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**MODERN FARMING**  
**现代牧业**

**China Modern Dairy Holdings Ltd.**

**中國現代牧業控股有限公司**

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

**(Stock Code: 1117)**

- (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE ACQUISITION OF ENTIRE EQUITY INTERESTS IN FUYUAN;  
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC  
MANDATE;  
(3) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**Financial Adviser to the Company**



**Independent Financial Adviser**



## **THE SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that on March 22, 2021, the Company entered into the Sale and Purchase Agreement with the Sellers and Fuyuan, pursuant to which the Sellers agreed to sell, and the Company agreed to purchase, the Target Assets at a total Consideration of RMB3,480,000,000, which shall be satisfied by a combination of cash and Consideration Shares in accordance with the settlement scenarios as set out below.

The Target Assets constitute the entire equity interests (both direct and indirect) in Fuyuan.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Immediately upon Completion, Fuyuan will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

### **SETTLEMENT SCENARIO I**

If (i) the Mengniu Concert Group's interest in the Company continues to exceed 50% at all times during the Relevant Period and the issue of the Consideration Shares would not trigger a mandatory general offer obligation of Mengniu under Rule 26.1(d) of the Takeovers Code, or (ii) the Mengniu Concert Group's interest in the Company decreases to 50% or below (but not less than 30%) at any time during the Relevant Period and the Whitewash Waiver is approved by at least 75% of the votes cast by the Independent Shareholders at the EGM and granted by the Executive, the Consideration shall consist of (A) the sum of RMB1,971,329,480 payable in cash by the Company to each of GS, Shining and the Individual Shareholders in proportions as set out in the section headed "Settlement Scenario I" in the main body of this announcement; and (B) the sum of RMB1,508,670,520, which shall be satisfied by the allotment and issue of Consideration Shares by the Company to Mengniu SPV at the Issue Price on Completion.

### **SETTLEMENT SCENARIO II**

If the Mengniu Concert Group's interest in the Company decreases to 50% or below (but not less than 30%) at any time during the Relevant Period and the issue of the Consideration Shares pursuant to Settlement Scenario I has the effect of increasing the Mengniu Concert Group's holding of voting rights in the Company by more than 2% from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period, and the Whitewash Waiver is not approved by at least 75% of the votes cast by Independent Shareholders at the EGM or otherwise not granted by the Executive, the Consideration shall consist of (i) the sum of RMB2,989,888,587 payable in cash by the Company to each of GS, Shining, Individual Shareholders and Inner Mongolia Mengniu in proportions as set out in the section headed "Settlement Scenario II" in the main body of this announcement; and (ii) the sum of RMB490,111,413, which shall be satisfied by the allotment and issue of Consideration Shares by the Company to Mengniu SPV at the Issue Price on Completion.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Acquisition contemplated under the Sale and Purchase Agreement exceed 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, Fuyuan is indirectly owned as to 43.35% by Mengniu, a substantial shareholder and connected person of the Company. One of the Sellers, Inner Mongolia Mengniu, is a subsidiary of Mengniu. Therefore, both Fuyuan and Inner Mongolia Mengniu are associates of Mengniu and connected persons of the Company. Accordingly, the Acquisition contemplated under the Sale and Purchase Agreement (including the issue of the Consideration Shares) also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers (except for Inner Mongolia Mengniu) and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

### **The Exchangeable Bonds**

On June 17, 2020, Mengniu entered into the Subscription Agreement with the Managers in connection with the issue of Exchangeable Bonds in the aggregate principal amount of US\$100,000,000 by Mengniu which are exchangeable into the Shares by the EB Holders during the Exchange Period. The Exchangeable Bonds are exchangeable into 613,877,227 Shares, representing 8.64% of the Shares in issue. As of the date of this announcement, the EB Holders have exercised their Exchange Rights to exchange for 68,754,245 Shares, representing 0.97% of the Shares in issue, pursuant to the Exchangeable Bonds. Accordingly, the remaining 545,122,982 Shares, representing an aggregate of 7.67% interest in the Company, remains the subject of the Exchangeable Bonds.

The exchange price for the Exchangeable Bonds is HK\$1.2625. The closing market price per Share as quoted on the Stock Exchange on the Last Trading Day was HK\$2.31, representing a premium of approximately 82.97% over the exchange price and thus the Exchangeable Bonds were in-the-money as of the date of this announcement.

As part of the Exchangeable Bonds arrangements, Mengniu entered into the Securities and Lending Agreement with BOCI Financial Products pursuant to which Mengniu agrees to lend to BOCI Financial Products up to 613,877,227 Shares, being the Shares underlying the Exchangeable Bonds. Pursuant to the Securities and Lending Agreement, BOCI Financial Products is entitled to exercise and/or arrange for the voting rights of the Borrowed Securities. For the purposes of the Takeovers Code, Mengniu is presumed to be interested in the Borrowed Securities save for any Shares which BOCI Financial Products has on-lent or transferred to the EB Holders pursuant to the Exchangeable Bonds.

As of the date of this announcement, the Mengniu Concert Group are the registered shareholders of an aggregate of 3,657,015,167 Shares representing an aggregate of 51.45% interest in the Company, of which 545,122,982 Shares representing an aggregate of 7.67% interest in the Company are the subject of the Exchangeable Bonds. In the extreme situation where EB Holders exercise their Exchange Rights to exchange all of the Exchangeable Bonds into the Shares, Mengniu Concert Group's interest in the Shares will decrease to 43.78% (assuming no change in the issued share capital of the Company). Accordingly, if during the Relevant Period, Mengniu Concert Group's interest falls to or below 50% as a result of the exercise of Exchange Rights by the EB Holders, and the subscription of the Consideration Shares pursuant to the Settlement Scenario I has the effect of increasing the Mengniu Concert Group's holding of voting rights in the Company by more than 2% from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period, such action would trigger the mandatory general offer obligation under Rule 26.1(d) of the Takeovers Code.

An application has been made to the Executive for its ruling and consent that the exercise of the Exchange Rights by the EB Holders pursuant to the Exchangeable Bonds does not constitute a disqualifying transaction under paragraph 3(b) of Schedule VI of the Takeovers Code and the Executive has indicated that it is minded to grant such consent.

### **Whitewash Waiver**

In view of the Potential MGO Obligation, Mengniu has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, notwithstanding the Potential MGO Obligation may not have realized at the date of this announcement. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders at the EGM and (ii) the approval of the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares under specific mandate by more than 50% of the votes cast by the Independent Shareholders at the EGM.

The Mengniu Concert Group, BOCI Financial Products, Jinmu, Ms. Gao Lina and Mr. Sun Yugang will abstain from voting in respect of the resolutions to approve (i) the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder and (ii) the Whitewash Waiver at the EGM.

**In the event that the Mengniu Concert Group's interest in the Company continues to exceed 50% at all times during the Relevant Period and the issue of the Consideration Shares under Settlement Scenario I would not trigger a mandatory general offer obligation of Mengniu under Rule 26.1(d) of the Takeovers Code, the Whitewash Waiver shall not be required and the Acquisition, if approved by more than 50% of the votes cast by the Independent Shareholders at the EGM, will proceed based on Settlement Scenario I.**

**Mengniu has no intention and does not reserve the right to make a general offer to the Shareholders as a result of the Acquisition. Given this, an offer period will not commence. In the event that the Whitewash Waiver is required for the issue of the Consideration Shares to Mengniu SPV under Settlement Scenario I but not approved by at least 75% of the votes cast by the Independent Shareholders or not granted by the Executive, the Acquisition, if approved by more than 50% of the votes cast by the Independent Shareholders at the EGM, will proceed based on Settlement Scenario II.**

For illustrative purposes, under Settlement Scenario II, in the situation where EB Holders exercise their Exchange Rights to exchange all of the Exchangeable Bonds into the Shares, the Mengniu Concert Group will in aggregate hold 3,374,087,943 Shares, representing approximately 45.78% of the enlarged fully paid up issued share capital of the Company upon Completion (assuming there is no other change in the issued share capital of the Company save for the allotment and issue of the Consideration Shares pursuant to the Acquisition), representing a 2.00% increase in voting rights from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period, in which case Mengniu Concert Group would not be required to make a mandatory general offer for all the securities of the Company (other than those already owned or agreed to be acquired by Mengniu Concert Group) pursuant to Rule 26.1 of the Takeovers Code.

