and beverage products in China and regulations have continuously become more demanding every year, especially in the environmental, food safety and biosecurity requirements of dairy products.

*(ii) The high cost of domestic production*

According to PwC Report, the labour cost per unit of milk of large-scale farms is much lower than that of backyard and small-scale farms due to the improvement of labour productivity and average production per dairy cow. However, such savings from labour cost are offset by the increasing cost of feed concentrates, commercial fodder, electricity, veterinary services and management fees. As a consequence of limited production of domestic forage and feed crops, the large-scale farms have to depend on the imported alfalfa and soy, a key ingredient in feed concentrate, to feed dairy cows which contributes to the high cost of domestic raw milk production and drives a more significant cost difference between the imported dairy products and domestic products. As set out in the PwC Report, the raw milk production cost in China is 46% and 53% higher than that in New Zealand and the global average, respectively, in 2018.

*(iii) A substitute of raw milk*

As stated in reports named “2019 Dairy and Production Semi-Annual” and “2020 Dairy and Production Semi-Annual” containing analysis on the Chinese dairy industry, as published by the United States Department of Agriculture, the total import of whole milk power of the PRC increased from approximately 470,000 tons in 2017 to approximately 671,000 tons in 2019, representing an increase of approximately 42.8%. In 2020, New Zealand remains the single largest supplier of whole milk powder for the PRC which accounted for more than 90% market share. Furthermore, importing whole milk powder from New Zealand enjoyed zero tariffs in the PRC since 2019 and as a result, the PRC’s imports of milk powder from New Zealand is expected to continue to rise in the foreseeable future. Milk powder is the most common dairy product for international trade due to its relatively low shipping costs and long shelf life. As such, milk powder has increasingly become a substitute for raw milk.

***D. Business prospects of the Group***

As set out in the 2020 Interim Report, COVID-19 posed severe challenges to the China economy and the dairy industry on dairy demand and logistics-based supply chain. Due to the worldwide impact of the pandemic, global economic growth forecast has been cut. In the World Economic Outlook released by the International Monetary Fund in late June 2020, the global economy is projected to decline by approximately 4.9%, while China’s economy is forecast to grow at approximately 1%, making it the only country that can achieve positive growth in 2020 among major economies. However, China’s overall economic growth is still in a downward cycle, and the uncertainties resulting from changes in the international political and economic landscape and trade wars persist. The Group actively coped with the threat of COVID-19 to the normal operations of the Company from the aspects of safe production, operation assurance and sales promotion. The Group coordinated resources to prevent and control the virus in order to minimize the impact of the pandemic. In 1H2020, all the raw milk produced by the Group was sold normally without sluggish sales or powder spraying, and the arrangement for materials supply and epidemic prevention were carried out in an orderly manner and the health of employees was effectively protected.

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Although COVID-19 brought short term challenges to the dairy industry, it has raised the concern of consumers in relation to nutrition, health, immunity enhancement and the quality of products. The National Health Commission of the PRC issued the “Nutrition and Dietary Advice on Prevention and Recovery from Novel Coronavirus Infected Pneumonia” on 8 February 2020 which recommended that “moderate or recovering patients should consume 300g of milk and dairy products per day”. Further, the National Association of Health Industry and Enterprise Management, the Chinese Nutrition Society, the Dairy Association of China and the China Dairy Industry Association jointly published the “Guidelines on Consumption of Milk and Dairy Products for Chinese Citizens” on 26 February 2020 which recommended the public to consume 300g of liquid milk or other dairy products with protein content equivalent to 300g of liquid milk to promote a healthy diet.

The Company gave a mixed view of the Group’s prospects in the 2020 Interim Report. On one hand, it recognized the release of the aforementioned guidelines has attracted greater consumer attention to high-protein foods such as milk. On the other hand, it also realized the full recovery of the dairy industry also faces cost challenges. As further set out in the 2020 Interim Report, epidemic prevention measures still cannot be relaxed given the frequent occurrence of cases in various places although COVID-19 has been generally under control in China. As a result, the preventive disinfection of dairy farms, labour protection of employees, and epidemic prevention for dairy cows push up operating expenses. Furthermore, the severity of the pandemic in foreign countries resulted in the increase in the prices of feed including corn, alfalfa, and soybean meal. The depreciation of RMB in 1H2020 further increased the purchase cost of imported feed. In this connection, the Group would explore full industry chain development with the ongoing effort to enhance its ability to resist risks. In our view, the introduction of Yili Industrial as the substantial shareholder of the Company through the Yili Subscription can be seen as one way of achieving full industry chain development. As set out in the Yili Subscription Announcement, the Directors are of the view that, as Yili Industrial is the largest dairy company with the most complete product categories in the PRC, engaged in the processing, manufacturing and sales of various dairy products and health drinks, it can enable the Company to strengthen coordination and cooperation with downstream companies in the industrial chain to build up momentum for future development.

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### 2. Principal terms of the Offer

The Offer Price of HK\$1.132 per Offer Share represents:

- (i) a premium of approximately 11.0% over the closing price of HK\$1.020 per Share as quoted on the Stock Exchange on 25 September 2020, being the Last Trading Day;
- (ii) a premium of approximately 16.9% over the average closing price of approximately HK\$0.968 per Share based on the daily closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 20.0% over the average closing price of approximately HK\$0.943 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 22.8% over the average closing price of approximately HK\$0.922 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 44.9% over the average closing price of approximately HK\$0.781 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 77.6% over the average closing price of approximately HK\$0.638 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a discount of approximately 0.7% to the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (viii) a premium of approximately 19.8% over the audited consolidated NAV attributable to the Shareholders of approximately RMB0.85 (equivalent to approximately HK\$0.94 at the exchange rate of HK\$1.11635 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 31 December 2019) per Share as at 31 December 2019, calculated by dividing the Group's audited consolidated NAV attributable to the Shareholders of approximately RMB2,206.3 million as at 31 December 2019 by 2,606,719,522 Shares in issue as at the Latest Practicable Date;

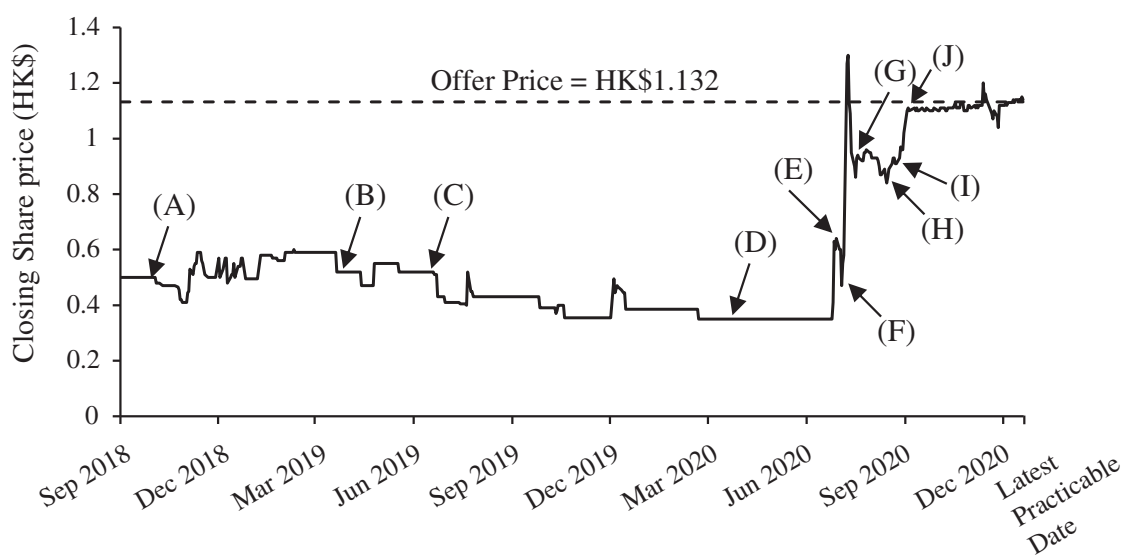
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- (ix) a premium of approximately 16.6% over the unaudited consolidated NAV attributable to the Shareholders of approximately RMB0.89 (equivalent to approximately HK\$0.97 at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020) per Share as at 30 June 2020, calculated by dividing the Group's unaudited consolidated NAV attributable to the Shareholders of approximately RMB2,311.2 million as at 30 June 2020 by 2,606,719,522 Shares in issue as at the Latest Practicable Date;
- (x) a premium of approximately 1.1% over the Adjusted NAV per Share of approximately RMB1.025 (equivalent to approximately HK\$1.12 at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020), as at 30 June 2020, calculated by dividing the Adjusted NAV of approximately RMB2,671.6 million by 2,606,719,522 Shares in issue as at the Latest Practicable Date; and
- (xi) a premium of approximately 140.9% over the Yili Subscription Price of HK\$0.47 per Share.

### A. *Historical price performance of the Shares*

Set out below is the chart showing the daily closing Share prices as quoted on the Stock Exchange during the period commencing from 27 September 2018, being the 24-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”):

**Chart 1: Closing Share prices during the Review Period**



Source: Bloomberg

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Item	Date	Announcement
(A)	8 October 2018	Major transaction in relation to finance lease arrangements
(B)	29 March 2019	Annual results of the Company for FY2018
(C)	28 June 2019	Resignation of deputy general manager of the Company
(D)	27 March 2020	Annual results of the Company for FY2019
(E)	22 July 2020	Certain updates of the concert parties arrangement concerning Mr. Zhang Jianshe and Mr. Zhang Kaizhan
(F)	31 July 2020	Yili Subscription
(G)	7 August 2020	Discloseable transactions – Formation of a limited partnership and deemed disposal of equity interest in a non-wholly owned subsidiary
(H)	4 September 2020	Continuing connected transactions – (1) raw fresh milk supply framework agreement (2) materials procurement framework agreement and (3) financial and factoring services framework agreement (the “CCTs”)
(I)	18 September 2020	Resignation of chief financial officer
(J)	27 September 2020	Rule 3.5 Announcement

During the Review Period prior to 21 July 2020, the closing Share price exhibited a decreasing trend, which ranged from the lowest of HK\$0.35 per Share on 18 March 2020 to the highest of HK\$0.60 per Share on 7 March 2019 with an average closing Share price of approximately HK\$0.45 per Share, and remained static at HK\$0.35 per Share from 18 March 2020 to 20 July 2020. The Offer Price of HK\$1.132 per Offer Share has consistently been significantly higher than the closing Share prices during the aforementioned period. We have reviewed the Share price movement during the aforesaid period and noted the following notable events: (i) the release of an announcement on 8 October 2018 regarding a major transaction in relation to finance lease arrangements; (ii) the release of the annual results announcement of the Company for FY2018 on 29 March

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2019; (iii) the release of an announcement on 28 June 2019 regarding resignation of deputy general manager of the Company; and (iv) the release of the annual results announcement of the Company for FY2019 on 27 March 2020.

On 21 July 2020, the closing Share price increased from HK\$0.35 per Share on 20 July 2020 to HK\$0.41 per Share, representing a one-day increase of approximately 17.1%. At the request of the Company, trading in the Shares was suspended in the afternoon session on 22 July 2020 and the closing Share price on this date was HK\$0.63, representing another one-day increase, this time at a rate of approximately 53.7%. The Company released an announcement in relation to certain updates of the concert parties arrangement concerning Mr. Zhang Jianshe and Mr. Zhang Kaizhan in the evening of 22 July 2020. Upon resumption of trading in the Shares on 23 July 2020, the closing Share price closed in a range of HK\$0.47 and HK\$0.64 between 23 July 2020 and 31 July 2020. After trading hours on 31 July 2020, the Company announced the Yili Subscription, the Share price took a significant jump and peaked at HK\$1.30 per Share on 4 August 2020. The closing Share price then oscillated between HK\$0.84 and HK\$1.30 per Share until the Last Trading Day.

We have reviewed the Share price movement during this period and noted the following notable events: (i) the release of an announcement on 22 July 2020 concerning the concert parties arrangement and resumption of trading; (ii) the release of the Yili Subscription Announcement on 31 July 2020; (iii) the release of an announcement on 7 August 2020 regarding discloseable transactions in relation to the formation of a limited partnership and deemed disposal of equity interest in a non-wholly owned subsidiary of the Company; (iv) the release of an announcement on 4 September 2020 in relation to the CCTs; (v) the release of an announcement on 18 September 2020 in relation to the resignation of chief financial officer of the Company; and (vi) the release of the Rule 3.5 Announcement. We note that, upon the release of the Yili Subscription Announcement, the closing Share price surged by approximately 119.0% on 3 August 2020, being the next trading day after the Yili Subscription Announcement, it is reasonable to believe such sharp increase in the Share price was attributable to the market's positive interpretation on the Yili Subscription. The increasing trend in the closing Share price movement from 28 September 2020 to 30 September 2020 would have been due to market initial reaction to the Offer. The closing Share price remained relatively stable which traded at an average of around HK\$1.12 from 5 October 2020 up to the Latest Practicable Date. We however note that, during the period between the next day after the release of the Rule 3.5 Announcement (i.e. 28 September 2020) and the Latest Practicable Date, there had been 12 trading days where the closing Share prices closed above the Offer Price, which were HK\$1.20 on 8 December 2020, HK\$1.14 on 9 December 2020, HK\$1.16 on 10 December 2020 and HK\$1.14 on 11 December 2020.

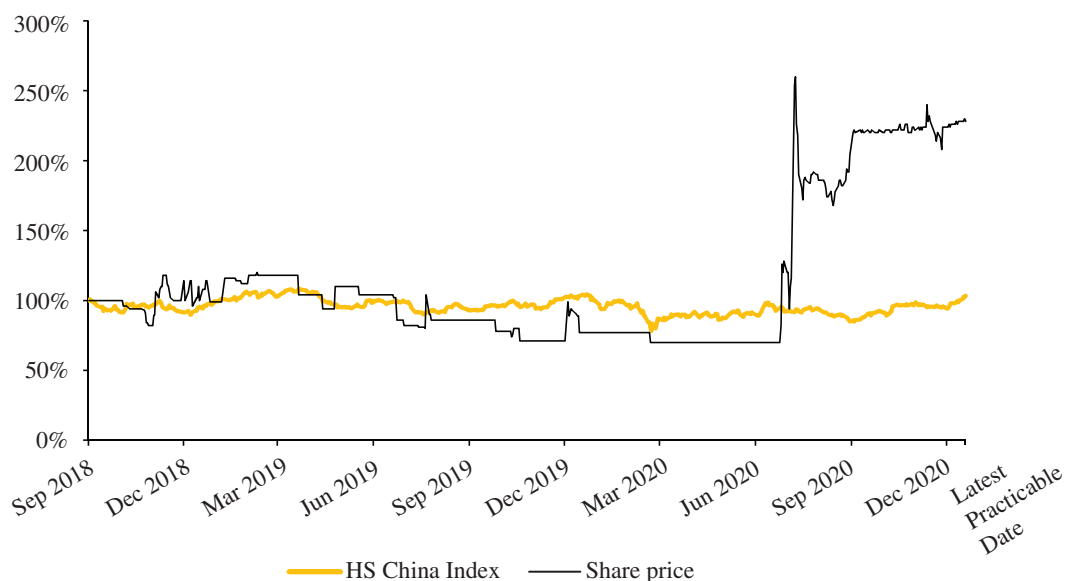
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Set out below is the chart showing the comparison of performance of, during the Review Period, (i) the closing Share prices; and (ii) the Hang Seng China Enterprises Index (the “**HS China Index**”), a benchmark that tracks the performance of Mainland securities listed on the Stock Exchange:

**Chart 2: Comparison of performance of the closing Share prices and the HS China Index**



Source: Bloomberg

Chart 2 above illustrates the performance of the closing Share prices compared to that of the HS China Index. The Share prices outperformed the HS China Index slightly during the first year period of the Review Period. The Share price, in general, underperformed the HS China Index during the majority of the Review Period until the release of the Yili Subscription Announcement on 31 July 2020.

The closing Share price traded below the Offer Price in most of the time during the Review Period. Out of 568 trading days in the Review Period, the closing Share price traded below the Offer Price for 554 trading days.

We further note that the Offer Price is higher than the closing Share price on the Last Trading Day, and represents a premium of approximately 11.0%, 0.7%, 16.6% and 1.1% over the closing Share price on the Last Trading Day, the closing Share price as at the Latest Practicable Date, the NAV attributable to the Shareholders per Share as at 30 June 2020 and the Adjusted NAV per Share.



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**B. Historical trading volume of the Shares**

The following table sets out the trading volume of the Shares during the Review Period:

	<b>Total trading volume</b> <i>(No. of Shares)</i>	<b>No. of trading days</b>	<b>Average daily trading volume</b> <i>(No. of Shares)</i>	<b>Average daily trading volume to the total number of Shares in issue</b> <i>(Approximate %)<sup>Note 1</sup></i>	<b>Average daily trading volume to the number of Shares held by public Shareholders</b> <i>(Approximate %)<sup>Note 2</sup></i>
2018					
September (From 27 September)	0	2	0	0.0000	0.0000
October	0	21	0	0.0000	0.0000
November	398,000	22	18,091	0.0008	0.0014
December	2,104,000	19	110,737	0.0051	0.0085
2019					
January	1,054,000	22	47,909	0.0022	0.0037
February	108,000	17	6,353	0.0003	0.0005
March	104,000	21	4,952	0.0002	0.0004
April	6,000	19	316	0.0000	0.0000
May	2,000	21	95	0.0000	0.0000
June	20,000	19	1,053	0.0000	0.0001
July	82,000	22	3,727	0.0002	0.0003
August	284,000	22	12,909	0.0006	0.0010
September	8,000	21	381	0.0000	0.0000
October	60,000	21	2,857	0.0001	0.0002
November	48,000	21	2,286	0.0001	0.0002
December	98,000	20	4,900	0.0002	0.0004
2020					
January	172,000	20	8,600	0.0004	0.0007
February	0	20	0	0.0000	0.0000
March	0	22	0	0.0000	0.0000
April	0	19	0	0.0000	0.0000
May	6,000	20	300	0.0000	0.0000
June	0	21	0	0.0000	0.0000
July	10,596,000	22	481,636	0.0222	0.0343
August	217,037,100	21	10,335,100	0.4597	0.7357
September	39,358,000	22	1,789,000	0.0686	0.1274
October	12,003,000	18	666,833	0.0256	0.0475
November	3,402,000	21	162,000	0.0062	0.0115
December	29,283,860	22	1,331,085	0.0511	0.0948

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	<b>Total trading volume</b> <i>(No. of Shares)</i>	<b>No. of trading days</b>	<b>Average daily trading volume</b> <i>(No. of Shares)</i>	<b>Average daily trading volume to the total number of Shares in issue</b> <i>(Approximate %)<sup>Note 1</sup></i>	<b>Average daily trading volume to the number of Shares held by public Shareholders</b> <i>(Approximate %)<sup>Note 2</sup></i>
2021					
January (up to the Latest Practicable Date)	23,590,000	10	2,359,000	0.0905	0.1679

*Source: the Stock Exchange*

*Notes:*

1. *The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.*
2. *The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by the public Shareholders.*

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from nil to approximately 10,335,100 Shares, representing: (i) nil to approximately 0.46% of the total number of issued Shares; and (ii) nil to approximately 0.74% of the number of Shares held by public Shareholders.

The average daily trading volume for the Review Period prior to July 2020 (from 27 September 2018 to 30 June 2020) was approximately 10,542 Shares. The average daily trading volume for the period from 1 July 2020 to the Last Trading Day was approximately 4,037,985 Shares, representing approximately 383 times of that of the Review Period prior to 1 July 2020. The average daily trading volume was approximately 10.3 million Shares in August 2020. The highest daily trading volume was recorded on 3 August 2020, the trading volume reached approximately 65.9 million Shares. The trading volume surged after the release of the Yili Subscription Announcement. Such significant increase in trading volume of Shares and Share prices would have been due to the positive market reaction to the Yili Subscription.

On the first trading day after the release of the Rule 3.5 Announcement (i.e. 28 September 2020), the daily trading volume of the Shares increased to approximately 12.1 million Shares from 4.9 million Shares as recorded on the Last Trading Day, representing approximately 0.86% of the number of Shares held by public Shareholders. Such increase in trading volume of the Shares would have been the initial market reaction to the Rule 3.5 Announcement. Although the trading volume of the Shares was active on 28 September 2020, the average daily trading volume reduced to approximately 666,833

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Shares and 162,000 Shares in October and November respectively, representing: (i) approximately 0.01% to approximately 0.03% of the total number of issued Shares; and (ii) approximately 0.01% to approximately 0.05% of the number of Shares held by public Shareholders.

Given that: (i) there was no liquidity for several months; and (ii) the generally very thin liquidity of the Shares during the Review Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Offer provides the Independent Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of part or all of their Shares at the Offer Price if they wish to.

### *C. Industry Comparables*

As mentioned under the section headed “1. Business information, financial performance and prospects of the Group”, the Group generated most of its revenue from the dairy farming business which included the raising and breeding dairy cows, producing and selling premium raw milk. In assessing the fairness and reasonableness of the Offer Price, we have identified comparable companies (the “**Industry Comparables**”) which are principally engaged in similar principal business activities as those of the Group (i.e. dairy farming business) with the following selection criteria:

- (i) listed on the Stock Exchange;
- (ii) with over 90% of the latest reported annual revenue was generated from the dairy farming business which included the production and sales of raw milk; and
- (iii) the trading of shares has not been suspended for more than three months.

We adopted the above criteria because we note that the revenue attributable to the dairy farming business accounted for more than 92% of the Group’s revenue for FY2018, FY2019 and 1H2020. As such, the Industry Comparables do bear significant resemblance with the principal business of the Company. Based on the above selection criteria, we have exhaustively identified three Industry Comparables. In view of the high concentration of revenue attributable to the dairy farming business of the Group, although the number of industry participants listed on the Stock Exchange that meet the aforesaid selection criteria is relatively limited, they are still fully representative of the dairy farming market. As such, we consider that the three Industry Comparables identified by us, though not a big sample and may have different size of market capitalization, to be an exhaustive, appropriate and representative sample for the purpose of arriving at a meaningful comparison to the Offer Price.

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For the selection of the valuation multiple, we have given regard to price-to-sales multiple(s) (“**P/S Multiple(s)**”), price-to-earnings multiple(s) (“**P/E Multiple(s)**”) and price-to-book multiple(s) (“**P/B Multiple(s)**”). We understand that P/S Multiple captures the business scale of the subject company but it is not adopted in our analysis due to its deficiency in capturing the cost structure of the Industry Comparables. We note that all the three Industry Comparables were profit-making on a trailing twelve months (“**TTM**”) basis. As such, P/E Multiple was adopted in our analysis. In addition, P/B Multiple is also effective in conducting valuation for dairy farming companies, where biological assets and PPE: (i) are crucial for the production of milk to generate revenue for a company; and (ii) account for a significant portion of the total assets of the Company. Based on the above, we consider P/E Multiple and P/B Multiple to be appropriate valuation multiples. Set out below are three Industry Comparables together with the relevant P/E Multiples and P/B Multiples for the purpose of our analysis:

**Table 3: List of Industry Comparables**

No.	Company (stock code)	Company descriptions	Market	P/E Multiple	P/B Multiple
			capitalization (HK\$' Million) <sup>Note 1</sup>		
1	China Modern Dairy Holdings Limited (1117)	The company is mainly engaged in dairy farming business which included the production and sales of raw milk.	6,652.3	13.7	0.8
2	YuanShengTai Dairy Farm Limited (1431)	The company is mainly engaged in dairy farming business which included the production and sales of raw milk.	2,861.2	8.2	0.6
3	China Shengmu Organic Milk Limited (1432)	The company is mainly engaged in dairy farming business which included: (i) production and sales of raw milk to customers for processing into dairy products; and (ii) production and sales of liquid milk products.	4,777.3	17.6	1.7
		Maximum		17.6	1.7
		Minimum		8.2	0.6
		Average		13.2	1.0
		Median		13.7	0.8

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No.	Company (stock code)	Company descriptions	Market		
			capitalization (HK\$' Million) <sup>Note 1</sup>	P/E Multiple (times) <sup>Note 2</sup>	P/B Multiple (times) <sup>Note 3</sup>
	<b>The Offer</b>	The Company 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 in the PRC.	2,950.8 <sup>Note 4</sup>	16.7 <sup>Note 5</sup>	1.2 <sup>Note 6 7</sup>

Sources: Bloomberg and the website of the Stock Exchange

Notes:

- The market capitalizations as at the Last Trading Day.
- P/E Multiples of the Industry Comparables are calculated by dividing the respective market capitalization of the Industry Comparable as at Latest Practicable Date, by the net profits attributable to the shareholders of the Industry Comparables on a TTM basis. For the above calculations, the figures of the net profits attributable to the shareholders reported in RMB were converted into HK\$ at the exchange rate of HK\$1.10907 to RMB1, being the average of the exchange rates as quoted by the China Foreign Exchange Trade System from 1 January 2020 to the date of the Rule 3.5 Announcement.
- P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalization of the Industry Comparable as at Latest Practicable Date, by the most recently published NAV attributable to the shareholders of the Industry Comparables. For the above calculations, the NAV figures reported in RMB were converted into HK\$ at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020.
- The implied market capitalization of the Company (the “**Implied Market Value**”) under the Offer of approximately HK\$2,950.8 million is calculated by multiplying the Offer Price and the number of issued Shares of 2,606,719,522 Shares as at the Latest Practicable Date.
- The implied P/E Multiple of the Company under the Offer (the “**Implied P/E Multiple**”) of approximately 16.7 time is calculated by dividing the aforesaid Implied Market Value of approximately HK\$2,950.8 million by the net profits attributable to the Shareholders on a TTM basis of approximately RMB159.2 million (equivalent to approximately HK\$176.6 million at the exchange rate of HK\$1.10907 to RMB1, being the average of the exchange rates as quoted by the China Foreign Exchange Trade System from 1 January 2020 to the date of the Rule 3.5 Announcement).
- The implied P/B Multiple of the Company under the Offer (the “**Implied P/B Multiple**”) of approximately 1.2 times is calculated by dividing the aforesaid Implied Market Value of approximately HK\$2,950.8 million by the unaudited consolidated NAV attributable to the Shareholders of as at 30 June 2020 of approximately RMB2,311.2 million (equivalent to approximately HK\$2,530.2 million at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020).

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As shown in the table above, P/E Multiples of the Industry Comparable ranged from approximately 8.2 times to approximately 17.6 times, with an average P/E Multiple of approximately 13.2 times and a median P/E Multiple of approximately 13.7 times. We note that the Implied P/E Multiple of approximately 16.7 times falls within the range of P/E Multiples of the Industry Comparables and is higher than both the average P/E Multiple and the median P/E Multiple of the Industry Comparables.

As shown in the table above, P/B Multiples of the Industry Comparables ranged from approximately 0.6 time to approximately 1.7 times, with an average P/B Multiple of approximately 1.0 time and a median P/B Multiple of approximately 0.8 time. We note that the Implied P/B Multiple of approximately 1.2 times falls within the range of P/B Multiples of the Industry Comparable and is higher than both the average P/B Multiple and the median P/B Multiple of the Industry Comparables.

Taking into account the fact that: (i) both the Implied P/E Multiple and the Implied P/B Multiple of approximately 16.7 times and 1.2 times, respectively, are within the range of both P/E Multiples and P/B Multiples of the Industry Comparables; (ii) the Implied P/B Multiple is higher than both the average P/B Multiple and the median P/B Multiple of the Industry Comparables; and (iii) the Implied P/E Multiple is higher than both the average P/E Multiple and the median P/E Multiple of the Industry Comparables, we consider the Implied P/E Multiple and the Implied P/B Multiple compare favourably against those of the GO Industry Comparables.

### ***D. GO Transaction Comparables***

To further assess the fairness and reasonableness of the Offer Price, we have also identified comparable transactions (the “**GO Transaction Comparables**”) which involved the acquisition, by way of general offers, of target companies principally engaged in similar principal business activities as those of the Group (i.e. dairy farming business) with the following selection criteria:

- (i) the transaction was announced and on-going or completed in the five years preceding the date of the Rule 3.5 Announcement;
- (ii) the shares of either the acquirer, the seller or the target company of the transaction are/were listed on Stock Exchange;
- (iii) the transaction involved the acquisition of controlling stake of the target company (being 30% or more of the equity interest as defined in the Listing Rules); and
- (iv) with over 90% of the latest reported annual revenue of the target company generated from dairy farming and/or the production and sales of raw milk.

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As mentioned above, we note that the revenue attributable to the dairy farming business accounted for more than 92% of the Group's revenue for FY2018, FY2019 and 1H2020. As such, we adopted the above criteria because the target companies in the GO Transaction Comparables are considered highly comparable to the Company. Based on the above selection criteria, we have exhaustively identified two Industry Comparables. In view of: (i) the high concentration of revenue attributable to the dairy farming business of the Group; and (ii) the duration of five years is considered a sufficient period of time, given that there had not been any significant development of market conditions during this period (while the last known significant development of markets conditions was the melamine milk scandal in 2008) based on our review of the PwC Report, although the number of market transactions that meet the aforesaid selection criteria is relatively limited, they are still fully representative of the market transactions which involved the acquisition of companies principally engaged in dairy farming. As such, we consider that the two GO Transaction Comparables identified by us, though not a big sample and may have different size of market capitalization, to be an exhaustive, appropriate and representative sample for the purpose of arriving at a meaningful comparison to the Offer Price.

The first GO Transaction Comparable was jointly announced by China Feihe Limited ("**Feihe**") (stock code: 6186) and YuanShengTai Dairy Farm Limited ("**YST**") (stock code: 1431) on 6 September 2020. Feihe intended to acquire the controlling stake in YST by way of voluntary general offer. The market capitalization of YST is calculated by multiplying the offer price under the voluntary general offer and the number of its issued shares as at 6 September 2020 which was approximately HK\$2,955.0 million. The implied P/E Multiple of YST of approximately 8.5 times is calculated by dividing the aforesaid implied market capitalization of approximately HK\$2,955.0 million by the net profits attributable to the shareholders of YST on a TTM basis of approximately RMB314.2 million (equivalent to approximately HK\$348.5 million at the exchange rate of HK\$1.10907 to RMB1, being the average of the exchange rates as quoted by the China Foreign Exchange Trade System from 1 January 2020 to the date of the Rule 3.5 Announcement. The adjusted implied P/B Multiple of YST of approximately 0.55 time is calculated by dividing the aforesaid implied market capitalization of approximately HK\$2,955.0 million by the adjusted NAV attributable to the shareholders of YST as at 30 June 2020, being the latest available NAV attributable to the shareholders prior to the date of the announcement of the transaction plus property revaluation surplus (if any), of approximately RMB4,911.3 million (equivalent to approximately HK\$5,376.7 million at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020.

The second GO Transaction Comparable was jointly announced by China Mengniu Dairy Company Limited ("**Mengniu**") (stock code: 2319) and China Modern Dairy Holdings Limited ("**Modern Dairy**") (stock code: 1117) on 4 January 2017. Mengniu intended to acquire the controlling stake in Modern Dairy by way of mandatory general offer. The implied market capitalization of Modern Dairy is calculated by multiplying the offer price under the mandatory general offer and the number of its issued shares as at 4

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January 2017 which was approximately HK\$10,291.2 million. The implied P/E Multiple of Modern Dairy is not applicable as Modern Dairy incurred net loss attributable to the shareholders of Modern Dairy on a TTM basis. The adjusted implied P/B Multiple of Modern Dairy of approximately 1.22 times is calculated by dividing the aforesaid implied market capitalization of approximately HK\$10,291.2 million by the adjusted NAV attributable to the shareholders of Modern Dairy as at 30 June 2016, being the latest available NAV attributable to the shareholders prior to the date of the announcement of the transaction plus property revaluation surplus (if any), of approximately RMB7,228.7 million (equivalent to approximately HK\$8,457.9 million at the exchange rate of HK\$1.17004 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2016).

Given that, similar to the Offer, both the GO Transaction Comparables required under the Takeovers Code to conduct a property valuation to arrive at the relevant property revaluation surplus, to arrive at a more precise and meaningful comparison of the Implied P/B Multiple of the Offer like-for-like with the adjusted implied P/B Multiples of the GO Transaction Comparables, we have calculated the adjusted implied P/B Multiple of the Offer (the “**Adjusted Implied P/B Multiple**”) by dividing the Implied Market Value of approximately HK\$2,950.8 million by the Adjusted NAV of approximately RMB2,671.6 million (equivalent to approximately HK\$2,924.9 million at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020). The Adjusted Implied P/B Multiple is 1.0 time.

Taking into account, among others, (i) the first GO Transaction Comparable was announced in the same month as the Offer and with an implied market capitalization of approximately HK\$2,955.0 million which is almost at par with the Implied Market Value of approximately HK\$2,950.8 million which we consider to be as highly relevant for our analysis; (ii) both the Implied P/E Multiple and the Adjusted Implied P/B Multiple of approximately 16.7 times and 1.0 time, respectively, are significantly higher than both the implied P/E Multiple and the adjusted implied P/B Multiple of the first GO Transaction Comparable, respectively; (iii) the Adjusted Implied P/B Multiple of approximately 1.0 time is only slightly lower than the adjusted implied P/B Multiple of the second GO Transaction Comparable, we consider the Implied P/E Multiple and the Adjusted Implied P/B Multiple compare favourably against those of the GO Transaction Comparables.

### *E. Privatization Transaction Comparables*

We acknowledge that the above GO Transaction Comparables were not privatization cases and the offerors of these two GO Transaction Comparables would maintain the listing status of the relevant offeree companies. Therefore, we have conducted further analysis by identifying comparable privatization transactions (the “**Privatization Transaction Comparables**”) to further assess the fairness and reasonableness of the Offer Price under a privatization setting. However, Independent Shareholders should note that, according to our records, there was no privatization cases of dairy farming



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companies on the Stock Exchange in the last 20 years. After considering the fact that raw fresh milk produced and sold by the Group is food and a kind of edible material, we consider that companies principally engaged in the production and sale of food and edible materials to be the closest industry proximity to compare with the Company. Set out below are the selection criteria as at the Latest Practicable Date:

- (i) the privatization transaction was completed in the ten years preceding the Latest Practicable Date;
- (ii) the target company is/was principally engaged in the production and sale of food and edible materials; and
- (iii) the shares of the target company are/were listed on Stock Exchange.