## **TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE, LISTING RULES INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the Rule 2.8 of the Takeovers Code, a Takeovers Code Independent Board Committee, comprising of all the non-executive Directors (except for (a) Mr. Lu Minfang who is a non-executive director of the Company and an executive director of Mengniu; (b) Mr. Zhang Ping who is a non-executive director of the Company and a vice president and the chief financial officer of Mengniu; (c) Mr. Zhao Jiejun who is a non-executive director of the Company and a vice president and the head of milk sourcing and supply chain business unit of Mengniu; and (d) Mr. Wolhardt Julian Juul, who is an independent non-executive director of both Mengniu and the Company), namely, Ms. Gan Lu, Mr. Li Shengli and Mr. Lee Kong Wai Conway, has been established to advise the Independent Shareholders on the Acquisition and the Whitewash Waiver.

Pursuant to the Listing Rules, a Listing Rules Independent Board Committee, comprising of all the independent non-executive Directors (except for Mr. Wolhardt Julian Juul who is also an independent non-executive director of Mengniu), namely, Mr. Li Shengli and Mr. Lee Kong Wai Conway, has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder.

With the approval of the Takeovers Code Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, Somerley Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition and the Whitewash Waiver, and as to voting by the Independent Shareholders.

Pursuant to Rule 14A.44 of the Listing Rules, the Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder, and as to voting by the Independent Shareholders.

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and approve, among others, (i) the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder and (ii) the Whitewash Waiver.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, other than the Mengniu Concert Group, BOCI Financial Products, Jinmu, Ms. Gao Lina and Mr. Sun Yugang, no other Shareholders will be required to abstain from voting on the resolutions for approving (i) the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder or (ii) the Whitewash Waiver at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder and the Whitewash Waiver; (ii) a letter from the Listing Rules Independent Board Committee to the Independent Shareholders on the terms of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder, and its recommendation on voting; (iii) a letter from the Takeovers Code Independent Board Committee to the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver, and its recommendation on voting; and (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders on the same, together with the notice of the EGM of the Company, will be despatched to the Shareholders within 15 Business Days from the date of this announcement or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

**As completion of the transactions contemplated under the Sale and Purchase Agreement is subject to the fulfillment of certain conditions precedent, the Acquisition may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on March 22, 2021, the Company entered into the Sale and Purchase Agreement with the Sellers and Fuyuan, pursuant to which the Sellers agreed to sell, and the Company agreed to purchase, the Target Assets.

The total Consideration for the sale of the Target Assets is RMB3,480,000,000, which shall be satisfied by a combination of cash and Consideration Shares in accordance with the settlement scenarios as set out below.

## **THE SALE AND PURCHASE AGREEMENT**

Date: March 22, 2021

Parties: (i) The Company;  
(ii) The Sellers; and  
(iii) Fuyuan

### **Subject Matter**

Upon and subject to the terms and conditions of the Sale and Purchase Agreement, at Completion, the Sellers shall sell, and the Company shall purchase, the Target Assets free from all encumbrances and together with all rights attached or accruing to them on the Completion Date.

The Target Assets constitute the entire equity interests (both direct and indirect) in Fuyuan.

### **Consideration and Settlement Scenarios**

The total Consideration for the Acquisition is RMB3,480,000,000, which shall be satisfied in accordance with either of the settlement scenarios as set out below. The Parties will determine the applicable settlement scenario on the Completion Date.

Under each of the settlement scenarios, (i) the cash portion of the Consideration will be funded by a combination of internal resources of the Group and external financing; and (ii) the Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the Shares in issue on the date of allotment and issuance of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the Completion Date.



Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued under a specific mandate and subject to approval by the Independent Shareholders at the EGM.

### ***Settlement Scenario I***

If (i) the Mengniu Concert Group's interest in the Company continues to exceed 50% at all times during the Relevant Period and the issue of the Consideration Shares would not trigger a mandatory general offer obligation of Mengniu under Rule 26.1(d) of the Takeovers Code, or (ii) the Mengniu Concert Group's interest in the Company decreases to 50% or below (but not less than 30%) at any time during the Relevant Period and the Whitewash Waiver is approved by at least 75% of the votes cast by the Independent Shareholders at the EGM and granted by the Executive, the Consideration shall consist of:

- (i) the sum of RMB1,971,329,480 payable in cash by the Company to each of GS, Shining and the Individual Shareholders in proportions to their respective interest in Fuyuan and as set out in the table below:

<b>Sellers</b>	<b>Percentage of interest in Fuyuan</b>	<b>Value of Consideration payable in cash (RMB)</b>
GS	27.64%	961,777,456
Shining	4.88%	169,725,434
Individual Shareholders	<u>24.13%</u>	<u>839,826,590</u>
<b>Total:</b>	<b><u>56.65%</u></b>	<b><u>1,971,329,480</u></b>

50% of the respective considerations payable to GS, Shining and the Individual Shareholders will be paid into an escrow account to be opened in the name of the Company upon fulfilment of all the conditions precedents (unless waived) set out in the Sale and Purchase Agreement. Such amount will be released, together with the remaining 50% which will be paid directly to the bank accounts of these Sellers, upon completion of certain regulatory procedures in the PRC, including the change of business registration records of Fuyuan with the relevant Administrations for Industry and Commerce to reflect the transfer of interest in Fuyuan to the Company and the obtaining of necessary approvals and authorizations to remit the payment offshore; and

- (ii) the sum of RMB1,508,670,520 (equivalent to approximately HK\$1,807,895,265 calculated using the exchange rate of HK\$1.00 to RMB0.83449), which amount is in proportion to Inner Mongolia Mengniu's 43.35% interest in Fuyuan, shall be satisfied by the allotment and issue of 807,096,101 Consideration Shares by the Company to Mengniu SPV at the Issue Price of HK\$2.24 per Share on Completion.

### ***Settlement Scenario II***

If the Mengniu Concert Group's interest in the Company decreases to 50% or below (but not less than 30%) at any time during the Relevant Period and the issue of the Consideration Shares pursuant to Settlement Scenario I has the effect of increasing the Mengniu Concert Group's holding of voting rights in the Company by more than 2% from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period, and the Whitewash Waiver is not approved by at least 75% of the votes cast by the Independent Shareholders at the EGM or otherwise not granted by the Executive, the Consideration shall consist of:

- (i) the sum of RMB2,989,888,587 payable in cash by the Company to each of GS, Shining, Individual Shareholders and Inner Mongolia Mengniu in proportion to their respective interest in Fuyuan and as set out in the table below:

<b>Sellers</b>	<b>Percentage of interest in Fuyuan</b>	<b>Value of Consideration payable in cash (RMB)</b>
GS	27.64%	961,777,456
Shining	4.88%	169,725,434
Individual Shareholders	24.13%	839,826,590
Inner Mongolia Mengniu	<u>29.27%</u>	<u>1,018,559,107</u>
<b>Total:</b>	<b><u>85.92%</u></b>	<b><u>2,989,888,587</u></b>

With respect to GS, Shining and the Individual Shareholders, the payment arrangements is the same as those set out in sub-paragraph (i) under Settlement Scenario I; with respect to Inner Mongolia Mengniu, 50% of the consideration payable will be paid into an onshore bank account designated by Inner Mongolia Mengniu on the Completion Date, and the remaining 50% will be paid to the designated bank account within 3 Business Days upon completion of the change of business registration records of Fuyuan with the relevant Administrations for Industry and Commerce in the PRC to reflect the transfer of Inner Mongolia Mengniu's interest in Fuyuan to the Company; and

- (ii) the sum of RMB490,111,413 (equivalent to approximately HK\$587,318,498 calculated using the exchange rate of HK\$1.00 to RMB0.83449), which amount is in proportion to Inner Mongolia Mengniu's remaining 14.08% interest in Fuyuan, shall be satisfied by the allotment and issue of 262,195,758 Consideration Shares by the Company to Mengniu SPV at the Issue Price of HK\$2.24 per Consideration Share on Completion.

As of the date of this announcement, the Company had 7,108,565,947 Shares in issue. Assuming that there is no change in the issued share capital of the Company prior to Completion:

- (i) the total of 807,096,101 Consideration Shares to be issued pursuant to Settlement Scenario I represent (i) approximately 11.35% of the existing issued share capital of the Company as of the date of this announcement; and (ii) approximately 10.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; or
- (ii) the total of 262,195,758 Consideration Shares to be issued pursuant to Settlement Scenario II represent (i) approximately 3.69% of the existing issued share capital of the Company as of the date of this announcement; and (ii) approximately 3.56% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

### **Basis of the Consideration**

The total Consideration of RMB3,480,000,000 was determined after arm's length negotiations among the Company and the Sellers with reference to (i) the fair value of the Target Group as of December 31, 2020 pursuant to a valuation conducted by the Independent Valuer adopting the market approach, taking into account the prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the assets of the Target Group relative to the market comparable; (ii) the significance of the Target Group to the future development of the Company; and (iii) the development prospects of the Target Group.