Based on the above selection criteria, we have exhaustively identified two Privatization Transaction Comparables. In view of: (i) companies engaged in the production and sale of food and edible materials to be the closest industry proximity to compare with the Company as mentioned above; and (ii) the duration of ten years is considered a sufficient period of time to identify Privatization Transaction Comparables, we consider that the two Privatization Transaction Comparables identified by us, though not a large sample and may have different scale of operation, product/market features and capital structures, to be an exhaustive, appropriate and representative sample for the purpose of arriving at a supplemental and meaningful comparison to the Offer Price.

The first Privatization Transaction Comparable was jointly announced by SanXing Trade Co., Ltd. (“**SanXing**”) and Changshouhua Food Company Limited (“**Changshouhua**”) (stock code: 1006) on 7 September 2020. SanXing proposed to privatize Changshouhua by way of a scheme of arrangement. The market capitalization of Changshouhua is calculated by multiplying the cancellation price under the scheme of arrangement and the number of its issued shares as at 7 September 2020 which was approximately HK\$2,403.2 million. The implied P/E Multiple of Changshouhua of approximately 7.2 times is calculated by dividing the aforesaid implied market capitalization of approximately HK\$2,403.2 million by the net profits attributable to the shareholders of Changshouhua on a TTM basis of approximately RMB300.1 million (equivalent to approximately HK\$332.8 million at the exchange rate of HK\$1.10907 to RMB1, being the average of the exchange rates as quoted by the China Foreign Exchange Trade System from 1 January 2020 to the date of the Rule 3.5 Announcement. The adjusted implied P/B Multiple of Changshouhua of approximately 0.64 time is calculated by dividing the aforesaid implied market capitalization of approximately HK\$2,403.2 million by the adjusted NAV attributable to the shareholders of Changshouhua as at 30 June 2020, being the latest available NAV attributable to the shareholders prior to the date of the announcement of the transaction plus property revaluation surplus (if any), of approximately RMB3,445.9 million (equivalent to approximately HK\$3,772.4 million at the exchange rate of HK\$1.09476 to RMB1, being the exchange rate as quoted by the China Foreign Exchange Trade System on 30 June 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The second Privatization Transaction Comparable was jointly announced by COFCO (Hong Kong) Limited (“**COFCO**”) and China Agri-Industries Holdings Limited (“**China Agri**”) (stock code: 606) on 27 November 2019. COFCO proposed to privatize China Agri by way of scheme of arrangement. The implied market capitalization of China Agri is calculated by multiplying the cancellation price under the scheme of arrangement and the number of its issued shares as at 27 November 2019 which was approximately HK\$22,358.0 million. The implied P/E Multiple of China Agri of approximately 21.42 times is calculated by dividing the aforesaid implied market capitalization of approximately HK\$22,358.0 million by the net profits attributable to the shareholders of China Agri on a TTM basis of approximately HK\$1,043.9 million. The adjusted implied P/B Multiple of China Agri of approximately 0.74 time is calculated by dividing the aforesaid implied market capitalization of approximately HK\$22,358.0 million by the adjusted NAV attributable to the shareholders of China Agri as at 30 June 2019, being the latest available NAV attributable to the shareholders prior to the date of the announcement of the transaction plus property revaluation surplus (if any), of approximately HK\$30,168.1 million.

Taking into account, among others, (i) the Adjusted Implied P/B Multiple of 1.0 time is higher than the adjusted implied P/B Multiples of both Privatization Transaction Comparables; and (ii) the Implied P/E Multiple of approximately 16.7 times is in between the implied P/E Multiples of the two Privatization Transaction Comparables, we consider the Implied P/E Multiple and the Adjusted Implied P/B Multiple compare favourably against those of the Privatization Transaction Comparables.

### **3. Information on the Offeror and the intention of the Offeror on the Group**

#### ***A. Information of the Offeror***

As stated in the “Letter from CLSA Limited”, the Offeror is an exempted company incorporated in Cayman Islands and set up for the implementation of the Offer on 28 August 2020. Immediately prior to Completion, the Offeror was wholly and beneficially owned by Jingang Trade, and the Offeror did not have any business or asset since incorporation and did not hold any interest in the Company. Immediately after Completion, the Offeror held 1,140,519,522 Shares, representing approximately 43.75% of the total issued share capital of the Company, and Jingang Trade and YeGu Investment legally and beneficially held 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. As at the Latest Practicable Date, the sole director of the Offeror was Mr. Wang Xiaogang.

Jingang Trade is a company incorporated in Hong Kong, primarily engaged in investment and trading businesses. As at the Latest Practicable Date, Jingang Trade was wholly and beneficially owned by Yili Industrial, and the board of Jingang Trade comprised Mr. Pan Gang, Mr. Wang Xiaogang, Ms. Yuan Ping and Ms. Jiang Yuanzi.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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). 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 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%. As at the Latest Practicable Date, the board of Yili Industrial comprised Mr. Pan Gang, Ms. Zhao Chengxia, Mr. Wang Xiaogang, Ms. Zhao Ying, Ms. Wang Aiqing, Mr. Zhang Junping, Mr. Lv Gang, Mr. Peng Heping, Ms. Ji Shao, Mr. Cai Yuanming, and Ms. Shi Fang.

YeGu Investment is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding the Shares. As at the Latest Practicable Date, YeGu Investment was wholly and beneficially owned by Mr. Zhang Jianshe, the sole director of YeGu Investment.

Green Farmlands is an exempted company incorporated in the Cayman Islands and set up for the sole purpose of holding the Shares. As at the Latest Practicable Date, Green Farmlands was wholly and beneficially owned by YeGu Investment, and Mr. Zhang Jianshe was the sole director of Green Farmlands.

### ***B. Intention of the Offeror on the Group***

As set out in the “Letter from CLSA Limited”, 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 a continuing review of its operations and the development of a plan to realize efficiencies and synergies with affiliated businesses of Yili Industrial, the ultimate controlling shareholder of the Offeror.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate) as a result of completion of the Offer. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to optimize the value of the Group.

The Offer is expected to become unconditional on or prior to the seventh (7th) day after the posting of the Composite Document, and the Offeror intends not to retain the listing of the Shares on the Stock Exchange.

### ***C. Proposed change to the Board composition of the Company***

As at the Latest Practicable Date, the Board comprised Mr. Zhang Jianshe and Mr. Zhang Kaizhan as executive Directors, Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua as the non-executive Directors; and Prof. Li Shengli, Dr. Zhang Shengli and Mr. Zhang Juying Jerry as independent non-executive Directors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Offeror intends to nominate new Director(s) with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror had not identified any candidates to be appointed as new Director(s). Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

### *D. Possible compulsory acquisition and withdrawal of listing*

As further set out in the “Letter from CLSA Limited”, the Offeror intends (but is not obliged) to exercise any right it may have under section 88 of the Cayman Islands Companies Act to compulsorily acquire those Shares not acquired by the Offeror under the Offer on the condition that the Offeror, within four (4) months of the posting of the Composite Document, has received valid acceptance in respect of not less than 90% of the Offer Shares.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize the Company by means of the Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Act, acceptance of the Offer and purchases made by the Offeror and its concert parties during the four months after posting of the Composite Document total 90% or more of the Disinterested Shares.

Pursuant to Rule 15.6 of the Takeovers Code, as the Offeror has stated in the Composite Document its intention to avail itself of its powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months from the date of the Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

**If the level of acceptances of the Offer reaches the prescribed level under the Cayman Islands Companies Act and the requirements of Rule 2.11 of the Takeovers Code are satisfied and the Offeror exercises its compulsory acquisition right referred to above, the Company will apply to the Stock Exchange for the suspension of trading in the Shares on the Stock Exchange from the next trading day of the Stock Exchange immediately after the Closing Date up to the date of withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Whilst it is the intention of the Offeror to privatize the Company, the Offeror's ability to exercise rights of compulsory acquisition in respect of the Offer Shares is dependent on the level of acceptances of the Offer reaching the prescribed level under the Cayman Islands Companies Act and on the requirements of Rule 2.11 of the Takeovers Code being satisfied. If the Offer Shares validly tendered for acceptance under the Offer are less than 90% of the Offer Shares or less than 90% of the Disinterested Shares, the Offeror will not become entitled to exercise the power of compulsory acquisition under the Cayman Islands Companies Act and the Takeovers Code and the Company will remain listed on the Stock Exchange.

Pursuant to the Irrevocable Undertakings, the IU Shareholders will upon request, as soon as possible and in any event no later than 3:00 p.m. on the seventh (7th) day (i.e. 25 January 2021) after the date of despatch of this Composite Document, tender their acceptance of the Offer in respect of the IU Shares in accordance with the terms of the Offer and their obligations under the Irrevocable Undertakings, by lodging the duly completed and signed form of acceptance and transfer in respect of the IU Shares in accordance with the instructions printed thereon with the Registrar.

As at the Latest Practicable Date, the percentage of the share capital of the Company made up by all of the IU Shares and the Shares owned by the Offeror Concert Group was over 50%. Therefore, once the IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the acceptance condition of the Offer would have been met. Accordingly, the Offer is expected to become unconditional on or prior to the seventh (7th) day after the date of the Composite Document.

As at the Latest Practicable Date, the total number of IU Shares were 1,377,008,000, representing, among others, (i) approximately 93.9% of the Offer Shares, which was over 90%; and (ii) when excluding those 61,460,000 IU Shares associated with the Irrevocable Undertaking provided by SiYuan Investment, approximately 93.7% of the Disinterested Shares, which was over 90%. Therefore, once the relevant IU Shareholders tender their acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertakings, the conditions of the compulsory acquisition under section 88 of the Cayman Islands Companies Act and Rule 2.11 of the Takeovers Code (the "**Compulsory Acquisition Conditions**") would have been met. Accordingly, on completion of such compulsory acquisition, the Company will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

### *E. Listing status/public float of the company*

As stated in the "Letter from CLSA Limited", the Offer is expected to become unconditional on or prior to the seventh (7th) day after the posting of the Composite Document, and the Offeror intends not to retain the listing of the Shares on the Stock Exchange.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the “Letter from the Board”, according to the Listing Rules, if, upon the close of the Offer, the Offeror does not become entitled to exercise the power of compulsory acquisition under the Cayman Islands Companies Law and less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares until appropriate steps have been taken to restore the minimum percentage of the Shares in public hands. In such circumstances, the Offeror will take appropriate steps to restore the sufficient public float of the Shares after the close of the Offer accordingly.

The sole director of the Offeror and any new Directors to be appointed to the Board, once appointed, will jointly and severally undertake, to the Stock Exchange to take appropriate steps to ensure sufficient public float exists in the Shares, if the Offeror is not entitled to exercise the compulsory acquisition rights as referred to in the Composite Document.

We are of the view that the likelihood of the Offeror does not become entitled to exercise the power of compulsory acquisition under the Cayman Islands Companies Law is remote given that the Offeror has secured sufficient Irrevocable Undertakings to ensure that, provided such undertakings are honoured, the Offeror will acquire over 90% of the Disinterested Shares and also the Offer Shares, satisfying the Compulsory Acquisition Conditions. Therefore, in our view, there is no material prospect of the listing status of the Company can be maintained.

### OPINION AND RECOMMENDATION

After taking into account the principal factors and reasons considered as discussed in our letter, and based on our analysis set out above, we consider that the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. We, therefore, recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The closing Share price on the Latest Practicable Date was HK\$1.14 per Share, which was slightly higher than the Offer Price of HK\$1.132 per Offer Share. We also note that, during the period between the next day after the release of the Rule 3.5 Announcement (i.e. 28 September 2020) and the Latest Practicable Date, there had been 12 trading days where the closing Share price closed above the Offer Price. Therefore, there remains a possibility that the Share price may trade above the Offer Price. For those Independent Shareholders who intend to accept the Offer (the “**Accepting Shareholders**”) are strongly reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market between the Latest Practicable Date and the Closing Date, instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds after deducting all relevant transaction costs as obtained from such Share disposal would be higher than the net proceeds expected to be received under the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the other hand, for those Independent Shareholders who intend not to accept the Offer, given that there is no material prospect of the listing status of the Company can be maintained at the close of the Offer as discussed in the paragraph headed “E. Listing status/public float of the Company” under the section headed “3. Information on the Offeror and the intention of the Offeror on the Group” above, they should also follow a similar trading strategy as the Accepting Shareholders between the Latest Practicable Date and the Closing Date, in order to maximize their exit value.

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. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, you should complete and sign the relevant accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions forms part of the terms of the relevant Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "China ZhongDi Dairy Holdings Company Limited – Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
  - a. lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "China ZhongDi Dairy Holdings Company Limited – Offer" the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
  - b. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "China ZhongDi Dairy Holdings Company Limited – Offer" the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or



- c. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one business day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them;  
or
- d. if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed and delivered in an envelope marked "China ZhongDi Dairy Holdings Company Limited – Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given should be provided to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "China ZhongDi Dairy Holdings Company Limited – Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or CLSA Limited and/or their respective agent(s) to collect from the

Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- a. accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g., a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - b. from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - c. insert the total number of Shares for which the Offer is accepted. If no number is inserted in the box title "Number of Shares to be transferred" or the number of Shares inserted in the Form of Acceptance is greater than the number of Shares held by you or inserted is greater or smaller than that represented by the certificate for Shares tendered for acceptance of the Offer, the Form of Acceptance will be returned to you for correction and resubmission. Any corrected and valid form must be resubmitted and received by the Registrar on or before the latest time of acceptance of the Offer in order for it to be counted towards fulfilling the acceptance condition; or
  - d. certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (g) If the number of Share(s) shown in the share certificate is not wholly accepted by the registered Shareholders, new share certificate representing the Number of Share(s) to be transferred shown in the Form of Acceptance must be applied for.
- (h) Seller's ad valorem stamp duty (rounded up to the nearest dollar) payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Shareholders on the acceptance of the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.
- (j) If the Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the relevant Shareholders who have accepted the Offer by ordinary post at the relevant Shareholders' own risk as soon as possible but in any event within ten (10) days after the Offer has lapsed.

Subject to the terms of the Takeovers Code, acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not entirely in order or not accompanied by the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), but in such cases, the consideration due will not be despatched until the certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrar and/or the company secretary of the Company.

**II. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offer is extended, the Offeror and the Company will issue an announcement in relation to any extension of the Offer, which announcement will state either the next closing date or, a statement that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offer is closed to those Shareholders who have not accepted the relevant Offer.
- (c) If, in the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will benefit under the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.
- (e) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Shareholders who accept the Offer become entitled to withdraw their acceptance under the section headed "IV. RIGHT OF WITHDRAWAL" below and duly do so.

**III. ANNOUNCEMENT**

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects).

Such announcement must state the following:

- (i) the total number of Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares held, controlled or directed by the Offeror Concert Group before the Offer Period;

- (iii) the total number of Shares and rights over Shares acquired during the Offer Period by the Offeror Concert Group; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company in which the Offeror or any of its concert parties it has borrowed or lent, saved for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by the number of securities as referred to in (i) to (iv) above.

- (b) In computing the total number of Shares for which acceptances of the Offer have been received, only valid acceptances in complete and good order which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of listed companies must be made in accordance with the requirements of the Listing Rules.

#### **IV. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) or (c) below.
- (b) If the Offeror is unable to comply with the requirements set out in the section headed “III. ANNOUNCEMENT” above, the Executive may, pursuant to Rule 19.2 of the Takeovers Code, require that the Shareholders who have tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) In compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance of the Offer after twenty one (21) days from the First Closing Date if the Offer have not by then become unconditional as to acceptance.

In such case, when the Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Shareholders at his/her/its own risks.

**V. SETTLEMENT OF THE OFFER**

Provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are valid, complete and in good order and in all respects and have been received by the Registrar before the close of the Offer, a cheque or a banker's cashier order for the amount due to each of the Shareholders who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her under the Offer will be despatched to such Shareholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) business days following later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid.

Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with its terms (save as in respect of the seller's ad valorem stamp duty of the Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

**VI. OVERSEAS SHAREHOLDERS**

- (a) The making of the Offer to the Overseas Shareholders may be affected by the laws of the relevant jurisdictions. The Overseas Shareholders should observe any applicable legal or regulatory requirements. The Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements.
- (b) It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents which may be required to the compliance with all other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).
- (c) The Offeror and parties acting in concert with it, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay.

- (d) Acceptance of the Offer by the Overseas Shareholders will constitute a representation and warranty by such person that the local laws and requirements have been complied with and such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

## **VII. NOMINEE REGISTRATION**

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regard to the Offer.

## **VIII. TAX IMPLICATIONS**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance or rejection of the Offer. It is emphasized that none of the Offeror or parties acting in concert with it, the Company, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

## **IX. GENERAL**

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, CLSA Capital Markets, CLSA Limited, Opus Capital and any of their respective directors nor the Registrar or the company secretary of the Company or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, CLSA Limited, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares sold to the Offeror free from all liens, charges, Encumbrances, rights of preemption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including, in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (g) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (h) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (i) All acceptance, instructions, authorities and undertakings given by the Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (j) The English text of this Composite Document and the Form of Acceptance shall prevail over the respective Chinese text for the purpose of interpretation.
- (k) In making their decision, the Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with each of them, CLSA Capital Markets, CLSA Limited, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Offer. The Shareholders should consult their own professional advisers for professional advice.



## I. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 September 2020 as extracted from the annual reports for the years ended 31 December 2017, 2018 and 2019 and the interim report for the six months ended 30 June 2020 published by the Company in accordance with the Listing Rules:

	For the year ended 31 December 2019 RMB'000 (audited)		For the year ended 31 December 2018 RMB'000 (audited)		For the year ended 31 December 2017 RMB'000 (audited)		For the six months ended 30 June 2020 RMB'000 (unaudited)		Total
	Results before biological fair value adjustments	Biological fair value adjustments	Results before biological fair value adjustments	Biological fair value adjustments	Results before biological fair value adjustments	Biological fair value adjustments	Results before biological fair value adjustments	Biological fair value adjustments	
Revenue	1,499,381	-	1,424,986	-	1,134,282	-	873,220	-	873,220
Cost of sales	(948,771)	(486,353)	(932,532)	(435,400)	(741,123)	(350,303)	(566,414)	(272,507)	(838,921)
Gross profit	550,610	(486,353)	492,454	(435,400)	393,159	(350,303)	306,806	(272,507)	34,299
Losses arising from changes in fair value less costs to sell of biological assets	-	(135,055)	-	(173,691)	-	(176,016)	-	(40,344)	(40,344)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	-	486,353	-	415,969	-	346,127	-	262,385	262,385
Other income	15,424	-	34,661	-	34,975	-	9,828	-	9,828
Other gains and losses	8,179	-	(1,495)	-	(12,300)	-	704	-	704
Distribution costs	(65,272)	-	(59,716)	-	(46,916)	-	(38,302)	-	(38,302)
Administrative expenses	(109,877)	-	(93,953)	-	(71,473)	-	(59,972)	-	(59,972)
Other expenses	(1,006)	-	(1,110)	-	(394)	-	(726)	-	(726)
Finance costs	(160,748)	-	(114,543)	-	(103,482)	-	(64,260)	-	(64,260)

	For the year ended 31 December 2019 RMB'000 (audited)		For the year ended 31 December 2018 RMB'000 (audited)		For the year ended 31 December 2017 RMB'000 (audited)		For the six months ended 30 June 2020 RMB'000 (unaudited)	
	Results before biological fair value adjustments	Biological fair value adjustments	Results before biological fair value adjustments	Biological fair value adjustments	Results before biological fair value adjustments	Biological fair value adjustments	Results before biological fair value adjustments	Biological fair value adjustments
Share of profits and losses of an associate	118	-	14	-	14	-	(60)	-
<b>Profit before tax</b>	237,428	(135,055)	102,373	(193,122)	63,190	(180,192)	154,018	(50,466)
Income tax expenses	-	-	-	-	-	-	-	-
<b>Profit and total comprehensive income for the year/period</b>	237,428	(135,055)	102,373	(193,122)	63,190	(180,192)	154,018	(50,466)
Attributable to:								
Owners of the parent	239,390	(135,055)	104,335	(193,122)	63,190	(180,192)	155,376	(50,466)
Non-controlling interests	(1,962)	-	(1,962)	-	-	-	(1,358)	-
	237,428	(135,055)	102,373	(193,122)	63,190	(180,192)	154,018	(50,466)
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>								
- Basic and diluted (RMB cents)	4.8		4.8	2.9	0.6		4.8	
Dividend	-		-	-	-		-	-

Except as disclosed in the above summary of the consolidated financial results, there were no items of income or expenses which are material in the consolidated financial statements of the Group for any of the years ended 31 December 2017, 2018, and 2019 and for the six months ended 30 June 2020.

There was no modified opinion, emphasis of matter, or material uncertainty related to going concern contained in the auditors' report of the Group for any of the years ended 31 December 2017, 2018, and 2019.

## II. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows, the consolidated statement of changes in equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”); and (iv) the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 (the “**2020 interim Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements, together with significant accounting policies, are set out on pages 68 to 160 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 21 April 2020. The 2019 Annual Report is posted on the Company’s website [www.zhongdidairy.hk](http://www.zhongdidairy.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100327.pdf>

The 2018 Financial Statements, together with significant accounting policies, are set out on pages 65 to 154 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 15 April 2019. The 2018 Annual Report is posted on the Company’s website [www.zhongdidairy.hk](http://www.zhongdidairy.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltn20190415458.pdf>

The 2017 Financial Statements, together with significant accounting policies, are set out on pages 59 to 140 of the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”), which was published on 23 April 2018. The 2017 Annual Report is posted on the Company’s website [www.zhongdidairy.hk](http://www.zhongdidairy.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2017 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423447.pdf>

The 2020 Interim Financial Statements, together with significant accounting policies, are set out on pages 24 to 48 of the Interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), which was published on 22 September 2020. The 2020 Interim Report is posted on the Company’s website [www.zhongdidairy.hk](http://www.zhongdidairy.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2020 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0922/2020092200378.pdf>

The 2019 Financial Statements (but not any other part of the Annual Report 2019), the 2018 Financial Statements (but not any other part of the Annual Report 2018), the 2017 Financial Statements (but not any other part of the Annual Report 2017) and the 2020 Interim Report (but not any other part of the 2020 Interim Report) are incorporated by reference into this Composite Document and form part of this Composite Document.

### III. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2020, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the total outstanding indebtedness of the Company amounted to approximately RMB2,545,973,000, and comprised (i) bank and other borrowings of approximately RMB2,134,043,000; and (ii) lease liabilities of approximately RMB411,930,000.

#### (i) Bank and other borrowings and lease liabilities

Details of the bank and other borrowings and lease liabilities were shown as below as at the close of business on 31 October 2020:

	<i>RMB'000</i>
<b>Interest-bearing bank and other borrowings</b>	
Lease liabilities	411,930
Unsecured bank borrowings	315,970
Unsecured other borrowings	71,740
Secured bank borrowings	103,000
Secured other borrowings	47,023
Guaranteed and unsecured bank borrowings	405,000
Guaranteed and secured bank borrowings	142,857
Guaranteed and secured other borrowings	950,437
Guaranteed and unsecured other borrowings	98,016
Total borrowings	2,545,973

Save as disclosed above, the Company did not have any other debt securities issued and outstanding, or authorized or otherwise created but unissued, term loans, any other borrowings or indebtedness in the nature of borrowings of the Company, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or outstanding mortgages or charges, or guarantees or material contingent liabilities as at the close of business on 31 October 2020.

#### IV. MATERIAL CHANGE

The Directors have confirmed that, save and except as disclosed below, there had been no material change in the financial or trading position or outlook 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 and up to the Latest Practicable Date:

- (i) as set out in the Positive Profit Alert Announcement, based on a preliminary review of the unaudited consolidated management accounts of the Company for the ten months ended 31 October 2020, the Company is expected to record an unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 (before biological fair value adjustments) of approximately RMB394,506,000 and an unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 (after biological fair value adjustments) of approximately RMB235,968,000, which represents a significant improvement compared to: (i) the audited profit attributable to the Shareholders for the year ended 31 December 2019 (before biological fair value adjustments) of RMB239,390,000; (ii) the audited profit attributable to the Shareholders for the year ended 31 December 2019 (after biological fair value adjustments) of RMB104,335,000; (iii) the unaudited profit attributable to the Shareholders for the six months ended 30 June 2020 (before biological fair value adjustments) of RMB155,376,000; and (iv) the unaudited profit attributable to the Shareholders for the six months ended 30 June 2020 (after biological fair value adjustments) of RMB104,910,000. The Board believes the significant increase in unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 was mainly attributable to an increase in both the selling price and sales volume of raw fresh milk during the relevant period, thanks to the Group's intensified marketing efforts, as well as the increased yield per dairy cow and the growth in milking herd;
- (ii) as set out in the announcement of the Company dated 7 August 2020 in relation to the partnership agreement dated 7 August 2020 (the "**Partnership Agreement**") entered into among Linyi Caijin Equity Investment Fund Management Co., Ltd.\* (臨沂市財金股權投資基金管理有限公司) (as the general partner), Linyi New Growth Drivers Fund Investment Co., Ltd.\* (臨沂市新舊動能轉換基金投資有限公司) (as a limited partner), Yinan County New Growth Drivers Fund Investment Co., Ltd.\* (沂南縣新舊動能轉換基金投資有限公司) (as a limited partner), and Beijing Sinofarm Stud Livestock Co., Ltd.\* (北京中地種畜有限公司) (a wholly-owned subsidiary of the Company) ("**Beijing Sinofarm Stud Livestock**") (as a limited partner) in relation to the formation of the Linyi Rural Revitalization ZhongDi Investment Partnership (Limited Partnership)\* (臨沂鄉村振興中地投資合夥企業(有限合夥)) (the "**Limited Partnership**"), as part of the transaction and after the Partnership Agreement was signed and the capital contribution of RMB200 million by the parties to the Partnership Agreement were paid up to the Limited Partnership, Yinan ZhongDi Farm Co., Ltd.\* (沂南中地牧業有限公司) ("**Yinan ZhongDi Farm**") (a non-wholly-owned subsidiary of the Company) (as the target company)

entered into a capital increase agreement on 29 September 2020 (the “**Capital Increase Agreement**”) with the Limited Partnership (as the investor), Beijing Sinofarm Stud Livestock (as an existing shareholder of Yinan ZhongDi Farm) and Yinan County Xingyi Agricultural Development Co., Ltd.\* (沂南縣興沂農業開發有限公司) (as an existing shareholder of Yinan ZhongDi Farm) to increase the registered capital of Yinan ZhongDi Farm by RMB200 million. The Company’s equity interest in Yinan ZhongDi Farm has been diluted from 80% to 68% after completion of the capital increase under the Capital Increase Agreement. The amount of capital increase has been mainly used to fund the construction of the new 10,000-cow ecological dairy farm project of Yinan ZhongDi Farm in Yinan County, Linyi, Shandong Province, the PRC; and

- (iii) as set out in the announcements of the Company dated 12 August 2020 and 31 July 2020 in relation 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 (representing approximately 16.60% of the total issued share capital of the Company as at the Latest Practicable Date) at the subscription price of HK\$0.47 per Share (the “**Yili Subscription**”), the proceeds from the Yili Subscription (after deducting expenses arising from the Yili Subscription) will be approximately HK\$201.8 million. The Company intended to use approximately 70% of the net proceeds from the Yili Subscription to supplement the general working capital, mainly for the purchase of production materials such as feeds and veterinary drugs necessary for farm operations, and approximately 30% for repayment of bank loans that are falling due to support the operation of the Company’s existing business.

The Profit Estimate as disclosed in (i) above constitutes a “profit forecast” of the Company under Rule 10 of the Takeovers Code. In accordance with Rule 10.4 of the Takeovers Code, the Profit Estimate has been reported on by Ernst & Young, the Company’s auditors and Opus Capital, the Independent Financial Adviser. Your attention is drawn to the reports issued by Opus Capital and Ernst & Young set out in Appendix IV and Appendix V to this Composite Document, respectively.

## V. PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

JLL, an independent valuer, has valued the property interests of the Group as at 31 October 2020. The text of the letter, summary of valuation and the valuation certificates are set out in Appendix III to this Composite Document.

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Composite Document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2020 of the property interests held by the Group.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and  
Advisory Limited  
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979 King's Road, Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

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公司牌照號碼: C-030171

### The Board of Directors

#### China ZhongDi Dairy Holdings Company Limited

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

18 January 2021

Dear Sirs,

In accordance with your instructions to value the properties in which China ZhongDi Dairy Holdings Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 October 2020 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the completed buildings and structures of the properties in Group I which are held and occupied by the Group in the PRC and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests in Group I have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have valued the property interests in Group II which are held for future development by the Group by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market can be extrapolated to similar properties, subject to allowances for variable factors.

We have attributed no commercial value to the property interests in Groups III and IV which are leased by the Group in the PRC and Hong Kong, due either to the nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers and Share Buy-Backs issued by Securities and Futures Commission; the RICS Valuation – Global



Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificate, and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the PRC legal opinion given by the Company's PRC legal advisers – Beijing Fuding Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in October 2020 by Gloria Wang, Owen Zhang, Silvia Ma and Yige Yang. Gloria Wang and Owen Zhang are China Certified Real Estate Appraisers and have more than 10 years' experience in the property valuation in the PRC. Silvia Ma and Yige Yang have 3 years' and 1 year's experience in the property valuation in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of the valuation date. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Pursuant to the relevant rules and regulations of tax laws in the PRC, the potential tax liabilities which would arise if the property interests of the Group specified in this report were to be sold mainly include value added tax (5% of the capital gains for properties purchased before 30 April 2016; 9% of the transaction amount for properties purchased after 30 April 2016), land appreciation tax (30% to 60% of appreciated amount), income tax (25% of the capital gains after deducting the potential tax fee in effecting the sales), and stamp duty (0.05% of the transaction amount). As advised by the Company, they have no intention to sell the properties as those properties are mainly occupied for production. Therefore, the possibility of incurrence of such tax liabilities is very remote.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Eddie T. W. Yiu**

*MRICS MHKIS RPS (GP)*

*Senior Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

## Group I – Property interests held and occupied by the Group in the PRC

No. Property	Market value in existing state as at valuation date <i>RMB</i>
1. Ningxia Farm located at the eastern side of Aiyi River Hongguang Town Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	15,288,000
2. A parcel of land, 7 buildings and various structures located at the southern side of 512 National Highway Ershilipu Village Salipu Town Tianzhen County Datong City Shanxi Province The PRC	244,467,000
3. A parcel of land and an office building No. 100 Longyin Road Zhaojiayu Village Dasungezhuang Town Shunyi District Beijing The PRC	No commercial value
<b>Sub-total:</b>	<b><u>259,755,000</u></b>

## Group II – Property interests held for future development by the Group in the PRC

No.	Property	Market value in existing state as at valuation date <i>RMB</i>
4.	A parcel of land located at the eastern side of Aiyi River and the western side of Gaorong Village Hongguang Town Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	14,909,000
5.	2 parcels of land No. 1 Fuchang Road Halal Food Park Desheng Industrial Area Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	32,127,000
6.	A parcel of land located at the southern side of 512 National Highway Ershilipu Village Salipu Town Tianzhen County Datong City Shanxi Province The PRC	3,669,000
7.	A parcel of land located at Sunjia Village Wulongbei Town Zhen'an District Dandong City Liaoning Province The PRC	20,938,000
	<b>Sub-total:</b>	<b>71,643,000</b>

## Group III – Property interests leased by the Group in the PRC

No.	Property	Market value in existing state as at valuation date <i>RMB</i>
8.	Helan Farm located at Gaorong Village Hongguang Town Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	No commercial value
9.	13 leased office units of Time International Building No. Jia 6 Shuguang Xili Chaoyang District Beijing The PRC	No commercial value
10.	A parcel of leased land, 9 buildings and various structures located at Chongwangmiao Village Zhang Town Shunyi District Beijing The PRC	No commercial value
11.	2 parcels of leased land, 3 buildings and various structures under construction located at the northern side of Changhong Rubber Factory Yinan County Linyi City Shandong Province The PRC	No commercial value
12.	3 parcels of leased land located at the southern side of 512 National Highway Ershilipu Village Salipu Town Tianzhen County Datong City Shanxi Province The PRC	No commercial value

No.	Property	Market value in existing state as at valuation date <i>RMB</i>
13.	4 parcels of leased land, 4 buildings and various structures No. 100 Longyin Road Zhaojiayu Village Da Sungezhuang Town Shunyi District Beijing The PRC	No commercial value
14.	7 parcels of leased land, 9 buildings and various structures located at Douzhuangzi Village Taiping Town Binhai New District Tianjin The PRC	No commercial value
15.	2 parcels of leased land, 14 buildings and various structures located at Taiping Village Qingyishan Town Kuandian Manchu Autonomous County Dandong City Liaoning Province The PRC	No commercial value
16.	11 parcels of leased land, 13 buildings and various structures located at Liujiaying Village Tanli Town Wen'an County Langfang City Hebei Province The PRC	No commercial value
17.	3 parcels of leased land, 3 buildings and various structures located at Tuzhuang Village Pachigang Town Luannan County Tangshan City Hebei Province The PRC	No commercial value