**The valuation report will be set out in the circular to be despatched to the Shareholders in compliance with Rule 11 of the Takeovers Code.**

The Issue Price of HK\$2.24 per Consideration Share represents:

- (i) a discount of approximately 2.16% to the volume weighted average price of HK\$2.29 per Share on the Last Trading Day;
- (ii) a discount of approximately 2.67% to the volume weighted average price of HK\$2.30 per Share for the last five consecutive trading days up to and including the Last Trading Day; and

- (iii) a discount of approximately 0.03% to the volume weighted average price of approximately HK\$2.241 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The Issue Price was determined after arm's length negotiations between the Sellers and the Company with reference to the prevailing market prices of the Shares and recent market conditions.

### **Pre-Completion Reorganization**

As of the date of the Sale and Purchase Agreement, the Sellers are the legal and beneficial owners of all the equity interests in Fuyuan. Prior to Completion, the relevant Sellers, Fuyuan and its subsidiaries will effect a series of Reorganization, the key steps of which include:

- (i) the disposal of Burra Interests by Fuyuan to a wholly-owned subsidiary of Mengniu at the consideration of approximately RMB320,000,000. Burra Group is an Australian dairy ingredient processor principally engaged in the business of processing milk powders and nutritional powders;
- (ii) the distribution of proceeds from the Burra Disposal by Fuyuan to the Sellers (in the form of dividend) in proportion to their respective interests in Fuyuan; and
- (iii) the establishment of the Offshore HoldCo and the HK MidCo by Mengniu to hold the Sale Shares.

The Reorganization shall be completed on or before November 30, 2021 or such later date as may be agreed by the Parties.

### **Conditions Precedent to Completion**

For each Seller, the Company's obligation to complete the purchase is subject to the fulfilment (or waiver, as applicable) of the below conditions precedent by such Seller on or before the Long Stop Date:

- (i) applicable to Inner Mongolia Mengniu only, a deed of adherence having been executed by the relevant Parties and the Mengniu SPV in connection with the Reorganization;
- (ii) the board of directors of Fuyuan having approved the execution of and performance of its obligations under the Sale and Purchase Agreement;

- (iii) the Treasurer (or his agent) having given a notice in writing to the effect that there are no objections under the FIRB Act to the Burra Disposal either unconditionally or subject to conditions which are acceptable to Mengniu (or its nominee) (acting reasonably); or the “decision period” under the FIRB Act for an application submitted by Mengniu (or its nominee) in respect of the Burra Disposal having expired such that the Treasurer is precluded from making certain orders under the FIRB Act; or the Burra Disposal not being a “significant action”, “notifiable action” or a “notifiable national security action” under the FIRB Act;
- (iv) no proceeding shall have been initiated seeking an injunction having the effect of making the transactions contemplated hereby illegal or otherwise prohibiting the consummation of the transactions contemplated hereby;
- (v) since the date of the Sale and Purchase Agreement, no Governmental Entity of competent jurisdiction (including the PRC, Australia, the US and Hong Kong) shall have enacted, issued or promulgated any law that has the effect of making the consummation of the transactions contemplated hereby illegal or which has the effect of prohibiting or otherwise preventing the consummation of any transactions contemplated hereby;
- (vi) since September 30, 2020, being the reference date for the purpose of preparing the Target Audited Accounts, there having been no material adverse effect on Fuyuan and its subsidiaries taken as a whole;
- (vii) the Reorganization having been completed, and there having delivered or made available to the Company a certificate duly executed by a director or authorized person of each of Inner Mongolia Mengniu and Fuyuan certifying that the Reorganization has been duly completed;
- (viii) such Seller (and its affiliates, as applicable) having performed and complied with, in all material respects, all obligations required to be performed and complied with on or before Completion; and
- (ix) the Seller’s warranties with respect to such Seller being true, accurate and not misleading, in each case, as of the date of the Sale and Purchase Agreement and as of the Completion Date, except for those warranties that address matters only as of a particular date, which Seller’s warranties will have been true and complete as of such particular date.

Conditions except for those set out in paragraphs (iii) to (v) above may be waived in whole or in part by the Company by written notice to the relevant Seller.

The obligation of a Seller to complete the sale of its portion of the Target Assets with the Company is subject to the fulfilment (or waiver, as applicable) of the below conditions precedent by the Company on or before the Long Stop Date:

- (i) applicable to Inner Mongolia Mengniu only, the Listing Committee having granted the listing of, and permission to deal in, the Consideration Shares (and such grant not having been revoked or withdrawn), either unconditionally or subject to such conditions as required by the Listing Committee;
- (ii) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of a specific mandate for the issue of the Consideration Shares) at the EGM in accordance with the requirements under the Listing Rules;
- (iii) the Company having obtained unconditional antitrust clearances and approvals from the PRC State Administration for Market Regulation in respect of the Acquisition;
- (iv) no proceeding shall have been initiated seeking an injunction having the effect of making the transactions contemplated under the Sale and Purchase Agreement illegal or otherwise prohibiting the consummation of the transactions contemplated hereby;
- (v) since the date of the Sale and Purchase Agreement, no Governmental Entity of competent jurisdiction (including the PRC, Australia, the US and Hong Kong) shall have enacted, issued or promulgated any law that has the effect of making the consummation of the transactions contemplated under the Sale and Purchase Agreement illegal or which has the effect of prohibiting or otherwise preventing the consummation of any transactions contemplated hereby;
- (vi) since the date of the Sale and Purchase Agreement, there having been no material adverse effect on the Group taken as a whole;
- (vii) the Company (and its affiliates, as applicable) having performed and complied with, in all material respects, all obligations required to be performed and complied with on or before Completion under the Sale and Purchase Agreement; and
- (viii) the Company's warranties being true, accurate and not misleading, in each case, as of the date of the Sale and Purchase Agreement and as of the Completion Date, except for those Company's warranties that address matters only as of a particular date, which Company's Warranties will have been true and complete as of such particular date.

Conditions except for those set out in paragraphs (i) to (v) above may be waived in whole or in part by the relevant Seller by written notice to the Company.

## Completion

Completion shall take place on the fifth (5th) Business Day following the fulfillment or waiver (where permitted) of all of the conditions above, or such other date as the Parties may agree.

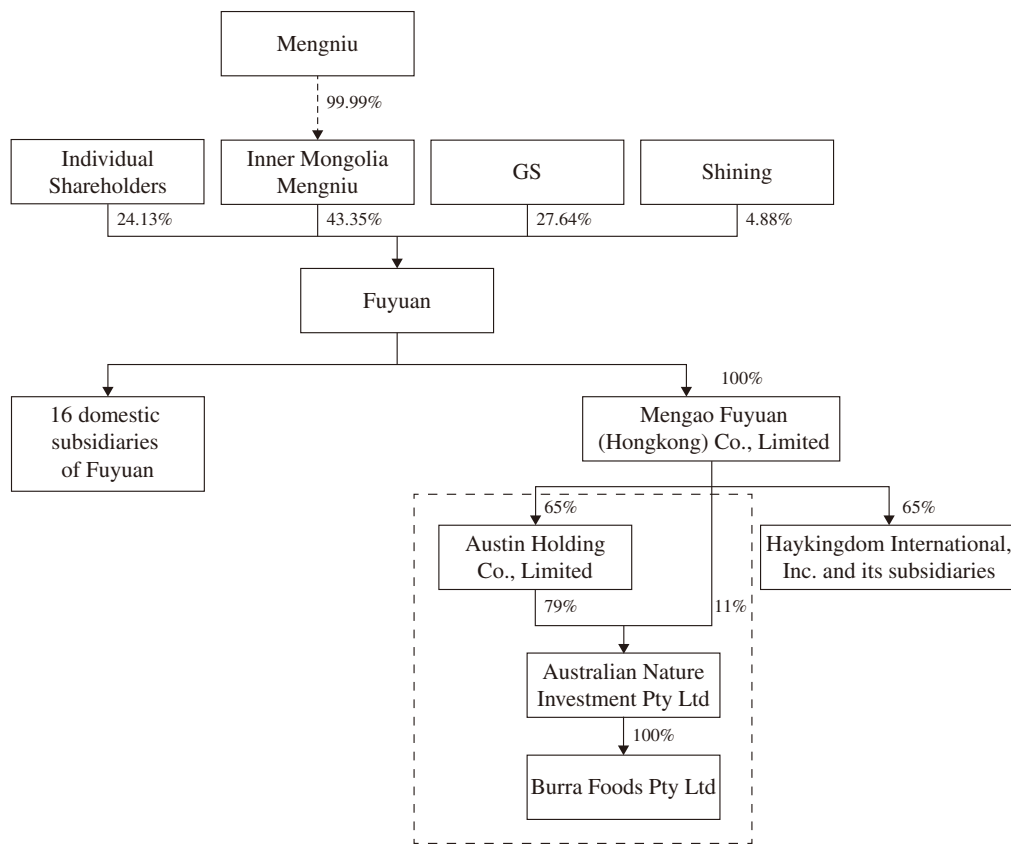
The Company shall not be obliged to complete the purchase of any Target Assets unless the purchase by it of the Sale Shares from Mengniu SPV and the Sale Interests from each of GS, Shining and Inner Mongolia Mengniu (as applicable) are completed simultaneously.