No.	Property	Market value in existing state as at valuation date <i>RMB</i>
18.	4 parcels of leased land, 6 buildings, various structures and 14 ancillary facilities under construction located at Xifangzi Village Qitai Town Shangdu County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	No commercial value
19.	A parcel of leased grassland located at Hanjia Village Xiaohaizi Town Shangdu County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	No commercial value
20.	A parcel of leased land, 8 buildings and various facilities under construction located at Songjia Village Xiaohaizi Town Shangdu County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	No commercial value
21.	5 parcels of leased grassland located at Heshao Village and Bianjia Village Dakulian Town Xinghe County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	No commercial value
	<b>Sub-total:</b>	<b>Nil</b>

## Group IV – Property interest leased by the Group in Hong Kong

No. Property	Market value in existing state as at valuation date <i>RMB</i>
22. The whole of 20th floor of Continental Place No. 238 Des Voeux Road Central Hong Kong	No commercial value
<b>Sub-total:</b>	<b>Nil</b>
<b>Grand total:</b>	<b>331,398,000</b>



## VALUATION CERTIFICATE

## Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
1.	Ningxia Farm located at the eastern side of Aiyi River Hongguang Town Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	<p>The property can be divided into two parts (Part A and Part B) considering its land type and usage.</p> <p>Part A of the property comprises 3 parcels of land with contracting rights having a total site area of approximately 638,804.08 sq.m., and 7 buildings and various structures erected thereon which were completed in various stages between 2013 and 2016.</p> <p>The 7 buildings have a total gross floor area of approximately 3,440.52 sq.m., which include a canteen, a dormitory building, a guard room and 4 ancillary buildings. The structures mainly include cowsheds, boundary walls, roads and hay sheds.</p> <p>Part A of the property also comprises various structures which were under construction as at the valuation date (the “CIP”).</p> <p>As advised by the Group, the CIP is scheduled to be completed in December 2020. The estimated construction cost of the CIP is approximately RMB21,786,000, of which approximately RMB14,161,000 had been paid up to the valuation date.</p> <p>Part B of the property comprises a parcel of land with a site area of approximately 98,631.00 sq.m., which was a vacant land as at the valuation date.</p> <p>The land use rights of Part A of the property are held by the Group under land contracted rights for terms expiring on 1 October 2033 and 1 October 2056 for agricultural use.</p> <p>The land use rights of Part B of the property have been granted to the Group for a term expiring on 28 December 2064 for industrial use.</p>	As at the valuation date, Part A of the property was held and occupied by the Group for cattle pasture and ancillary purposes, and Part B of the property was vacant land for future development.	15,288,000

*Notes:*

1. Pursuant to 3 State-owned Land Use Rights Certificates – He Guo Yong (2013) Di Nos. 60197, 60199 and 60200, the land use rights of 3 parcels of land of Part A of the property with a total site area of approximately 638,804.08 sq.m. are held by Helan ZhongDi Farming Co., Ltd. (賀蘭中地生態牧場有限公司, “**Helan ZhongDi**”, a wholly-owned subsidiary of the Company) under land contracted rights for terms expiring on 1 October 2033 and 1 October 2056 for agricultural use.
2. Pursuant to a Real Estate Title Certificate – Ning (2018) He Lan Xian Bu Dong Chan Quan Di No. H0014991, the land use rights of a parcel of land of Part B of the property with a site area of approximately 98,631.00 sq.m. have been granted to Helan ZhongDi for a term expiring on 28 December 2064 for industrial use.
3. As advised by the Company, 7 buildings, various structures and the CIP of Part A of the property were constructed and occupied by Ningxia ZhongDi Livestock Breeding Co., Ltd. (寧夏中地畜牧養殖有限公司, “**Ningxia ZhongDi**”, a wholly-owned subsidiary of the Company). We have not been provided with any title documents or construction permits for the buildings, structures and the CIP.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Helan ZhongDi has legally obtained the land use rights of the 3 parcels of land mentioned in note 1 and is entitled to occupy, use and lease the land parcels before the expiry date of the land use term stated on the State-owned Land Use Rights Certificate;
  - b. Helan ZhongDi has legally obtained the land use rights of the parcel of land mentioned in note 2 and is entitled to occupy, use, lease, transfer and dispose of the land parcel before the expiry date of the land use term stated on the Real Estate Title Certificate; and
  - c. Helan ZhongDi has not obtained any title certificates for the buildings and structures of the property. However, Helan ZhongDi has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
5. In the valuation of this property, we have attributed no commercial value to the whole Part A of the property due to the nature of the land contracted rights and lack of building ownership certificates/construction permits. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 7 buildings and the CIP of Part A of the property as at the valuation date would be RMB259,562,000 and RMB14,161,000 respectively.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
2.	A parcel of land, 7 buildings and various structures located at the southern side of 512 National Highway Ershilipu Village Salipu Town Tianzhen County Datong City Shanxi Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 23,674.00 sq.m., and 7 buildings and various structures erected thereon which were completed in various stages between 2014 and 2019.</p> <p>The 7 buildings have a total gross floor area of approximately 7,868.41 sq.m. which include 2 dormitories, a canteen, a dressing room, an office building and 2 ancillary buildings. The structures mainly include cowsheds, hay sheds, roads, pools and wells.</p> <p>The land use rights of the property have been granted for a term expiring on 28 July 2064 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for cattle pasture and ancillary purposes.	244,467,000

*Notes:*

1. Pursuant to a Real Estate Title Certificate – Jin (2018) Tian Zhen Xian Bu Dong Chan Quan Di No. 0000076, the land use rights of a parcel of land with a site area of approximately 23,674.00 sq.m. have been granted to Tianzhen Zhongdi Farming Co., Ltd. (天鎮中地生態牧場有限公司, “**Zhongdi Tianzhen**”, a wholly-owned subsidiary of the Company) for a term expiring on 28 July 2064 for industrial use.
2. For the 7 buildings of the property, we have not been provided with any title certificates.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Zhongdi Tianzhen has legally obtained the land use rights of the parcel of land mentioned in note 1 and is entitled to occupy, use, lease, transfer and dispose of the land use rights before the expiry date of the land use term stated on the Real Estate Title Certificate; and
  - b. Zhongdi Tianzhen has not obtained any title certificates for the buildings and structures of the property. However, ZhongDi Tianzhen has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the 7 buildings of the property which have not obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 7 buildings (excluding the land element) of the property as at the valuation date would be RMB19,330,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
3.	A parcel of land and an office building No. 100 Longyin Road Zhaojiayu Village Dasungezhuang Town Shunyi District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 21,894.98 sq.m. and an office building erected thereon which was completed in 2010.  The office building has a gross floor area of approximately 4,262.20 sq.m.  The land use rights of the property are collectively-owned by the Group for industrial use.	As at the valuation date, the property was occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Collectively-owned Land Use Rights Certificate – Jing Shun Ji Yong (2012) Di No. 00065, the land use rights of a parcel of land of the property with a site area of approximately 21,894.98 sq.m. have been allocated to Beijing Zhongdi Livestock Technology Co., Ltd (北京中地畜牧科技有限公司, “**Zhongdi Technology**”, a wholly-owned subsidiary of the Company) for industrial use.
2. For the office building of the property, we have not been provided with any title certificate.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. Zhongdi Technology has legally obtained the land use rights of the parcel of land mentioned in note 1 and is entitled to occupy, use and lease the land parcel before the expiry date of the land use term stated on the Collectively-owned Land Use Rights Certificate; and
  - b. Zhongdi Technology has not obtained any title certificates for the buildings and structures of the property. However, Zhongdi Technology has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the collectively-owned land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the office building of the property as at the valuation date would be RMB6,030,000.

## VALUATION CERTIFICATE

## Group II – Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
4.	A parcel of land located at the eastern side of Aiyi River and the western side of Gaorong Village Hongguang Town Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 96,190 sq.m.</p> <p>As confirmed by the Group, as at the valuation date, they had not obtained any necessary consents or approvals for the development of the land parcel and the land had no immediate development potential. In addition, they have no specific development plan in respect of such land parcel in the immediate future.</p> <p>The land use rights the property have been granted to the Group for a term expiring on 28 December 2064 for industrial use.</p>	As at the valuation date, the property was vacant land for future development.	14,909,000

*Notes:*

- Pursuant to a Real Estate Title Certificate – Ning (2018) He Lan Xian Bu Dong Chan Quan Di No. H0016265, the land use rights of a parcel of land with a site area of approximately 96,190.00 sq.m. have been granted to Ningxia ZhongDi Feed Co., Ltd. (寧夏中地飼料有限公司, “**ZhongDi Feed**”, a wholly-owned subsidiary of the Company) for a term expiring on 28 December 2064 for industrial use.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that ZhongDi Feed has legally obtained the land use rights of the parcel of land mentioned in note 1 and is entitled to occupy, use, lease, transfer and dispose of the land parcel before the expiry date of the land use term stated on the Real Estate Title Certificate.
- We have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB140 to RMB185 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
5.	2 parcels of land No. 1 Fuchang Road Halal Food Park Desheng Industrial Area Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 205,025 sq.m.</p> <p>As confirmed by the Group, as at the valuation date, they had not obtained any necessary consents or approvals for the development of the land parcels and the land had no immediate development potential. In addition, they have no specific development plan in respect of such land parcels in the immediate future.</p> <p>The land use rights the property have been granted to the Group for terms expiring on 4 May 2066 and 6 May 2068 for industrial use.</p>	As at the valuation date, the property was vacant land for future development.	32,127,000

*Notes:*

- Pursuant to 2 Real Estate Title Certificates – Ning (2019) He Lan Xian Bu Dong Chan Quan Di Nos. H0005213 and H005215, the land use rights of 2 parcels of land of the property with a total site area of approximately 205,025 sq.m. have been granted to Ningxia ZhongDi Infant Formula R & D Center (寧夏中地嬰幼兒配方奶粉研發中心, “**ZhongDi Infant Formula**”, a wholly-owned subsidiary of the Company) for terms expiring on 4 May 2066 and 6 May 2068 for industrial use.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that ZhongDi Infant Formula has legally obtained the land use rights of the 2 parcels of land mentioned in note 1 and is entitled to occupy, use, lease, transfer and dispose of the land parcels before the expiry date of the land use term stated on the Real Estate Title Certificates.
- We have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB140 to RMB185 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
6.	A parcel of land located at the southern side of 512 National Highway Ershilipu Village Salipu Town Tianzhen County Datong City Shanxi Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 36,688 sq.m.</p> <p>As confirmed by the Group, as at the valuation date, they had not obtained any necessary consents or approvals for the development of the land parcel and the land had no immediate development potential. In addition, they have no specific development plan in respect of such land parcel in the immediate future.</p> <p>The land use rights of the property have been granted for a term expiring on 28 July 2064 for industrial use.</p>	As at the valuation date, the property was vacant land for future development.	3,669,000

*Notes:*

- Pursuant to a State-owned Land Use Rights Transfer Contract dated 22 November 2018, the land use rights of a parcel of land with a site area of approximately 36,688 sq.m. were transferred to Shanxi Zhongdi Feed Co., Ltd. (山西中地飼料有限公司, “**Shanxi Zhongdi Feed**”, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use. The land consideration was RMB3,282,100. As advised by the Company, the land consideration had been fully paid.
- Pursuant to a Real Estate Title Certificate – Jin (2018) Tian Zhen Xian Bu Dong Chan Quan Di No. 0000077, the land parcel of the property with a site area of approximately 36,688 sq.m. have been granted to Shanxi Zhongdi Feed for a term expiring on 28 July 2064 for industrial use.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that Shanxi Zhongdi Feed has legally obtained the land use rights of the parcel of land mentioned in note 1 and is entitled to occupy, use, lease, transfer and dispose of the land parcel before the expiry date of the land use term stated on the Real Estate Title Certificate.
- We have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB95 to RMB110 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
7.	A parcel of land located at Sunjia Village Wulongbei Town Zhen'an District Dandong City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 164,863.33 sq.m.</p> <p>As confirmed by the Group, as at the valuation date, they had not obtained any necessary consents or approvals for the development of the land parcel and the land had no immediate development potential. In addition, they have no specific development plan in respect of such land parcel in the immediate future.</p> <p>The land use rights of the property have been granted to the Group for a term expiring on 24 September 2068 for industrial use.</p>	As at the valuation date, the property was vacant land for future development.	20,938,000

*Notes:*

- Pursuant to a State-owned Land Use Rights Grant Contract – No. 2106042018A0005 dated 19 September 2018, the land use rights of a parcel of land with a site area of approximately 164,863.33 sq.m. were contracted to be granted to ZhongDi Dairy (Liaoning) Co., Ltd. (中地乳業(遼寧)有限公司, “**ZhongDi Dairy (Liaoning)**”, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use. The land consideration was RMB19,783,200. As advised by the Group, the land consideration had been fully paid.
- Pursuant to a Construction Land Planning Permit – Di Zi Di No. Dan An Gui 210604201800003, permission towards the planning of the land parcel of the property has been granted to ZhongDi Dairy (Liaoning).
- Pursuant to a Real Estate Title Certificate (Land) – Liao (2018) Dan Dong Shi Bu Dong Chan Quan Di No. 0050683, the land use rights of the land parcel of the property with a site area of approximately 164,863.33 sq.m. have been granted to ZhongDi Dairy (Liaoning) for a term expiring on 24 September 2068 for industrial use.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that ZhongDi Dairy (Liaoning) has legally obtained the land use rights of the parcel of land mentioned in note 3 and is entitled to occupy, use, lease, transfer and dispose of the land parcel before the expiry date of the land use term stated on the Real Estate Title Certificate.
- We have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB120 to RMB185 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate.



## VALUATION CERTIFICATE

## Group III – Property interests leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
8.	Helan Farm located at Gaorong Village Hongguang Town Helan County Yinchuan City Ningxia Hui Autonomous Region The PRC	The property comprises 25 parcels of leased land with a total site area of approximately 30,904,827.86 sq.m. and 5 buildings and various structures erected thereon which were completed in various stages between 2013 and 2019.  The 5 buildings have a total gross floor area of approximately 9,593.93 sq.m., which include a milking parlor, a guard room, a canteen and 2 ancillary buildings. The structures mainly include cowsheds, boundary walls, roads and hay shed.	As at the valuation date, the property was leased and occupied by the Group for cattle pasture and ancillary purposes.	No commercial value

*Notes:*

- Pursuant to a State-owned Land Using Contracts dated 4 February 2012 entered into between Helan ZhongDi Farming Co., Ltd. (賀蘭中地生態牧場有限公司, “**Helan ZhongDi**”, a wholly-owned subsidiary of the Company) and State-owned Land Resources Bureau of Helan County, a parcel of land with a site area of 3,390 mu (equal to approximately 2,260,011.30 sq.m.) were leased to Helan ZhongDi for a term of 40 years expiring on 3 February 2052 at a total rental of approximately RMB6,780,000.
- Pursuant to a State-owned Land Leasing Contracts dated 4 February 2012 entered into between Helan ZhongDi and Management Bureau of Aiyi River Ningxia Hui Autonomous Region, the land use rights of a parcel of land with a site area of 356 mu (equal to approximately 243,334.55 sq.m.) were leased to Helan ZhongDi for a term of 15 years expiring on 31 December 2030 at an annual rental of approximately RMB96,120.
- Pursuant to 23 Rural Land Leasing Contracts dated from 2012 to 2017 entered into between Helan ZhongDi and the Committee of various Villages in Hongguang Town Helan County, the land use rights of 23 parcels of land with a total site area of approximately 28,401,482.01 sq.m. were leased to Helan ZhongDi for terms expiring on various stages between 31 December 2026 and 25 February 2052 at a total annual rental of approximately RMB31,091,684.
- As advised by the Group, the buildings and structures of the property were constructed by Helan ZhongDi on the leased land parcels mentioned in notes 1 to 3, of which we have not been provided with any title certificates.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - the form and content of the Land Using/Leasing Contracts mentioned in note 1 to 3 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Helan ZhongDi can legally use the land parcels before the expiry date of the land using/leasing term; and
  - Helan ZhongDi has not obtained any title certificates for the buildings and structures of the property. However, Helan ZhongDi has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
- In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 5 buildings and structures of the property as at the valuation date would be RMB252,062,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
9.	13 leased office units of Time International Building No. Jia 6 Shuguang Xili Chaoyang District Beijing The PRC	The property comprises 13 leased office units on Levels 9 to 10 of a 32-storey building named Time international Building which was completed in 2005.  The property has a lettable area of approximately 2,232.06 sq.m.	As at the valuation date, the property was leased and occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to 2 Building Leasing Contracts entered into between ZhongDi Dairy Group Co., Ltd. (中地乳業集團有限公司, “**Dairy Group**”, a wholly-owned subsidiary of the Company) and SinoFarm Genetics & Seeds (Group) Co., Ltd. (中地種業集團有限公司, a connected party of the Company), the property with a lettable area of approximately 2,232.06 sq.m. was leased to Dairy Group for a term expiring on 21 June 2021 at a total annual rental of approximately RMB6,599,085.