Upon Completion, Fuyuan will become a non-wholly owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

## Effect on shareholding and group structure of Fuyuan

The following diagrams illustrate the shareholding and group structure of Fuyuan: (1) as of the date of this announcement; and (2) immediately after Completion under Settlement Scenario I and Settlement Scenario II, respectively, assuming Completion having taken place simultaneously with all of the Sellers:

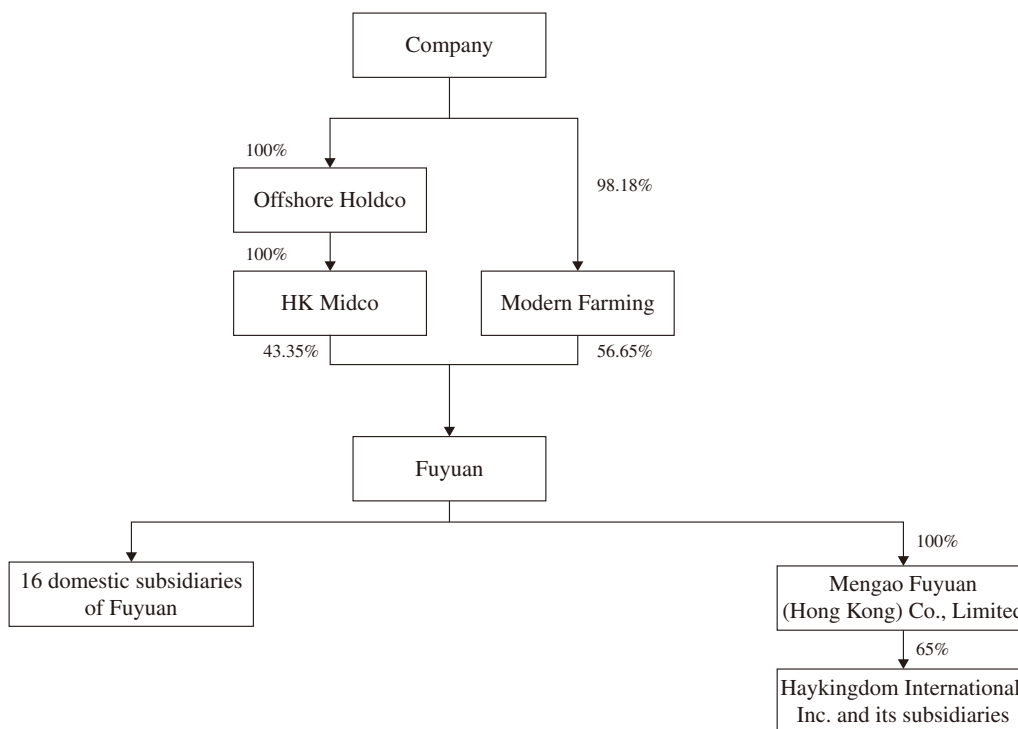
### (1) As of the date of this announcement



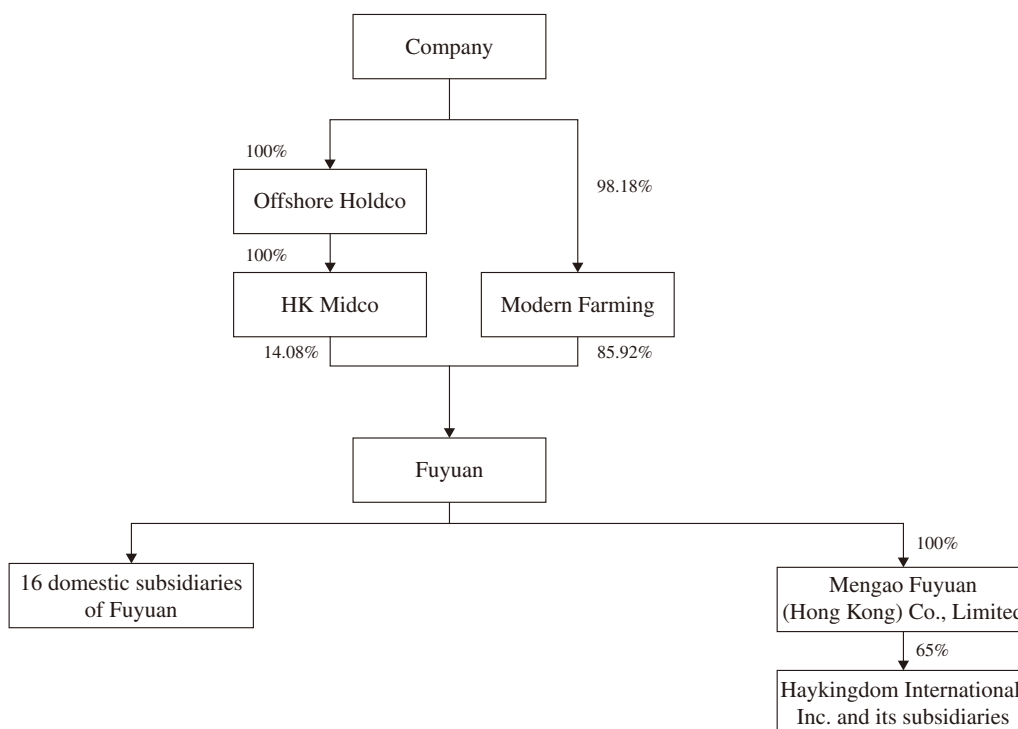
Note: [ ] Burra Group to be disposed of in accordance with the Reorganization

(2) **Immediately after Completion under Settlement Scenario I and Settlement Scenario II, respectively, assuming Completion having taken place simultaneously with all of the Sellers**

*Settlement Scenario I*



*Settlement Scenario II*





## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

### **The development of the dairy farming industry is supported by the Chinese government**

Since 2016, the Chinese government has been giving support to the development of the dairy farming industry. In 2017, the State Council issued the “Opinions on Promoting the Structural Reform of Agricultural Supply and Accelerating the Development of Agricultural and Rural Development” (《關於深入推進農業供給側結構性改革加快發展農業農村發展新動能的若干意見》), which propounded to “develop highly efficient dairy farming industry”, and “implement revitalization of dairy industry”. In 2018, the General Office of the State Council issued the “Opinions on Promoting the Revitalization of Dairy Industry and Ensuring the Quality and Safety of Dairy Products” (《關於推進奶業振興保障乳品質量安全的意見》), which proposed that “the proportion of large-scale breeding with more than 100 dairy cows will exceed 65% by 2020”. Pursuant to the “Certain Opinions on Persisting the Priority Development of Agriculture and Rural Areas and Doing Good Job in ‘Agriculture, Rural Areas and Farmers’ from the Central Committee of the Communist Party and the State Council” (《中共中央國務院關於堅持農業農村優先發展做好「三農」工作的若干意見》) released in February 2019, it was further put forward that “the infrastructure of high-quality milk source should be strengthened and upgraded to small and medium-sized dairy farms”. In 2020, the “Opinions on Doing Good Job in ‘Agriculture, Rural Areas and Farmers’ to Realize a Well-Off Society” from the Central Committee of the Communist Party and the State Council (《中共中央國務院關於抓好“三農”領域重點工作確保如期實現全面小康的意見》) also proposed to “support the dairy industry and production of poultry, cattle and sheep”.

Against the backdrop of an array of national policies which support the development of revitalization of domestic dairy industry, the Acquisition aligns to the relevant policies propounded by the Chinese government.

### **Strengthen the Group’s positioning in dairy farming industry**

The Group is the largest dairy farming company in terms of herd size and the largest raw milk producer in China and is committed to concentrating its resources on upstream dairy farming business and providing high-quality raw milk. One of the focuses of the Group’s operation strategy is to increase the herd size, thereby increasing the yields and attaining a steady growth in output.