2. According to the information provided by the Group, the details of lettable area of the property are set out as below:

Level	Unit No.	Lettable area (sq.m.)	Usage
9F	Nos. 901, 902, 903, 905, 906	850.38	Office
10F	Nos. 1001, 1002, 1003, 1005, 1006, 1007, 1008, 1009	1,381.68	Office
<b>Total:</b>		<b>2,232.06</b>	

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

- a. the form and content of the Building Leasing Contracts mentioned in note 1 meet the requirements of the PRC laws and regulations; and
- b. the Building Leasing Contracts are legal, valid and binding on the relevant parties and Dairy Group can legally occupy and use the building before the expiry date of the leasing term.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
10.	A parcel of leased land, 9 buildings and various structures located at Chongwangmiao Village Zhang Town Shunyi District Beijing The PRC	<p>The property comprises a parcel of land with a site area of approximately 89,333.33 sq.m. and 9 buildings and various structures erected thereon which were completed in various stages between 2009 and 2013.</p> <p>The 9 buildings have a total gross floor area of approximately 2,288.35 sq.m. which include 3 dormitories, 2 dressing rooms, a canteen, an office building and 2 ancillary buildings.</p> <p>The structures mainly include cowsheds, hay sheds, roads, boundary walls, pools and wells.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture and ancillary purposes.	No commercial value

*Notes:*

1. Pursuant to a Land Leasing Contract dated 28 December 2012 entered into between Beijing Shunyi District Zhang Town Chongwangmiao Village Co-operation (北京市順義區張鎮蟲王廟村經濟合作社) and Beijing Zhongdi Stud Livestock Joint Stock Co., Ltd (北京中地種畜股份有限公司, “**Zhongdi Beijing**”, a wholly-owned subsidiary of the Company), a parcel of land with a site area of approximately 89,333.33 sq.m., on which the property is erected, was leased to Zhongdi Beijing for a term of 30 years expiring on 17 August 2030 at an annual rental of approximately RMB77,385.
2. As advised by the Group, the buildings and structures of the property were constructed by Zhongdi Beijing on the leased land mentioned in note 1, of which we have not been provided with any title certificates.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contract mentioned in note 1 meet the requirements of the PRC laws and regulations and it is legal, valid and binding on the relevant parties and Zhongdi Beijing can legally use the land parcel before the expiry date of the land leasing term; and
  - b. Zhongdi Beijing has not obtained any title certificates for the buildings and structures of the property. However, Zhongdi Beijing has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 9 buildings and the structures of the property as at the valuation date would be RMB6,532,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
11.	2 parcels of leased land, 3 buildings and various structures under construction located at the northern side of Changhong Rubber Factory Yinan County Linyi City Shandong Province The PRC	<p>The property comprises 2 parcels of leased land with a total site area of approximately 6,598,666.66 sq.m. and 3 buildings and various structures under construction erected thereon (the "CIP").</p> <p>As advised by the Group, the CIP is scheduled to be completed in December 2020. Upon completion, the 3 buildings (including a dormitory, a canteen and a dressing room) of the CIP will have a total planned gross floor area of approximately 5,658.00 sq.m. The structures of the CIP mainly include cowsheds, hay sheds, pools, boundary walls and roads.</p> <p>As advised by the Group, the estimated construction cost of the CIP is approximately RMB489,490,000, of which approximately RMB355,882,000 had been paid up to the valuation date.</p>	As at the valuation date, the land parcels of the property were leased to the Group and the CIP was under construction.	No commercial value

*Notes:*

1. Pursuant to 2 Rural Land Leasing Contracts – YNMY20190002 and YNMY20190003 dated 29 January 2019 entered into between Yinan County Xingyi Agriculture Development Co., Ltd (沂南縣興沂農業開發有限公司) and Yinan Zhongdi Dairy Farm Co., Ltd (沂南中地牧業有限公司, "Yinan Zhongdi", a wholly-owned subsidiary of the Company, 2 parcels of land with a total site area of approximately 6,598,666.66 sq.m. were leased to Yinan Zhongdi for a term of 40 years and 11 months expiring on 31 December 2059 at an annual rental of approximately RMB7,918,400.
2. As advised by the Group, the CIP of the property was constructed by Yinan Zhongdi on the leased land mentioned in note 1, of which we have not been provided with any construction permits.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contracts mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Yinan Zhongdi can legally use the land parcels before the expiry date of the land leasing term; and
  - b. Yinan Zhongdi has not obtained any title certificates for the buildings and structures of the property. However, Yinan Zhongdi has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the replacement cost of the CIP of the property as at the valuation date would be RMB376,919,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
12.	3 parcels of leased land located at the southern side of 512 National Highway Ershilipu Village Salipu Town Tianzhen County Datong City Shanxi Province The PRC	The property comprises 3 parcels of leased land with a total site area of approximately 9,671,955.02 sq.m.	As at the valuation date, the property was leased to the Group for planting feed purpose.	No commercial value

*Notes:*

- Pursuant to 2 Rural Land Leasing Contracts dated 10 May 2016 and 10 July 2017 entered into between Tianzhen County Piaoxiangyan Ecology Agriculture Cooperative (天鎮縣飄香岩生態農業專業合作社) and Tianzhen Zhongdi Farming Co., Ltd. (天鎮中地生態牧場有限公司, “**Zhongdi Tianzhen**”, a wholly-owned subsidiary of the Company), 2 parcels of land with a total site area of approximately 6,767,807.17 sq.m. were leased to Zhongdi Tianzhen for a term expiring on 31 December 2024 at a total annual rental of approximately RMB5,870,498.
- Pursuant to a Rural Land Leasing Contract dated 23 August 2017 entered into between Tianzhen County Youde Planting Cooperative (天鎮縣有德種植專業合作社) and Zhongdi Tianzhen, a parcel of land with a site area of approximately 2,904,147.85 sq.m. was leased to Zhongdi Tianzhen for a term expiring on 31 December 2024 at an annual rental of approximately RMB2,696,220.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that the form and content of the Land Leasing Contracts mentioned in notes 1 and 2 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Zhongdi Tianzhen can legally use the land parcels before the expiry date of the land leasing term.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
13.	4 parcels of leased land, 4 buildings and various structures No.100 Longyin Road Zhaojiayu Village Da Sungezhuang Town Shunyi District Beijing The PRC	<p>The property comprises 4 parcels of land with a total site area of approximately 773,697.21 sq.m. and 4 buildings and various structures erected thereon which were completed in various stages between 2010 and 2019.</p> <p>The 4 buildings have a total gross floor area of approximately 6,174.00 sq.m. which include 3 milking halls and an ancillary building. The structures mainly include cowsheds, hay sheds, pools and wells.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture and ancillary purposes.	No commercial value

## Notes:

1. Pursuant to 2 Land Leasing Contracts dated 12 May 2010 and 18 July 2012 entered into between Beijing Shunyi District Da Sungezhuang Town Zhaojiayu Village Co-operation (北京市順義區大孫各莊鎮趙家峪村經濟合作社) and Beijing Zhongdi Livestock Technology Co., Ltd (北京中地畜牧科技有限公司, “**Zhongdi Technology**”, a wholly-owned subsidiary of the Company), 2 parcels of land with a total site area of approximately 174,494.21 sq.m. were leased to Zhongdi Technology for a term expiring on 31 December 2029 at a total annual rental of approximately RMB325,914.
2. Pursuant to a Land Leasing Contract dated 13 March 2020 entered into between Beijing Shunyi District Da Sungezhuang Town Zhaojiayu Village Co-operation and Zhongdi Technology, a parcel of land with a site area of approximately 330,668.32 sq.m. was leased to Zhongdi Technology for a term expiring on 30 September 2022 at an annual rental of approximately RMB496,000.
3. Pursuant to a Land Leasing Contract dated 13 March 2020 entered into between Beijing Shunyi District Da Sungezhuang Town Xiexinzhuan Village Co-operation (北京市順義區大孫各莊鎮謝辛莊村經濟合作社) and Zhongdi Technology, a parcel of land with a site area of approximately 268,534.68 sq.m. was leased to Zhongdi Technology for a term expiring on 30 September 2022 at an annual rental of approximately RMB402,800.
4. As advised by the Group, the buildings and structures of the property were constructed by Zhongdi Technology on the leased land mentioned in notes 1 to 3, of which we have not been provided with any title certificates.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contracts mentioned in notes 1 to 3 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Zhongdi Technology can legally use the land parcels before the expiry date of the land leasing term; and
  - b. Zhongdi Technology has not obtained any title certificates for the buildings and structures of the property. However, Zhongdi Technology has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
6. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 4 buildings and the structures of the property as at the valuation date would be RMB71,006,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
14.	7 parcels of leased land, 9 buildings and various structures located at Douzhuangzi Village Taiping Town Binhai New District Tianjin The PRC	<p>The property comprises 7 parcels of leased land with a total site area of approximately 7,282,116.41 sq.m., and 9 buildings and various structures erected thereon which were completed in various stages between 2016 and 2019.</p> <p>The 9 buildings have a total gross floor area of approximately 4,115.06 sq.m., mainly including a guard room, various workshops and ancillary buildings. The structures mainly include cowsheds, warehouses, boundary walls, roads and hay sheds.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture and ancillary purposes.	No commercial value

*Notes:*

1. Pursuant to 7 Rural Land Leasing Contracts dated 26 April 2012 entered into among Tianjin ZhongDi Livestock Breeding Co., Ltd. (天津中地畜牧養殖有限公司, “**ZhongDi Tianjin**”, a wholly-owned subsidiary of the Company), the Committee of Douzhuangzi Village and the Government of Taiping Town, Binhai New District of Tianjin, 7 parcels of land with a total site area of approximately 7,282,116.41 sq.m. were leased to ZhongDi Tianjin for terms with the expiry dates between 31 December 2026 and 31 December 2027 at a total annual rental of approximately RMB7,114,619.80.
2. As advised by the Group, the buildings and structures of the property were constructed by ZhongDi Tianjin on the leased land mentioned in note 1, of which we have not been provided with any title certificates.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contracts mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and ZhongDi Tianjin can legally use the land parcels before the expiry date of the land leasing term; and
  - b. ZhongDi Tianjin has not obtained any title certificates for the buildings and structures of the property. However, ZhongDi Tianjin has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 9 buildings and the structures of the property as at the valuation date would be RMB169,800,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
15.	2 parcels of leased land, 14 buildings and various structures located at Taiping Village Qingyishan Town Kuandian Manchu Autonomous County Dandong City Liaoning Province The PRC	<p>The property comprises 2 parcels of leased land with a total site area of approximately 1,373,394.10 sq.m., 14 buildings and various structures erected thereon which were completed in various stages between 2017 and 2020.</p> <p>The 14 buildings have a total gross floor area of approximately 12,538.45 sq.m., mainly including 2 guard rooms, various workshops and ancillary buildings. The structures mainly include cowsheds, warehouses, boundary walls, roads and hay sheds.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture and ancillary purposes.	No commercial value

*Notes:*

1. Pursuant to a State-owned Land Leasing Contract dated 23 May 2014 entered into between Liaoning Kuandian Fine Breed Milk Cow Development Co., Ltd. (遼寧寬甸良種奶牛發展有限公司) which is the former name of Kuandian ZhongDi Farming Co., Ltd. (寬甸中地生態牧場有限公司, “**ZhongDi Kuandian**”, a wholly-owned subsidiary of the Company). and Kuandian Manchu Autonomous County Urban Development and Construction Investment Co., Ltd., 2 parcels of land with a total site area of approximately 1,373,394.10 sq.m. were leased to Zhongdi Kuandian for a term expiring on 31 July 2054 at an annual rental of approximately RMB141,267.60.
2. As advised by the Group, the buildings and structures of the property were constructed by Zhongdi Kuandian on the 2 leased land parcels mentioned in note 1, of which we have not been provided with any title documents or construction permits.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contract mentioned in note 1 meet the requirements of the PRC laws and regulations and it is legal, valid and binding on the relevant parties and ZhongDi Kuandian can legally use the land parcels before the expiry date of the land leasing term; and
  - b. Zhongdi Kuandian has not obtained any title certificates for the buildings and structures of the property. However, ZhongDi Kuandian has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 14 buildings and the structures of the property as at the valuation date would be RMB206,738,000.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
16.	11 parcels of leased land, 13 buildings and various structures located at Liujiaying Village Tanli Town Wen'an County Langfang City Hebei Province The PRC	<p>The property comprises 11 parcels of leased land with a total site area of approximately 4,071,691.39 sq.m., and 13 buildings and various structures erected thereon which were completed in various stages between 2014 and 2019.</p> <p>The 13 buildings have a total gross floor area of approximately 11,952.09 sq.m., mainly including a guard room, various workshops and ancillary buildings. The structures mainly include various cowsheds, warehouses, boundary walls, roads and hay sheds.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture and ancillary purposes.	No commercial value

*Notes:*

1. Pursuant to 11 Land Leasing Contracts dated 6 February 2013 and 11 supplemental attachments entered into among Langfang ZhongDi Farming Co., Ltd. (廊坊中地生態牧場有限公司, "ZhongDi Langfang", a wholly-owned subsidiary of the Company), various local village committees and the Government of Tanli Town of Wen'an County, 11 parcels of land with a total site area of approximately 4,071,691.39 sq.m. were leased to ZhongDi Langfang for terms with the expiry dates between 31 December 2029 and 28 February 2043 at a total annual rental of approximately RMB4,147,076.55.
2. As advised by the Group, the buildings and structures of the property were constructed by Zhongdi Langfang on the 11 land parcels mentioned in note 1, of which we have not been provided with any title documents or construction permits.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contracts mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and ZhongDi Langfang can legally use the land parcels before the expiry date of the land leasing term; and
  - b. ZhongDi Langfang has not obtained any title certificates for the buildings and structures of the property. However, ZhongDi Langfang has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 13 buildings and the structures of the property as at the valuation date would be RMB263,601,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
17.	3 parcels of leased land, 3 buildings and various structures located at Tuzhuang Village Pachigang Town Luannan County Tangshan City Hebei Province The PRC	<p>The property comprises 3 parcels of leased land with a total site area of 77 mu (equal to approximately 51,333.34 sq.m.), 3 buildings and various structures erected thereon which were completed in various stages between 2011 and 2015.</p> <p>The 3 buildings have a total gross floor area of approximately 1,104 sq.m., which include an office building, a guard room and a dormitory. The structures mainly include cowsheds, ancillary purposes, boundary walls, roads and hay sheds.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture, planting feed and ancillary purposes.	No commercial value

*Notes:*

1. Pursuant to 3 Land Leasing Contracts dated 1 April 2009 entered into among Luannan Huayuan Livestock Co., Ltd (灤南華元畜牧養殖有限公司, “**Luannan Huayuan**”, a wholly-owned subsidiary of the Company), the Luannan County Guoying Tree Farm and the Committee of Tujiazhuang Village, Pachigang Town, of Luannan County, 3 parcels of land with a total site area of 77 mu (equal to approximately 51,333.34 sq.m.) were leased to Luannan Huayuan for terms with the expiry dates between 9 January 2034 and 1 April 2039 at a total rental of approximately RMB649,625.
2. As advised by the Group, the buildings and structures of the property were constructed by Luannan Huayuan on the leased land mentioned in note 1, of which we have not been provided with any title documents or construction permits.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contracts mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Luannan Huayuan can legally use the land parcels before the expiry date of the land leasing term; and
  - b. Luannan Huayuan has not obtained any title certificates for the buildings and structures of the property. However, Luannan Huayuan has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 3 buildings and the structures of the property as at the valuation date would be RMB18,872,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
18.	4 parcels of leased land, 6 buildings, various structures and 14 ancillary facilities under construction located at Xifangzi Village Qitai Town Shangdu County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	<p>The property comprises 4 parcels of leased land with a total site area of 1,486.9 mu (equal to approximately 991,272 sq.m.), and 6 buildings and various structures erected thereon which were completed in various stages between 2005 and 2015.</p> <p>The 6 buildings have a total gross floor area of approximately 11,426.70 sq.m., which include an office building, a dormitory building, a guard room, a boiler room and 2 calf houses. The structures mainly include cowsheds, boundary walls, roads, ancillary purposes and hay sheds.</p> <p>The property also comprises 14 structures which were under construction as at the valuation date (the “CIP”).</p> <p>As advised by the Group, the CIP is scheduled to be completed in December 2020. The estimated construction cost of the CIP is approximately RMB90,816,000, of which approximately RMB33,600,700 had been paid up to the valuation date.</p>	As at the valuation date, the property was leased and occupied by the Group for cattle pasture, planting feed and ancillary purposes except for the CIP which was under construction.	No commercial value

*Notes:*

- Pursuant to a Land Leasing Contract dated 15 May 2003 entered into between Inner Mongolia Zhonggu Liangzhong Dairy Co. Ltd. (內蒙古中谷良種奶牛有限公司, the former name of Inner Mongolia Zhongdi Dairy Co. Ltd, “**Inner Mongolia Zhongdi**” a wholly-owned subsidiary of the Company) and the Committee of Xifangzi Village, a parcel of land with a site area of 905.6 mu (equal to approximately 603,736 sq.m.), was leased to Inner Mongolia Zhongdi for a term expiring on 15 May 2033 at a total rental of approximately RMB250,000.
- Pursuant to 2 Land Leasing Contracts dated 1 April 2012 entered into between Inner Mongolia Zhongdi and Shangdu County Qitai Township Municipal Peoples Government (商都縣七台鎮人民政府), 2 parcels of land with a total site area of 579.4 mu (equal to approximately 386,269 sq.m.) were leased to Inner Mongolia Zhongdi for terms expiring on 1 April 2042 at a total rental of approximately RMB4,361,200.
- Pursuant to a Land Leasing Contract dated 1 May 2016 entered into between Inner Mongolia Zhongdi and a villager, a parcel of land with a site area of approximately 1.9 mu (equal to approximately 1,267 sq.m.) was leased to Inner Mongolia Zhongdi for a term expiring on 1 May 2026 at a total rental of approximately RMB6,080.