Fuyuan currently operates a total of 14 dairy farms with approximately 60,000 dairy cows in China. Following the Acquisition, the number of dairy cows owned by the Group will be increased to approximately 295,000, which could further strengthen its position in the dairy farming industry in China and enhance the Group’s competitiveness in terms of quality and pricing of the raw milk. In line with the trend and development of the dairy market, the Acquisition enables the Group to integrate the upstream and downstream business, thereby building a full chain of raw milk production which will be favourable for the Group’s long-term development.

## **Optimizing value chain and enhance operation efficiency**

The Acquisition is a unique opportunity for the Group to build on and strengthen its operation through expansion into and accessing the feeds supply industry. Fuyuan started supplying feedstuffs to the Group in 2017 under the Framework Supply Agreement which was renewed in December 2019. Stable feed supply and steady growth in feed size is essential to the Group's production of high quality raw milk. Subsequent to the Acquisition, the feed prices could be reduced, hence lowering the operating costs of the Group.

Meanwhile, the Group, with a strong position in the upstream dairy farming business, could improve the management of the farms and optimize the resources that are currently operated by Fuyuan. By acquiring more farms and expanding the geographical scope of supply in the PRC, the Acquisition also renders the logistics for delivery of raw milk more efficient and provides the Group with greater flexibility in allocating dairy farm resources to cater the needs for raw milk of the downstream customers.

The Directors (excluding (i) Mr. Lu Minfang, Mr. Zhang Ping, Mr. Zhao Jiejun and Mr. Wolhardt Julian Juul who were considered to have material interest in the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder and the Whitewash Waiver and had abstained from voting on the relevant resolutions of the Board; and (ii) members of the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee, whose view on the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder and the Whitewash Waiver will be set out in the letters from the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee to be contained in the circular to be despatched to the Shareholders after considering the advice from the Independent Financial Adviser), namely, Ms. Gao Lina and Mr. Sun Yugang, are of the view that the terms of the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder and the Whitewash Waiver are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE TARGET GROUP**

Fuyuan is a limited liability company established in the PRC in February 2012. Fuyuan and its subsidiaries are principally engaged in forage cultivation, dairy farming and feed processing and sales in the PRC. As of the date of this announcement, Fuyuan is owned as to approximately 43.35%, 27.64%, 4.88% and 24.13%, by Inner Mongolia Mengniu, GS, Shining and the Individual Shareholders, respectively.

The original investment cost for the 43.35% equity interest in Fuyuan by Inner Mongolia Mengniu is RMB600,000,000.

According to the unaudited financial statements of the Target Group prepared in accordance with the International Financial Reporting Standards, the total asset value and the net asset value of the Target Group as of September 30, 2020 were approximately RMB4,610,825,000 and RMB1,612,412,000 respectively.

The net profits/loss before and after taxation of the Target Group for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020 are as follows:

	Year ended December 31		Nine months ended
	2018	2019	September 30
	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)
	(Unaudited)	(Unaudited)	(Unaudited)
Profit before tax	61,640	146,090	348,865
Profit after tax	61,755	142,798	348,007

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Target Group in this announcement. Pursuant to Rule 10 of the Takeovers Code, disclosure of unaudited financial information of the Target Group constitute profit forecasts and should be reported on in accordance with Rule 10 of the Takeovers Code, and the reports must be included in this announcement in accordance with Rule 10.4 of the Takeovers Code. Due to the time constraint in issuing this announcement in compliance with Chapters 14 and 14A of the Listing Rules, the parties have encountered practical difficulties in meeting the reporting requirements under Rule 10 of the Takeovers Code for the purpose of this announcement. The financial information of the Target Group does not meet the standard required under Rule 10 of the Takeovers Code.

**Shareholders and potential investors of the Company are advised to exercise caution in placing reliance on the financial information of the Target Group in assessing the merits and demerits of the Acquisition. Full sets of the Target Audited Accounts, which will be in full compliance with the requirements of the Takeovers Code, will be included in the circular to be despatched to the Shareholders. Shareholders should note that there may be differences between the financial information relating to the Target Group as presented in this announcement and the financial information to be presented in the circular to be despatched to the Shareholders.**

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company with limited liability, which, along with its subsidiaries, is principally engaged in dairy farming operations, production and sale of raw milk, and development of liquid milk products. The Group operates 26 dairy farms in the PRC with over 235,000 dairy cows and an annual milk yield of approximately 1.5 million tons.

## **INFORMATION ON THE SELLERS**

### **Inner Mongolia Mengniu**

Inner Mongolia Mengniu, a company incorporated in the PRC and a 99.99% owned subsidiary of Mengniu. It is principally engaged in the business of manufacture and sale of dairy products.

### **GS**

Fortune Investment Holdings is a company incorporated under the laws of Mauritius, whose principal business is investment holding. It is owned by funds and entities that are managed by affiliates of The Goldman Sachs Group, Inc.

北京寬街博華投資中心(有限合夥) (Beijing Kuanjie Bohua Investment Center (Limited Partnership)\*) is a limited partnership established under the laws of the PRC, whose principal business is investment holding. Its general partner is an affiliate of The Goldman Sachs Group, Inc.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of Fortune Investment Holdings or 北京寬街博華投資中心(有限合夥) (Beijing Kuanjie Bohua Investment Center (Limited Partnership)\*) are registered as Shareholders of the Company.

### **Shining**

北京尚心華滋投資中心(有限合夥) (Beijing Shangxin Huazi Investment Center (Limited Partnership)\*) is a limited liability partnership established in the PRC, whose principal activity is investment holding. Its general partner is 北京尚心華滋投資管理諮詢中心(有限合夥) (Beijing Shangxin Huazi Investment Management Consulting Center (Limited Partnership)\*).

Harvest Dairy Limited is a company incorporated in British Virgin Islands and is 100% owned by Shining Capital Holdings II L.P. Shining Capital Holdings II L.P. is a limited liability partnership established in Cayman Islands, whose principal activity is investment holding. Its general partner is Shining Capital Management Limited.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of 北京尚心華滋投資中心(有限合夥) (Beijing Shangxin Huazi Investment Center (Limited Partnership)\*) or Harvest Dairy Limited are Shareholders of the Company.

### **Individual Shareholders**

Youmuyuan is a limited liability partnership established in the PRC and principally engaged in corporate management consultancy. The ultimate beneficial owners of Youmuyuan are 28 individuals.

Fushengle is a limited liability partnership established in the PRC and principally engaged in corporate management consultancy. The ultimate beneficial owners of Fushengle are 10 individuals.

Haomu is a limited liability partnership established in the PRC and principally engaged in corporate management consultancy. The ultimate beneficial owners of Haomu are 22 individuals.

Youzhimu is a limited liability partnership established in the PRC and principally engaged in investment management. The ultimate beneficial owners of Youzhimu are 17 individuals.

Meileyuan is a limited liability partnership established in the PRC and principally engaged in corporate management consultancy. The ultimate beneficial owners of Meileyuan are 20 individuals.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Individual Shareholders are Shareholders of the Company.

### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Acquisition contemplated under the Sale and Purchase Agreement exceed 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

In addition, as of the date of this announcement, Fuyuan is indirectly owned as to 43.35% by Mengniu, a substantial shareholder and connected person of the Company. One of the Sellers, Inner Mongolia Mengniu, is a subsidiary of Mengniu. Therefore, both Fuyuan and Inner Mongolia Mengniu are associates of Mengniu and connected persons of the Company. Accordingly, the Acquisition contemplated under the Sale and Purchase Agreement (including the issue of the Consideration Shares) also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers (except for Inner Mongolia Mengniu) and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Existing Continuing Connected Transactions with Fuyuan**

The transactions under the Framework Supply Agreement will no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules as Fuyuan will cease to be a connected person of the Company upon Completion.

For details of the Framework Supply Agreement, please refer to the announcement of the Company dated December 31, 2019.

### **Continuing Connected Transaction after the Completion**

Fuyuan has entered into a Milk Supply Agreement with Inner Mongolia Mengniu on February 27, 2014, pursuant to which Inner Mongolia Mengniu agreed to purchase fresh milk from Fuyuan and its subsidiaries till February 28, 2034.

Upon Completion, Fuyuan will become a non-wholly owned subsidiary of the Company, and therefore the transactions under the Milk Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will make further announcement in compliance with Rule 14A.60 of the Listing Rules as and when required.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

### **The Exchangeable Bonds**

On June 17, 2020, Mengniu entered into the Subscription Agreement with the Managers in connection with the issue of Exchangeable Bonds in the aggregate principal amount of US\$100,000,000 by Mengniu which are exchangeable into the Shares by the EB Holders during the Exchange Period. The Exchangeable Bonds are exchangeable into 613,877,227 Shares, representing 8.64% of the Shares in issue. As of the date of this announcement, the EB Holders have exercised their Exchange Rights to exchange for 68,754,245 Shares, representing 0.97% of the Shares in issue, pursuant to the Exchangeable Bonds. Accordingly, the remaining 545,122,982 Shares, representing an aggregate of 7.67% interest in the Company, remains the subject of the Exchangeable Bonds.