4. As advised by the Group, the buildings, structures and the CIP of the property were constructed by Inner Mongolia Zhongdi on the leased land parcel mentioned in note 1, of which we have not been provided with any title documents or construction permits.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contracts mentioned in notes 1 to 3 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Inner Mongolia Zhongdi can legally use the land parcels before the expiry date of the land leasing term; and
  - b. Inner Mongolia Zhongdi has not obtained any title certificates for the buildings and structures of the property. However, Inner Mongolia Zhongdi has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
6. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 6 buildings and the structures and the replacement cost of the CIP of the property as at the valuation date would be RMB138,228,000 and RMB33,664,000 respectively.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
19.	A parcel of leased grassland located at Hanjia Village Xiaohaizi Town Shangdu County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	The property comprises a parcel of leased grassland with a site area of 3,973 mu (equal to approximately 2,648,680 sq.m.).	As at the valuation date, the property was leased by the Group for planting feed use.	No commercial value

*Notes:*

1. Pursuant to a Land Leasing Contract dated July 2008 entered into between Inner Mongolia Zhonggu Liangzhong Dairy Co. Ltd (內蒙古中谷良種奶牛有限公司, the former name of Inner Mongolia Zhongdi Dairy Co. Ltd, “**Inner Mongolia Zhongdi**”, a wholly-owned subsidiary of the Company) and Inner Mongolia Shangdu County Bureau of Husbandry, a parcel of land with a site area of 3,973 mu (equal to approximately 2,648,680 sq.m.) was leased to Inner Mongolia Zhongdi for a term of 40 years expiring on July 2048 at a total rental of approximately RMB3,178,400.
2. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that that the form and content of the Land Leasing Contract mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Inner Mongolia Zhongdi can legally use the land parcel before the expiry date of the land leasing term.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
20.	A parcel of leased land, 8 buildings and various facilities under construction located at Songjia Village Xiaohaizi Town Shangdu County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	<p>The property comprises a parcel of leased land with a site area of approximately 2,288.49 mu (equal to approximately 1,525,667 sq.m.), and 8 buildings and various facilities under construction erected thereon (the "CIP").</p> <p>As advised by the Group, the CIP is scheduled to be completed in December 2021. Upon completion, the 8 buildings of the CIP will have a total planned gross floor area of approximately 3,545 sq.m. The estimated construction cost of the CIP is approximately RMB159,362,500, of which approximately RMB126,745,000 had been paid up to the valuation date.</p>	As at the valuation date, the land parcel of the property was leased by the Group and the CIP was under construction.	No commercial value

*Notes:*

1. Pursuant to a Land Leasing Contract dated 1 July 2015 entered into between Shangdu Zhongdi Farming Co. Ltd. (商都中地生態牧場有限公司, **Shangdu Zhongdi**, a wholly-owned subsidiary of the Company) and the Government of Xiaohaizi Town, a parcel of land with a site area of 2,288.49 mu (equal to approximately 1,525,667 sq.m.) was leased to Shangdu Zhongdi for a term of 50 years expiring on 30 June 2065 at a total rental of approximately RMB2,986,668.
2. As advised by the Group, the CIP of the property was constructed by Shangdu Zhongdi on the leased land parcel mentioned in note 1, of which we have not been provided with any construction permits.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. the form and content of the Land Leasing Contract mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Shangdu Zhongdi can legally use the land parcel before the expiry date of the land leasing term; and
  - b. Shangdu Zhongdi has not obtained any title certificates for the buildings and structures of the property. However, Shangdu Zhongdi has the legal rights to own, use and receive income from the buildings and structures for agricultural and cattle breeding uses.
4. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the replacement cost of the CIP of the property as at the valuation date would be RMB130,662,000.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date RMB
21.	5 parcels of leased grassland located at Heshao Village and Bianjia Village Dakulian Town Xinghe County Wulanchabu City Inner Mongolia Autonomous Regions The PRC	The property comprises 5 parcels of leased grassland with a total site area of approximately 2,576.7 mu (equal to approximately 1,717,809 sq.m.).	As at the valuation date, the property was leased by the Group for planting feed use.	No commercial value

*Notes:*

- Pursuant to 5 Land Leasing Contracts dated 1 April 2008 entered into between Inner Mongolia Xinghe Zhonggu Grass Co. Ltd, (內蒙古興和縣中谷草業有限公司, the former name of Wulanchabu Zhongdi Farming Co. Ltd, “**Wulanchabu Zhongdi**” a wholly-owned subsidiary of the Company) and Xinghe County Dakulian Town Heshao Village and Xingzheng Village, 5 parcels of land with a total site area of 2,576.7 mu (approximately 1,717,809 sq.m.) were leased to Wulanchabu Zhongdi for a term expiring on 1 April 2023 at a total annual rental of approximately RMB515,340.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers that the form and content of the Land Leasing Contracts mentioned in note 1 meet the requirements of the PRC laws and regulations and they are legal, valid and binding on the relevant parties and Wulanchabu Zhongdi can legally use the land parcels before the expiry date of the land leasing term.

## VALUATION CERTIFICATE

## Group IV – Property interest leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at valuation date <i>RMB</i>
22.	The whole of 20th floor of Continental Place, No. 238 Des Voeux Road Central Hong Kong	The property comprises the whole 20th floor of Continental Place which is a 29-storey office building completed in 2016. The property has a total lettable area of approximately 1,780 square feet.	As at the valuation date, the property was leased and occupied by the Group for office use.	No commercial value

*Note:*

- Pursuant to a Tenancy Agreement dated 1 February 2018 entered into between China Zhongdi Dairy Holdings Company Limited (中國中地乳業控股有限公司, **China Zhongdi Dairy**) and Well Friendship Investment Limited (an independent party of the Company), the property with a total lettable area of approximately 1,780 square feet was leased to China Zhongdi Dairy for a term of 3 years expiring on 31 January 2021 at a monthly rental of HK\$117,480.



*The following is the text of a report prepared for the purpose of incorporation in this Composite Document, received from Opus Capital, the Independent Financial Adviser.*



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

18 January 2021

*To: The Board of Directors*

**China ZhongDi Dairy Holdings Company Limited**  
20/F, 238 Des Voeux Road Central  
Hong Kong

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY  
CLSA LIMITED  
FOR AND ON BEHALF OF WHOLESOME HARVEST LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY WHOLESOME HARVEST LIMITED)**

We refer to the statement(s) containing an estimate of the unaudited consolidated profit before biological fair value adjustments and after biological fair value adjustments, respectively, attributable to owners of China ZhongDi Dairy Holdings Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for the ten months ended 31 October 2020 (the “**Profit Estimate**”) as disclosed under (i) the section headed “IV. MATERIAL CHANGE” in Appendix II to the composite offer and response document (the “**Composite Document**”) jointly issued by Wholesome Harvest Limited and dated 18 January 2021 in connection with the captioned matter; and (ii) the positive profit alert announcement of the Company dated 14 January 2021 (the “**Positive Profit Alert Announcement**”). Capitalized terms used in this report shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

The statement(s) of the Profit Estimate reads as follows:

*“...as set out in the Positive Profit Alert Announcement, based on a preliminary review of the unaudited consolidated management accounts of the Company for the ten months ended 31 October 2020 (the “**Management Accounts**”), the Company is expected to record an unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 (before biological fair value adjustments) of approximately RMB394,506,000 and an unaudited profit*

*attributable to the Shareholders for the ten months ended 31 October 2020 (after biological fair value adjustments) of approximately RMB235,968,000, which represents a significant improvement compared to: (i) the audited profit attributable to the Shareholders for the year ended 31 December 2019 (before biological fair value adjustments) of RMB239,390,000; (ii) the audited profit attributable to the Shareholders for the year ended 31 December 2019 (after biological fair value adjustments) of RMB104,335,000; (iii) the unaudited profit attributable to the Shareholders for the six months ended 30 June 2020 (before biological fair value adjustments) of RMB155,376,000; and (iv) the unaudited profit attributable to the Shareholders for the six months ended 30 June 2020 (after biological fair value adjustments) of RMB104,910,000. The Board believes the significant increase in unaudited profit attributable to the Shareholders for the ten months ended 31 October 2020 was mainly attributable to an increase in both the selling price and sales volume of raw fresh milk during the relevant period, thanks to the Group's intensified marketing efforts, as well as the increased yield per dairy cow and the growth in milking herd."*

The Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and therefore, must be reported on by the financial adviser or independent financial adviser, and the auditor or consultant accountants of the Company. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Profit Estimate and other relevant information and documents, in particular, the Management Accounts which you as the Directors are solely responsible for and discussed with the management of the Group the information and supporting documents which formed the basis of preparing the Management Accounts which arrived at the Profit Estimate. In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have relied upon the report dated 18 January 2021 addressed to the Board by Ernst & Young, being the auditor of the Company. The text of such report is set out in Appendix V to the Composite Document. Ernst & Young is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2019 except for the adoption of new standards and interpretations effective as of 1 January 2020 as disclosed in the interim report of the Company for the six months ended 30 June 2020.

Based on the above, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration.

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

*The following is the text of a report prepared for the purpose of incorporation in this Composite Document, received from Ernst & Young, Certified Public Accountants, Hong Kong.*

18 January 2021

The Board of Directors

**China ZhongDi Dairy Holdings Company Limited**

20/F, 238 Des Voeux Road Central

Hong Kong

Dear Sirs,

### **PROFIT ESTIMATE FOR THE TEN MONTHS ENDED 31 OCTOBER 2020**

We refer to the estimate of the unaudited consolidated profit before biological fair value adjustments and after biological fair value adjustments, respectively, attributable to owners of China ZhongDi Dairy Holdings Company Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) for the ten months ended 31 October 2020 (the “**Profit Estimate**”) set forth in the positive profit alert announcement of the Company dated 14 January 2021, which is referred to in the section headed “IV. MATERIAL CHANGE” in Appendix II to the composite offer and response document jointly issued by Wholesome Harvest Limited and the Company dated 18 January 2021 in connection with the mandatory conditional cash offer. The Profit Estimate constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the “**Takeovers Code**”) and is therefore required to be reported on under Rule 10 of the Takeovers Code.

### **DIRECTORS’ RESPONSIBILITIES**

The Profit Estimate has been prepared by the directors of the Company (the “**Directors**”) based on the unaudited consolidated management accounts of the Company for the ten months ended 31 October 2020.

The Directors are solely responsible for the Profit Estimate.

### **OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Estimate in accordance with the bases adopted by the Directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

### **OPINION**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the Company's annual report for the year ended 31 December 2019 except for the adoption of new standards and interpretations effective as of 1 January 2020 as disclosed in the Company's interim report for the six months ended 30 June 2020.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

**I. RESPONSIBILITY STATEMENTS**

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Subscribers, or any of their associates or any parties acting in concert with them) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of YeGu Investment and Green Farmlands accepts full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Group, the Offeror and Jingang Trade) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the respective directors of the Group, the Offeror and Jingang Trade) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The directors of Jingang Trade and Yili Industrial jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group and Zhang Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the respective directors of the Group and Zhang Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

**II. DISCLOSURE OF INTERESTS AND DEALINGS AS REQUIRED BY THE TAKEOVERS CODE**

The Offeror Concert Group confirms that, as at the Latest Practicable Date:

- (i) save for 1,201,979,522 Shares (representing approximately 46.11% of the existing issued share capital of the Company) currently owned by the Offeror Concert Group, neither the Offeror, the sole director of the Offeror nor any person acting in concert with it owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants, or other securities convertible into Shares;
- (ii) save for the transfer of 1,140,519,522 Shares from the Subscribers to the Offeror pursuant to the Share Subscription Agreement, the subscription of 432,641,522 Shares by Jingang Trade pursuant to a share subscription agreement dated 31 July 2020 at the price of HK\$0.47 per Share, and the acquisition of 41,310,000 Shares

## APPENDIX VI GENERAL INFORMATION IN RELATION TO THE OFFEROR

by YeGu Investment on 20 July 2020 at the price of HK\$0.35 per Share, neither the Offeror, the director of the Offeror nor any person acting in concert with it had dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;

- (iii) save for the Share Subscription Agreement and the Irrevocable Undertakings, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares;
- (iv) save for the Share Subscription Agreement, there was no agreement or arrangement to which the Offeror or any person acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (v) none of the members of the Offeror Concert Group had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vi) save for the Irrevocable Undertakings, none of the members of the Offeror Concert Group had received any irrevocable commitment to accept or reject the Offer;
- (vii) save as disclosed in this sub-paragraph, no IU Shareholders had dealt for value of Shares during the Relevant Period:

Transfer Date	Name of Director	Number of Shares bought (sold)	Transfer price per Share (HK\$)			On Exchange/ Off Exchange
			Average	Highest	Lowest	
29 July 2020	Square Avis Limited	24,190,000	0.64	0.64	0.64	Off Exchange
29 July 2020	Square Avis Limited	(460,000)	0.50	0.53	0.47	On Exchange
30 July 2020	Square Avis Limited	(3,328,000)	0.55	0.70	0.55	On Exchange
30 July 2020	Square Avis Limited	24,000	0.57	0.57	0.57	On Exchange
31 July 2020	Square Avis Limited	(1,106,000)	0.59	0.72	0.55	On Exchange
31 July 2020	Square Avis Limited	338,000	0.66	0.70	0.59	On Exchange
4 August 2020	Beyond Dawn Limited	(8,156,000)	1.42	1.77	1.30	On Exchange
14 August 2020	Square Avis Limited	50,000	0.93	0.93	0.93	On Exchange

Transfer Date	Name of Director	Number of Shares bought (sold)	Transfer price per Share (HK\$)			On Exchange/ Off Exchange
			Average	Highest	Lowest	
17 August 2020	Square Avis Limited	104,000	0.90	0.92	0.87	On Exchange
18 August 2020	Square Avis Limited	284,000	0.92	0.92	0.92	On Exchange
19 August 2020	Square Avis Limited	20,000	0.93	0.93	0.92	On Exchange
20 August 2020	Square Avis Limited	110,000	0.94	0.94	0.94	On Exchange
21 August 2020	Square Avis Limited	28,000	0.95	0.95	0.95	On Exchange
24 August 2020	Square Avis Limited	104,000	0.94	0.95	0.94	On Exchange
25 August 2020	Square Avis Limited	138,000	0.95	0.95	0.95	On Exchange
26 August 2020	Square Avis Limited	20,000	0.94	0.95	0.93	On Exchange
27 August 2020	Square Avis Limited	408,000	0.93	0.94	0.92	On Exchange
28 August 2020	Square Avis Limited	272,000	0.93	0.94	0.91	On Exchange
31 August 2020	Square Avis Limited	924,000	0.92	0.94	0.88	On Exchange
1 September 2020	Square Avis Limited	60,000	0.91	0.91	0.90	On Exchange
2 September 2020	Square Avis Limited	80,000	0.88	0.88	0.84	On Exchange
4 September 2020	Square Avis Limited	310,000	0.86	0.89	0.83	On Exchange
7 September 2020	Square Avis Limited	260,000	0.89	0.90	0.89	On Exchange
9 September 2020	Square Avis Limited	240,000	0.86	0.89	0.86	On Exchange
10 September 2020	Square Avis Limited	306,000	0.85	0.86	0.85	On Exchange
11 September 2020	Square Avis Limited	160,000	0.87	0.87	0.87	On Exchange
14 September 2020	Square Avis Limited	1,888,000	0.88	0.88	0.88	On Exchange

- (viii) there was no outstanding derivative in respect of the securities of the Company entered into by the Offeror Concert Group;
- (ix) save for the consideration for the Exchange Shares under the Share Subscription Agreement, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the any member of the Offeror Concert Group to any of the Subscribers or any party acting in concert with them in connection with the transfer of the Exchange Shares under the Share Subscription Agreement;
- (x) save for the Share Subscription Agreement, there was no understanding, arrangement or special deal (as defined in Rule 25 of the Takeovers Code) between any of the Subscribers or any party acting in concert with any of them on one hand, and any member of the Offeror Concert Group on the other hand;
- (xi) save for the Share Subscription Agreement, there was no understanding, arrangement or agreement or special deal (as defined in Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) any member of the Offeror Concert Group or (b) the Company, its subsidiaries or associated companies;
- (xii) save for the Share Subscription Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror Concert Group and any Directors, recent Directors of the Company, Shareholders or recent Shareholders having any connection with or dependent upon the Offer; and
- (xiii) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

### **III. MARKET PRICE**

The table below shows the closing prices of Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing Price</b> <i>HK\$</i>
31 March 2020	0.35
29 April 2020	0.35
29 May 2020	0.35
30 June 2020	0.35
31 July 2020	0.58
31 August 2020	0.93



<b>Date</b>	<b>Closing Price</b> <i>HK\$</i>
25 September 2020 (being the Last Trading Day)	1.02
30 September 2020	1.10
30 October 2020	1.11
30 November 2020	1.12
31 December 2020	1.13
15 January 2021 (being the Latest Practicable Date)	1.14

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange were HK\$1.30 per Share on 4 August 2020 and HK\$0.35 per Share from 27 March 2020 to 20 July 2020, respectively.