The exchange price for the Exchangeable Bonds is HK\$1.2625. The closing market price per Share as quoted on the Stock Exchange on the Last Trading Day was HK\$2.31, representing a premium of approximately 82.97% over the exchange price and thus the Exchangeable Bonds were in-the-money as of the date of this announcement.

As part of the Exchangeable Bonds arrangements, Mengniu entered into the Securities and Lending Agreement with BOCI Financial Products pursuant to which Mengniu agrees to lend to BOCI Financial Products up to 613,877,227 Shares, being the Shares underlying the Exchangeable Bonds. Pursuant to the Securities and Lending Agreement, BOCI Financial Products is entitled to exercise and/or arrange for the voting rights of the Borrowed Securities. For the purposes of the Takeovers Code, Mengniu is presumed to be interested in the Borrowed Securities save for any Shares which BOCI Financial Products has on-lent or transferred to the EB Holders pursuant to the Exchangeable Bonds.

As of the date of this announcement, the Mengniu Concert Group are the registered shareholders of an aggregate of 3,657,015,167 Shares representing an aggregate of 51.45% interest in the Company, of which 545,122,982 Shares representing an aggregate of 7.67% interest in the Company are the subject of the Exchangeable Bonds. In the extreme situation where EB Holders exercise their Exchange Rights to exchange all of the Exchangeable Bonds into the Shares, Mengniu Concert Group's interest in the Shares will decrease to 43.78% (assuming no change in the issued share capital of the Company). Accordingly, if during the Relevant Period, Mengniu Concert Group's interest falls to or below 50% as a result of the exercise of Exchange Rights by the EB Holders, and the subscription of the Consideration Shares pursuant to the Settlement Scenario I has the effect of increasing the Mengniu Concert Group's holding of voting rights in the Company by more than 2% from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period, such action would trigger the mandatory general offer obligation under Rule 26.1(d) of the Takeovers Code.

An application has been made to the Executive for its ruling and consent that the exercise of the Exchange Rights by the EB Holders pursuant to the Exchangeable Bonds does not constitute a disqualifying transaction under paragraph 3(b) of Schedule VI of the Takeovers Code and the Executive has indicated that it is minded to grant such consent.

### **Whitewash Waiver**

In view of the Potential MGO Obligation, Mengniu has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, notwithstanding the Potential MGO Obligation may not have realized at the date of this announcement. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders at the EGM and (ii) the approval of the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares under specific mandate by more than 50% of the votes cast by the Independent Shareholders at the EGM.

The Mengniu Concert Group, BOCI Financial Products, Jinmu, Ms. Gao Lina and Mr. Sun Yugang will abstain from voting in respect of the resolutions to approve (i) the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder and (ii) the Whitewash Waiver at the EGM.

**In the event that the Mengniu Concert Group's interest in the Company continues to exceed 50% at all times during the Relevant Period and the issue of the Consideration Shares under Settlement Scenario I would not trigger a mandatory general offer obligation of Mengniu under Rule 26.1(d) of the Takeovers Code, the Whitewash Waiver shall not be required and the Acquisition, if approved by more than 50% of the votes cast by the Independent Shareholders at the EGM, will proceed based on Settlement Scenario I.**

**Mengniu has no intention and does not reserve the right to make a general offer to the Shareholders as a result of the Acquisition. Given this, an offer period will not commence. In the event that the Whitewash Waiver is required for the issue of the Consideration Shares to Mengniu SPV under Settlement Scenario I but not approved by at least 75% of the votes cast by the Independent Shareholders or not granted by the Executive, the Acquisition, if approved by more than 50% of the votes cast by the Independent Shareholders at the EGM, will proceed based on Settlement Scenario II.**



For illustrative purposes, under Settlement Scenario II, in the situation where EB Holders exercise their Exchange Rights to exchange all of the Exchangeable Bonds into the Shares, the Mengniu Concert Group will in aggregate hold 3,374,087,943 Shares, representing approximately 45.78% of the enlarged fully paid up issued share capital of the Company upon Completion (assuming there is no other change in the issued share capital of the Company save for the allotment and issuance of the Consideration Shares pursuant to the Acquisition), representing a 2.00% increase in voting rights from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period, in which case Mengniu Concert Group would not be required to make a mandatory general offer for all the securities of the Company (other than those already owned or agreed to be acquired by Mengniu Concert Group) pursuant to Rule 26.1 of the Takeovers Code.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholding structure of the Company as of the date of this announcement and immediately after the allotment and issuance of the Consideration Shares at Completion, in each case:

- (i) **assuming (A) none of the EB Holders have exchanged any Exchangeable Bonds into Shares subsequent to the date of this announcement and (B) no other change in the issued share capital of the Company prior to Completion, in which case only Settlement Scenario I is applicable**

	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares at Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Shareholders</b>				
Mengniu Concert Group <sup>(1)</sup>	3,657,015,167	51.45	4,464,111,268	56.40
GGG Holdings Limited <sup>(3)</sup>	635,345,763	8.94	635,345,763	8.03
Jinmu <sup>(4)</sup>	221,581,733	3.12	221,581,733	2.80
Ms. Gao Lina <sup>(5)</sup>	40,411,058	0.57	40,411,058	0.51
Mr. Sun Yugang <sup>(5)</sup>	1,073,663	0.02	1,073,663	0.01
Public shareholders	<u>2,553,138,563</u>	<u>35.92</u>	<u>2,553,138,563</u>	<u>32.25</u>
<b>Total</b>	<u><u>7,108,565,947</u></u>	<u><u>100.00</u></u>	<u><u>7,915,662,048</u></u>	<u><u>100.00</u></u>

(ii) assuming (A) the EB Holders have exchanged all the Exchangeable Bonds into Shares as at the date of this announcement, (B) no other change in the issued share capital of the Company prior to Completion, and (C) the Whitewash Waiver has been obtained, in which case Settlement Scenario I is applicable

	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares at Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Shareholders</b>				
Mengniu Concert Group <sup>(2)</sup>	3,111,892,185	43.78	3,918,988,286	49.51
GGG Holdings Limited <sup>(3)</sup>	635,345,763	8.94	635,345,763	8.03
Jinmu <sup>(4)</sup>	221,581,733	3.12	221,581,733	2.80
Ms. Gao Lina <sup>(5)</sup>	40,411,058	0.57	40,411,058	0.51
Mr. Sun Yugang <sup>(5)</sup>	1,073,663	0.02	1,073,663	0.01
<b>Public shareholders</b>				
– EB Holder(s)	545,122,982	7.67	545,122,982	6.89
– Other public shareholders	<u>2,553,138,563</u>	<u>35.92</u>	<u>2,553,138,563</u>	<u>32.25</u>
<b>Total</b>	<u>7,108,565,947</u>	<u>100.00</u>	<u>7,915,662,048</u>	<u>100.00</u>

(iii) assuming (A) the EB Holders have exchanged all the Exchangeable Bonds into Shares as at the date of this announcement, (B) no other change in the issued share capital of the Company prior to Completion, and (C) the Whitewash Waiver has not been obtained, in which case Settlement Scenario II is applicable

	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares at Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Shareholders</b>				
Mengniu Concert Group <sup>(2)</sup>	3,111,892,185	43.78	3,374,087,943	45.78
GGG Holdings Limited <sup>(3)</sup>	635,345,763	8.94	635,345,763	8.62
Jinmu <sup>(4)</sup>	221,581,733	3.12	221,581,733	3.01
Ms. Gao Lina <sup>(5)</sup>	40,411,058	0.57	40,411,058	0.55
Mr. Sun Yugang <sup>(5)</sup>	1,073,663	0.02	1,073,663	0.01
<b>Public shareholders</b>				
– EB Holder(s)	545,122,982	7.67	545,122,982	7.40
– Other public shareholders	<u>2,553,138,563</u>	<u>35.92</u>	<u>2,553,138,563</u>	<u>34.64</u>
<b>Total</b>	<u><u>7,108,565,947</u></u>	<u><u>100.00</u></u>	<u><u>7,370,761,705</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Among which 704,025,773 Shares are directly held by Mengniu, 2,407,886,412 Shares are directly held by Future Discovery and 545,122,982 Shares are subject to the Securities and Lending Agreement and are presumed to be held by Mengniu for the purposes of Note 21 to Rule 26.1 of the Takeovers Code.
2. Among which 704,025,773 Shares are directly held by Mengniu, while the 2,407,886,412 Shares are directly held by Future Discovery.
3. GGG Holdings Limited is a wholly-owned subsidiary of New Hope Dairy Co., Ltd. whose ultimate beneficial owner is Ms. LIU Chang who is independent of the Company and Mengniu and not acting in concert with the Mengniu Concert Group.
4. Ms. Gao holds approximately 49.12% of the interests in Jinmu. Hence, the 221,581,733 Shares owned by Jinmu are not held by the public.
5. Both Ms. Gao Lina and Mr. Sun Yugang are executive directors of the Company.