#### **IV. QUALIFICATION AND CONSENT OF EXPERTS**

The following are the qualifications of experts who have given opinion or advice contained in this Composite Document.

<b>Name</b>	<b>Qualifications</b>
CLSA Capital Markets	a corporation licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the exclusive financial adviser to the Offeror in respect of the Offer
CLSA Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being agent making the Offer on behalf of the Offeror

Each of CLSA Capital Markets and CLSA Limited has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

**V.      GENERAL**

- (i) As at the Latest Practicable Date, the registered office of Offeror was Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands;
- (ii) As at the Latest Practicable Date, the registered office of Jingang Trade was Room 1802B 18/F, 18 Hysan Avenue, Causeway Bay, Hong Kong;
- (iii) As at the Latest Practicable Date, the registered office of Yili Industrial was No. 1, Jinshan Road, Jinshan Development Zone, Hohhot, Innermongolia Autonomous Region, China;
- (iv) As at the Latest Practicable Date, the correspondence address of Mr. Zhang Jianshe was 10/F, Block A, Times Fortune Compound No. A6, Shuguang Xili, Chaoyang District, Beijing, the PRC;
- (v) As at the Latest Practicable Date, the registered office of YeGu Investment was P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands;
- (vi) As at the Latest Practicable Date, the registered office of Green Farmlands was P.O. Box 613, Harbour Centre, George Town, Grand Cayman KY1-1107, Cayman Islands;
- (vii) As at the Latest Practicable Date, the correspondence address of Mr. Zhang Kaizhan was 10/F, Block A, Times Fortune Compound No. A6, Shuguang Xili, Chaoyang District, Beijing, the PRC;
- (viii) As at the Latest Practicable Date, the registered office of SiYuan Investment was P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands;
- (ix) As at the Latest Practicable Date, the registered office of CLSA Capital Markets was 18/F, One Pacific Place, 88 Queensway, Hong Kong;
- (x) As at the Latest Practicable Date, the registered office of CLSA Limited was at 18/F, One Pacific Place, 88 Queensway, Hong Kong;
- (xi) In the event of inconsistency, the English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts.

**VI. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) at the principal office of the Company at 20/F, 238 Des Voeux Road Central, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays); (ii) on the website of the Company (<http://www.zhongdidairy.hk>); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)), from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapse or is withdrawn (whichever is earlier):

- (a) the articles of association of the Offeror;
- (b) the letter from CLSA Limited, the text of which is set out on pages 9 to 19 of this Composite Document;
- (c) the written consents referred to under the paragraph headed “QUALIFICATION AND CONSENT OF EXPERTS” in this Appendix IV;
- (d) the Share Subscription Agreement;
- (e) the side letter to the Share Subscription Agreement dated 6 January 2021; and
- (f) the Irrevocable Undertakings.

## **1.    RESPONSIBILITY STATEMENTS**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Group and the Offer.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information 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 to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the respective director(s) of the Offeror and the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

## **2.    CORPORATE INFORMATION OF THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares 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.

The registered office of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is at 20/F, 238 Des Voeux Road Central, Hong Kong.

## **3.    SHARE CAPITAL AND SHARE OPTIONS OF THE COMPANY**

The authorised share capital and the issued share capital of the Company as at the Latest Practicable Date were US\$50,000 divided into 5,000,000,000 Shares and US\$26,067.19522 divided into 2,606,719,522 Shares respectively.

All existing issued Shares rank *pari passu* in all respect including all rights as to dividends, voting and interests in capital.

As at Latest Practicable Date, the Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. As at the Latest Practicable Date, the Company had not granted any share option pursuant to the share option scheme adopted by the Company dated 28 October 2015.

Since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had issued 432,641,522 new Shares to Jingang Trade.

#### **4. MARKET PRICES**

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price of Shares (HK\$)</b>
31 March 2020	0.35
29 April 2020	0.35
29 May 2020	0.35
30 June 2020	0.35
31 July 2020	0.58
31 August 2020	0.93
25 September 2020 (being the Last Trading Day)	1.02
30 September 2020	1.10
30 October 2020	1.11
30 November 2020	1.12
31 December 2020	1.13
15 January 2021 (being the Latest Practicable Date)	1.14

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding the date of the Rule 3.5 Announcement, and ending on the Latest Practicable Date were HK\$1.30 on 4 August 2020 and HK\$0.35 from 27 March 2020 to 20 July 2020, respectively.

#### **5. DISCLOSURE OF INTERESTS**

##### **(a) Interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of 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 any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be

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**APPENDIX VII      GENERAL INFORMATION IN RELATION TO THE COMPANY**

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kept by the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Total Number of Shares</b>	<b>Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date</b>
Mr. Zhang Jianshe <sup>(1)</sup>	Interest of concert parties	61,460,000 (L)	2.36%
Mr. Zhang Kaizhan <sup>(1)</sup>	Interest of controlled corporation	61,460,000 (L)	2.36%

*Notes:*

- (1) As at the Latest Practicable Date, Mr. Zhang Kaizhan, through his wholly-owned company (SiYuan Investment), indirectly held 61,460,000 Shares.

Mr. Zhang Jianshe and Mr. Zhang Kaizhan are parties acting in concert under the SFO. Each of Mr. Zhang Jianshe and Mr. Zhang Kaizhan was deemed to be interested in 61,460,000 Shares, representing approximately 2.36% of the issued share capital of the Company under the SFO as at the Latest Practicable Date.

- (2) (L) – long position.

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 Appendix 10 to the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

**(b) Interests and short positions of the substantial shareholders in the Shares and underlying Shares of the Company**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or held any option in respect of such capital:

<b>Name of Substantial Shareholder</b>	<b>Nature of Interest</b>	<b>Total Number of Shares</b>	<b>Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date</b>
Yili Industrial <sup>(1)</sup>	Interest of controlled corporation	2,517,527,522 (L)	96.58%
Li Jingtao <sup>(2)</sup>	Interest of spouse	61,460,000 (L)	2.36%
Zhang Fanghong <sup>(3)</sup>	Interest of spouse	61,460,000 (L)	2.36%
SiYuan Investment	Beneficial owner	61,460,000 (L)	2.36%
New Energy Investment GP Ltd. <sup>(4)</sup>	Interest of controlled corporation	315,790,000 (L)	12.11%
New Energy Investment Limited Partnership <sup>(4)</sup>	Interest of controlled corporation	315,790,000 (L)	12.11%
VTD705HL Hong Kong Ltd. <sup>(4)</sup>	Interest of controlled corporation	315,790,000 (L)	12.11%
PACIFIC EMINENT LIMITED <sup>(4)</sup>	Beneficial owner	315,790,000 (L)	12.11%
Agriculture Investment Company Limited (“ <b>Agriculture Investment</b> ”) <sup>(5)</sup>	Beneficial owner	172,500,000 (L)	6.62%
Shanghai Jingmu Investment Center (limited partnership) (“ <b>Shanghai Jingmu</b> ”) <sup>(5)</sup>	Interest of controlled corporation	277,760,000 (L)	10.66%

**APPENDIX VII GENERAL INFORMATION IN RELATION TO THE COMPANY**

<b>Name of Substantial Shareholder</b>	<b>Nature of Interest</b>	<b>Total Number of Shares</b>	<b>Approximate Percentage of Shareholding in Issued Share Capital of the Company as at the Latest Practicable Date</b>
Goldstone Agri-Investment Funds Management Center (Limited Partnership) <sup>(5)</sup>	Interest of controlled corporation	277,760,000 (L)	10.66%
Beijing Agriculture Investment Fund (Limited Partnership) (“ <b>Agriculture Investment Fund</b> ”) <sup>(5)</sup>	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.) <sup>(5)</sup>	Interest of controlled corporation	277,760,000 (L)	10.66%
CITIC Capital Holdings Limited <sup>(6)</sup>	Interest of controlled corporation	174,100,000 (L)	6.68%
Jin Jiejing <sup>(7)</sup>	Interest of controlled corporation	147,040,000 (L)	5.64%
Bao Ying <sup>(8)</sup>	Interest of spouse	147,040,000 (L)	5.64%
Marvel One Limited <sup>(7)</sup>	Interest of controlled corporation	147,040,000 (L)	5.64%
Tai Shing Company Limited <sup>(7)</sup>	Beneficial owner	147,040,000 (L)	5.64%

*Notes:*

- (1) As at the Latest Practicable Date, the Offeror held 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.

Pursuant to the Takeovers Code, upon Completion, the Offeror was required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror). For details, please refer to the Rule 3.5 Announcement and “Letter from the Board” of this Composite Document.



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## APPENDIX VII GENERAL INFORMATION IN RELATION TO THE COMPANY

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Based on the Irrevocable Undertakings, the Offeror received 14 irrevocable undertakings from Shareholders to accept the Offer in respect of 1,377,008,000 Shares in total.

As at the Latest Practicable Date, Jingang Trade held 1,898,841,522 shares of the Offeror, representing approximately 72.84% of the total issued share capital of the Offeror. Jingang Trade was in turn wholly-owned by Yili Industrial. Therefore, each of Jingang Trade and Yili Industrial was interested in 2,517,527,522 Shares held by the Offeror under the SFO, representing approximately 96.58% of the total issued share capital of the Offeror.

- (2) 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.
- (3) 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.
- (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 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 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 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 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.

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.

**6.    ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES**

- (a) Save for the shareholding of Mr. Zhang Jianshe (through his wholly-owned company YeGu Investment) in the Offeror, none of the Company and the Directors owned, controlled or was interested in shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror as at the Latest Practicable Date and had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;
- (b) none of the Company and the Directors had borrowed or lent Shares, convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date and during the Relevant Period;
- (c) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrant, options or derivatives in respect of any Shares, or had dealt for value in any such securities during the Relevant Period;
- (d) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any convertible securities, warrant, options or derivatives in respect of any Shares, or had dealt for value in any such securities during the Relevant Period;
- (e) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (f) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer as at the Latest Practicable Date;
- (g) save for the Share Subscription Agreement, there was no material contract entered into by any member of the Offeror Concert Group in which any Director had a material personal interest as at the Latest Practicable Date;

## APPENDIX VII GENERAL INFORMATION IN RELATION TO THE COMPANY

- (h) save for Mr. Zhang Kaizhan (through his wholly-owned company SiYuan Investment) having undertaken to accept the Offer, there is no other Director who owned or controlled any Shares or convertible securities, warrants, options or derivatives issued by the Company had irrevocably committed himself to accept or not to accept the Offer; and
- (i) save as disclosed in this sub-paragraph, no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period:

Transfer Date	Name of Director	Number of Shares bought/ (sold)	Transfer price per Share (HK\$)			On exchange/ Off exchange
			Average	Lowest	Highest	
15 July 2020	Liu Dai (a non-executive Director)	(147,040,000)	1.1186	N/A	N/A	Off exchange
20 July 2020	Zhang Jianshe (an executive Director)	41,300,000	0.3500	N/A	N/A	Off exchange
11 January 2021	Zhang Jianshe (an executive Director)	707,878,000	1.132	N/A	N/A	Off exchange

### 7. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within six months before the commencement of the Offer Period; (b) which were continuous contracts with a notice period of 12 months or more; or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period:

Director	Date of letter of appointment	Expiry date of letter of appointment	Fixed annual remuneration
Mr. Zhang Juying Jerry	23 June 2020	The earlier of 22 June 2023 or the third annual general meeting of the Company after the appointment	HK\$300,000

None of the Directors had entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

No benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer as at the Latest Practicable Date.

## **8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation or claims of material importance is pending or threatened by or against the Company or any of its subsidiaries.

## **9. MATERIAL CONTRACTS**

Save as disclosed below, as at the Latest Practicable Date, the members of the Group had not entered into any material contracts (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) after the date which is two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which are or may be material:

- (a) a finance lease agreement dated 8 October 2018 entered into by Helan ZhongDi Farming Co., Ltd.\* (賀蘭中地生態牧場有限公司) (“**ZhongDi Helan**”) (a wholly-owned subsidiary of the Company)(as the vendor and lessee) and Bank of Beijing Financial Leasing Co., Ltd.\* (北銀金融租賃有限公司) (“**Beijing Bank Leasing**”) (as the purchaser and lessor), pursuant to which ZhongDi Helan agreed to sell the 7,125 dairy cows it owned to Beijing Bank Leasing at a consideration of RMB200 million and Beijing Bank Leasing agreed to lease back the aforementioned dairy cows to ZhongDi Helan for a period of 36 months;
- (b) a subscription agreement dated 31 July 2020 entered into by the Company (as the issuer) and Jingang Trade (as subscriber), pursuant to which Jingang Trade conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 432,641,522 new Shares at a subscription price of HK\$0.47 per Share;
- (c) a partnership agreement dated 7 August 2020 entered into among Linyi Caijin Equity Investment Fund Management Co., Ltd.\* (臨沂市財金股權投資基金管理有限公司) (as the general partner), Linyi New Growth Drivers Fund Investment Co., Ltd.\*(臨沂市新舊動能轉換基金投資有限公司) (as a limited partner), Yinan County New Growth Drivers Fund Investment Co., Ltd.\* (沂南縣新舊動能轉換基金投資有限公司) (as a limited partner), and Beijing Sinofarm Stud Livestock (a subsidiary of the Company)(as a limited partner) in relation to the formation of the Limited Partnership. Pursuant to the partnership agreement, the total capital contribution by all partners shall be RMB200 million, of which Beijing Sinofarm Stud Livestock shall contribute RMB102 million; and

- (d) a capital increase agreement dated 21 September 2020 entered into among the Limited Partnership (as the investor), Beijing Sinofarm Stud Livestock (as an existing shareholder of Yinan ZhongDi Farm), Yinan County Xingyi Agricultural Development Co., Ltd.\* (沂南縣興沂農業開發有限公司) (as an existing shareholder of Yinan ZhongDi Farm), and Yinan ZhongDi Farm (as the target company) in relation to the capital increase of Yinan ZhongDi Farm Co., Ltd.\* (沂南中地牧業有限公司) (a subsidiary of the Company) by RMB200 million.

## **10. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The followings are the qualifications of the experts whose letter/opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Opus Capital	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
Ernst & Young	Certified public accountants
JLL	Independent property valuer

At the Latest Practicable Date, each of Opus Capital, Ernst & Young and JLL 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, each of Opus Capital, Ernst & Young and JLL 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, each of Opus Capital, Ernst & Young and JLL had not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of its letter, report and/or opinion or statement and reference to its name and opinion in the form and context in which they appear in this Composite Document.

**11. GENERAL**

As at the Latest Practicable Date:

- (a) the company secretary of the Company was Ms. Zhang Xin, a member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants;
- (b) the Hong Kong share registrar and transfer office of the Company was Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
- (c) the registered office of the Company was situated 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;
- (d) the registered office of the Opus Capital was situated at 18th Floor, Fung House, 19-20 Connaught Road Central, Central, Hong Kong;
- (e) the registered office of Ernst & Young was situated at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong; and
- (f) the registered office of JLL was situated at 7th Floor, One Taikoo Place, 979 King's Road, Hong Kong.

In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) at the office of the Company at 20/F, 238 Des Voeux Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays); (ii) on the website of the Company (<http://www.zhongdidairy.hk>); and (iii) on the website of the SFC (<http://www.sfc.hk>), from the date of this Composite Document and up to and including the Closing Date or the date on which the Offer lapse or are withdrawn (whichever is earlier):

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019;
- (c) the letter dated 18 January 2021 from the Board as set out on pages 20 to 28 of this Composite Document;

- (d) the letter dated 18 January 2021 from the Independent Board Committee to the Independent Shareholders as set out on pages 29 to 30 of this Composite Document;
- (e) the letter dated 18 January 2021 from the Independent Financial Adviser to the Independent Board Committee as set out on pages 31 to 67 of this Composite Document;
- (f) the property valuation report of the Group prepared by JLL as set out on pages III-1 to III-34 in Appendix III to this Composite Document;
- (g) the report dated 18 January 2021 from Opus Capital on the Profit Estimate as set out on pages IV-1 to IV-2 of this Composite Document;
- (h) the report dated 18 January 2021 from Ernst & Young on the Profit Estimate as set out on pages V-1 to V-2 of this Composite Document;
- (i) the service contract of Mr. Zhang Juying Jerry referred to under the paragraph headed “Directors’ Service Contracts and Other Interests” in this Appendix VII;
- (j) the written consents referred to under the paragraph headed “Qualifications and Consents of Experts” in this Appendix VII; and
- (k) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix VII.