## **INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

As of the date of this announcement, the Company does not believe that the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder would give rise to any concerns in relation to the compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular relating to the Acquisition and the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if any of the Acquisition and the issue of the Consideration Shares does not comply with other applicable rules and regulations.

As of the date of this announcement, none of the members of the Mengniu Concert Group:

- (i) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of the announcement except as contemplated under the Sale and Purchase Agreement;
- (ii) is interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as of the date of this announcement otherwise than as disclosed in the section headed “Effects on Shareholding Structure of the Company” in this announcement;
- (iii) has received any irrevocable commitment from any Shareholder in relation to voting in favour of or against the resolutions in respect of the Acquisition, the transactions contemplated thereunder or the Whitewash Waiver at the EGM;
- (iv) has entered into any outstanding derivative in respect of the securities of the Company;
- (v) save for the conditionally agreed issuance of the Consideration Shares under the Sale and Purchase Agreement, has made any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares, which might be material to the Acquisition, the transactions contemplated thereunder or the Whitewash Waiver;
- (vi) save for the 613,877,227 Shares which Mengniu has lent to BOCI Financial Products pursuant to the Securities and Lending Agreement, has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; or

(vii) save for the conditions precedent to the Sale and Purchase Agreement, has made any agreement or arrangement to which any members of the Mengniu Concert Group is a party which related to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition, any transactions contemplated thereunder or the Whitewash Waiver.

Further, as of the date of this announcement:

- (i) there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between the Company on the one hand, and any member of the Mengniu Concert Group and any parties acting in concert with it on the other hand; and
- (ii) there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder, and (ii) (a) any member of the Mengniu Concert Group and any parties acting in concert with it or (b) the Company, its subsidiaries or associated companies.

#### **TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE, LISTING RULES INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the Rule 2.8 of the Takeovers Code, a Takeovers Code Independent Board Committee, comprising of all the non-executive Directors (except for (a) Mr. Lu Minfang who is a non-executive director of the Company and an executive director of Mengniu; (b) Mr. Zhang Ping who is a non-executive director of the Company and a vice president and the chief financial officer of Mengniu; (c) Mr. Zhao Jiejun who is a non-executive director of the Company and a vice president and the head of milk sourcing and supply chain business unit of Mengniu; and (d) Mr. Wolhardt Julian Juul, who is an independent non-executive director of both Mengniu and the Company), namely, Ms. Gan Lu, Mr. Li Shengli and Mr. Lee Kong Wai Conway, has been established to advise the Independent Shareholders on the Acquisition and the Whitewash Waiver.

Pursuant to the Listing Rules, a Listing Rules Independent Board Committee, comprising of all the independent non-executive Directors (except for Mr. Wolhardt Julian Juul who is also an independent non-executive director of Mengniu), namely, Mr. Li Shengli and Mr. Lee Kong Wai Conway, has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder.

With the approval of the Takeovers Code Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, Somerley Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition and the Whitewash Waiver, and as to voting by the Independent Shareholders.

Pursuant to Rule 14A.44 of the Listing Rules, the Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder, and as to voting by the Independent Shareholders.

## **POSITIVE PROFIT ALERT**

The Company would like to draw the attention of the Shareholders to the positive profit alert announcement of the Company dated January 19, 2021 in relation to the expected profit of not less than RMB700 million (including a one-off disposal gain of approximately RMB72 million resulting from the Company's injection of energy-producing assets into a joint venture) for the year ended December 31, 2020 (the "**Positive Profit Alert**"). Pursuant to the note to Rule 10.1 of the Takeovers Code, the procedure required by Rule 10.3(d) of the Takeovers Code in respect of the Positive Profit Alert will be reported on by financial advisers and auditors, and under Rule 10.4 of the Takeovers Code, their reports must be included in the next document sent to the Shareholders.

As the Company is currently finalizing the annual results of the Company for the year ended December 31, 2020 (the "**Annual Results**") and is expected to publish the Annual Results on March 23, 2021 and if the Annual Results are included in the circular in relation to, among others, the Acquisition and the Whitewash Waiver, which is due to be despatched within 15 Business Days from the date of this announcement or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (if not extended in accordance with the Takeovers Code), whichever is earlier, the Annual Results would fall under Rule 10.9 of the Takeovers Code and the "reporting on" requirement of the Positive Profit Alert will no longer be required.

**Shareholders and potential investors should note that the Positive Profit Alert does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus they are advised to exercise caution in placing reliance on the Positive Profit Alert (i) in assessing the merits and demerits of the Sale and Purchase Agreement, the Acquisition, the issue of the Consideration Shares contemplated thereunder and the Whitewash Waiver and (ii) in respect of dealing in the securities of the Company.**

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and approve, among others, (i) the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder and (ii) the Whitewash Waiver.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, other than the Mengniu Concert Group, BOCI Financial Products, Jinmu, Ms. Gao Lina and Mr. Sun Yugang, no other Shareholder will be required to abstain from voting on the resolutions for approving (i) the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder or (ii) the Whitewash Waiver at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder and the Whitewash Waiver; (ii) a letter from the Listing Rules Independent Board Committee to the Independent Shareholders on the terms of the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares contemplated thereunder, and its recommendation on voting; (iii) a letter from the Takeovers Code Independent Board Committee to the Independent Shareholders on the terms of the Acquisition and the Whitewash Waiver, and its recommendation on voting; and (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders on the same, together with the notice of the EGM of the Company, will be despatched to the Shareholders within 15 Business Days from the date of this announcement or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

**As completion of the transactions contemplated under the Sale and Purchase Agreement is subject to the fulfillment of certain conditions precedent, the Acquisition may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Target Assets by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“BOCI Financial Products”	BOCI Financial Products Limited
“Borrowed Securities”	the 613,877,227 Shares which Mengniu has lent to BOCI Financial Products pursuant to the Securities and Lending Agreement

“Burra Disposal”	the disposal of Burra Interests by Fuyuan in connection with the Reorganization
“Burra Group”	Austin Holding Co., Limited and its subsidiaries
“Burra Interests”	the entire interests held by Fuyuan in Burra Group
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are open for business in the PRC and Hong Kong
“Company”	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1117)
“Completion”	the completion of the sale and purchase of Target Assets pursuant to the terms in the Sale and Purchase Agreement
“Completion Date”	the date on which Completion occurs in accordance with the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Target Assets pursuant to the Sale and Purchase Agreement
“Consideration Shares”	either (i) if the Acquisition were to proceed pursuant to Settlement Scenario I, a total of 807,096,101 new Shares to be issued at the Issue Price, which will be allotted and issued to Mengniu SPV in accordance with the terms of the Sale and Purchase Agreement; or (ii) if the Acquisition were to proceed pursuant to Settlement Scenario II, a total of 262,195,758 new Shares to be issued to Mengniu SPV in accordance with the terms of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“EB Holder(s)”	holder(s) of the Exchangeable Bonds
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve (i) the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares under specific mandate contemplated thereunder and (ii) the Whitewash Waiver



“Exchange Period”	at any time on or after August 4, 2020 and up to the close of business on June 13, 2023
“Exchange Right(s)”	the right(s) of an EB Holder to exchange an Exchangeable Bond for Shares pursuant to terms of the Exchangeable Bonds
“Exchangeable Bonds”	the 1.50% exchangeable bonds due 2023 in the principal amount of US\$100,000,000 issued by Mengniu
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“FIRB Act”	the Foreign Acquisitions and Takeovers Act 1975 (Cth)
“Framework Supply Agreement”	the framework supply agreement dated December 31, 2019 entered into between Modern Farming and Fuyuan in relation to the supply of feedstuffs by Fuyuan to the Modern Farming (Group) Co., Ltd. and its subsidiaries
“Fushengle”	北京富盛樂企業管理諮詢合夥企業(有限合夥) (Beijing Fushengle Corporate Management Consulting Partnership (Limited Partnership)*), one of the Individual Shareholders
“Future Discovery”	Future Discovery Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Mengniu
“Fuyuan”	內蒙古富源國際實業(集團)有限公司 (Inner Mongolia Fuyuan International Industrial (Group) Co. Ltd.*), a limited liability company established in the PRC in February 2012 and a connected person of the Company as of the date of this announcement
“Governmental Entity”	any supra-national, national, state, municipal or local government (including any sub-division, court, administrative agency, commission or other authority thereof) or private body exercising any regulatory, taxing, importing or quasi-governmental authority (including any stock exchange)
“Group”	the Company and its subsidiaries

“GS”	北京寬街博華投資中心(有限合夥) (Beijing Kuanjie Bohua Investment Center (Limited Partnership)*) and Fortune Investment Holdings
“Haomu”	北京好牧企業管理諮詢合夥企業(有限合夥) (Beijing Haomou Corporate Management Consulting Partnership (Limited Partnership)*), one of the Individual Shareholders
“HK MidCo”	a holding company to be established in Hong Kong which will directly hold the corresponding equity interests in Fuyuan held by Inner Mongolia Mengniu as of the date of the Sale and Purchase Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), being the independent financial adviser to advise the Listing Rules Independent Board Committee, the Takeovers Code Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement, the Acquisition and the issue of Consideration Shares under specific mandate contemplated thereunder and the Whitewash Waiver
“Independent Shareholder(s)”	Shareholders other than (i) the Mengniu Concert Group, (ii) BOCI Financial Products (to the extent that it continues to hold the voting rights of the Borrowed Securities under the Securities and Lending Agreement), (iii) Jinmu, (iv) Ms. Gao Lina, (v) Mr. Sun Yugang, (vi) those who have a material interest in, are interested in or involved in the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares contemplated thereunder and the Whitewash Waiver, and (vii) any associates of those mentioned in (i) to (vi)
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong

“Individual Shareholders”	collectively, Youmuyuan, Fushengle, Haomu, Youzhimu and Meileyuan
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Co., Ltd.* (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC with limited liabilities, a 99.99% owned subsidiary of Mengniu as of the date of this announcement
“Issue Price”	HK\$2.24 per Consideration Share
“Jinmu”	Jinmu Holdings Co., Ltd., a controlled corporation of Ms. Gao Lina and a Shareholder
“Last Trading Day”	March 22, 2021, being the last trading day of the Shares immediately prior to the release of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors except for Mr. Wolhardt Julian Juul, namely, Mr. Li Shengli and Mr. Lee Kong Wai Conway
“Long Stop Date”	December 31, 2021 or such other date as may be agreed between the Parties
“Managers”	BOCI Asia Limited and Guotai Junan Securities (Hong Kong) Limited
“Meileyuan”	北京美樂源企業管理諮詢合夥企業(有限合夥) (Beijing Meileyuan Corporate Management Consulting Partnership (Limited Partnership)*), one of the Individual Shareholders
“Mengniu”	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319), and a substantial shareholder of the Company
“Mengniu Concert Group”	Mengniu, Future Discovery and Inner Mongolia Mengniu

“Mengniu SPV”	the holding vehicle designated by Mengniu which shall become the legal and beneficial owners of the relevant Sale Shares after completion of the Reorganization
“Milk Supply Agreement”	the milk supply agreement dated February 27, 2014 entered into between Fuyuan and Inner Mongolia Mengniu pursuant to which Inner Mongolia Mengniu agreed to purchase fresh milk from Fuyuan and its subsidiaries
“Modern Farming”	現代牧業(集團)有限公司 (Modern Farming (Group) Co., Ltd.*), a sino-foreign investment enterprise established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Offshore HoldCo”	an investment holding company to be established under the laws of Cayman Islands or the laws of the British Virgin Islands which will hold, via its wholly-owned subsidiary, HK MidCo, the corresponding equity interests in Fuyuan held by Inner Mongolia Mengniu
“Parties”	parties to the Sale and Purchase Agreement
“Potential MGO Obligation”	the mandatory general offer obligation under Rule 26.1(d) triggered by the allotment and issue of Consideration Shares pursuant to Settlement Scenario I in the event (i) Mengniu’s interest in the Company decreases to 50% or below as a result of the exercise of Exchange Rights by the EB Holders pursuant to the Exchangeable Bonds and (ii) the issue of the Consideration Shares has the effect of increasing the Mengniu Concert Group’s holding of voting rights in the Company by more than 2% from the lowest collective percentage holding of Mengniu Concert Group in the Company during the Relevant Period
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“Relevant Period”	the period of 12 months immediately preceding the Completion Date and including the Completion Date

“Reorganization”	a series of reorganizations, arrangements, actions and transactions to be undergone by the relevant Sellers and Fuyuan pursuant to the Sale and Purchase Agreement for the purpose of the Acquisition, the key steps of which are set out under the section headed “Pre-Completion Reorganization” of this announcement
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated March 22, 2021 entered into among the Company, the Sellers and Fuyuan in relation the Acquisition
“Sale Interests”	equity interests in Fuyuan which GS, Shining, the Individual Shareholders and Inner Mongolia Mengniu (as applicable) shall sell and the Company shall purchase pursuant to the terms and conditions of the Sale and Purchase Agreement
“Sale Shares”	the entire issued shares of Offshore HoldCo which Inner Mongolia Mengniu shall sell (through Mengniu SPV) and the Company shall purchase pursuant to the terms and conditions of the Sale and Purchase Agreement
“Securities and Lending Agreement”	the securities and lending agreement dated June 17, 2020 entered into between Mengniu and BOCI Financial Products
“Sellers”	collectively, Inner Mongolia Mengniu, GS, Shining and the Individual Shareholders
“Settlement Scenario I”	the settlement mechanism as set out under the section headed “Consideration and Settlement Scenarios – Settlement Scenario I” of this announcement
“Settlement Scenario II”	the settlement mechanism as set out under the section headed “Consideration and Settlement Scenarios – Settlement Scenario II” of this announcement
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Shining”	北京尚心華滋投資中心(有限合夥) (Beijing Shangxin Huazi Investment Center (Limited Partnership)*) and Harvest Dairy Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated June 17, 2020 entered into among Mengniu and the Managers in relation to the issue of the Exchangeable Bonds
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Takeovers Code Independent Board Committee”	the independent committee of the Board comprising all the non-executive Directors except for Mr. Lu Minfang, Mr. Zhang Ping, Mr. Zhao Jiejun and Mr. Wolhardt Julian Juul, namely, Ms. Gan Lu, Mr. Li Shengli and Mr. Lee Kong Wai Conway
“Target Assets”	the Sale Shares and the Sale Interests which together will constitute the entire equity interests (direct and indirect) in Fuyuan
“Target Audited Accounts”	the audited consolidated financial statements relating to the Target Group for the three years ended December 31, 2019 and the nine months ended September 30, 2020 prepared under International Financial Reporting Standards
“Target Group”	Fuyuan and its subsidiaries (excluding Burra Group)
“Treasurer”	the Treasurer of the Commonwealth of Australia
“US”	the United States of America
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of US
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of Mengniu Concert Group to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by them as a result of the issue of Consideration Shares pursuant to Settlement Scenario I under the Sale and Purchase Agreement

“Youmuyuan”	北京優牧源企業管理諮詢合夥企業(有限合夥) (Beijing Youmuyuan Corporate Management Consulting Partnership (Limited Partnership)*), one of the Individual Shareholders
“Youzhimu”	北京優之牧投資中心(有限合夥) (Beijing Youzhimu Investment Center (Limited Partnership)*), one of the Individual Shareholders
“%”	per cent.

By order of the Board of  
**China Modern Dairy Holdings Ltd.**  
**LU Minfang**  
*Chairman*

Hong Kong, March 22, 2021

*As of the date of this announcement, the executive Directors are Ms. GAO Lina and Mr. SUN Yugang, the non-executive Directors are Mr. LU Minfang (Chairman), Mr. ZHANG Ping, Mr. ZHAO Jiejun and Ms. GAN Lu, and the independent non-executive Directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. WOLHARDT Julian Juul.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those relating to Mengniu Concert Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

*The directors of Mengniu (namely, Mr. Jeffrey, Minfang Lu and Mr. Meng Fanjie as executive directors, Mr. Chen Lang, Mr. Niu Gensheng, Mr. Pascal De Petrini and Mr. Simon Dominic Stevens as non-executive directors, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya and Mr. Yau Ka Chi as independent non-executive directors) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to Mengniu Concert Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

\* For identification purpose only