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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **China Modern Dairy Holdings Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**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)**

**GENERAL MANDATES TO ISSUE SHARES AND  
TO REPURCHASE SHARES, ADOPTION OF SHARE OPTION SCHEME,  
RE-ELECTION OF DIRECTORS  
AND NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the Annual General Meeting of China Modern Dairy Holdings Ltd. to be held at Atrium Room, 39/F, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on (Thursday) 5 June 2014 at 3:00 p.m. is set out on pages 22 to 26 of this circular. Whether or not you are able to attend the Annual General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deliver it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof (as the case may be) should you so wish.

30 April 2014

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## DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Atrium Room, 39/F, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on (Thursday) 5 June 2014 at 3:00 p.m., the notice of which is set out on pages 22 to 26 of this circular, and any adjournment thereof
“Articles of Association”	the articles of association of the Company currently in force
“Associate”	has the meaning set out in Chapter 1 of the Listing Rules
“Board”	the board of Directors
“Company”	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange
“Connected person”	has the meaning set out in Chapter 1 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Grantee”	a Qualified Participant who accepts the offer of the grant of an Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person who, in accordance with the applicable laws of succession, is entitled to any Option (to the extent not already exercised) as a result of the death of any Qualified Participant
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which Company or any Subsidiary holds any equity interest
“Latest Practicable Date”	25 April 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

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## DEFINITIONS

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“Mengniu”	China Mengniu Dairy Company Limited (stock code: 2319, a company incorporated in the Cayman Islands whose shares are listed on the Hong Kong Stock Exchange, which is the holding company of Mengniu (Inner Mongolia) and Mengniu (Maanshan))
“Offer Date”	in respect of an Option, the date on which the Option is offered to a Qualified Participant, which must be a Trading Day or if not a Trading Day, it shall be deemed to have been duly offered on a Trading Day immediately preceding such day
“Option(s)”	option(s) to subscribe for Shares granted pursuant to the Share Option Scheme
“Option Period”	a period of time to be notified by the Board to each Grantee, which the Board may in its absolute discretion determine, save that such period must expire not more than 5 years from the date the Options are vested and become exercisable
“PRC”	the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed General Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to allot, issue or otherwise deal with new Shares for up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution at the Annual General Meeting
“Proposed Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to repurchase the Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution at the Annual General Meeting
“Proposed Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that any Shares repurchased under the Proposed Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Proposed General Mandate

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## DEFINITIONS

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“Qualified Participant”	(i) any executive director, or employee (whether full time or part time) of the Company, any Subsidiary or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity; (iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Company, any Subsidiary or any Invested Entity who is an individual; (iv) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of the Company, any Subsidiaries or any Invested Entity
“Related Person”	a director, chief executive or Substantial Shareholder of the Company or any of their respective associates
“RMB”	Renminbi, the lawful currency of the PRC
“Remuneration Committee”	The remuneration committee of the Company
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the Annual General Meeting, a summary of principal terms of which is set out in Appendix II to this circular
“Shareholder(s)”	the holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares upon exercise of an Option
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning set out in Chapter 1 of the Listing Rules of the Company
“Substantial Shareholder”	has the meaning set out in Chapter 1 of the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong
“Trading Day”	a day on which the Stock Exchange is open for business of dealing in securities
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Ms. GAO Lina

(Deputy Chairman and Chief Executive Officer)

Mr. HAN Chunlin (Chief Operation Officer)

Mr. SUN Yugang (Chief Financial Officer)

*Non-executive Directors:*

Mr. YU Xubo (Chairman)

Mr. WOLHARDT Julian Juul

Mr. HUI Chi Kin, Max

Mr. DING Sheng

*Independent Non-executive Directors:*

Mr. LI Shengli

Mr. LEE Kong Wai, Conway

Mr. LIU Fuchun

Mr. KANG Yan

*Registered office:*

Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Principal place of business in*

*Hong Kong:*

Office B, 24th Floor, Alliance Building

130-136 Connaught Road Central

Sheung Wan

Hong Kong

30 April 2014

*To the Shareholders*

Dear Sir or Madam

**GENERAL MANDATES TO ISSUE SHARES AND  
REPURCHASE SHARES, ADOPTION OF SHARE OPTION SCHEME,  
RE-ELECTION OF DIRECTORS AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with: (i) details of the Proposed General Mandate, the Proposed Repurchase Mandate and the Proposed Extension Mandate (collectively the “Mandates”); (ii) details of the Share Option Scheme; (iii) details of re-election of Directors; and (iv) the notice of Annual General Meeting.

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## LETTER FROM THE BOARD

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### GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to grant the Proposed General Mandate to the Directors to exercise all powers of the Company to allot, issue and deal with new Shares in the share capital of the Company up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution in relation to such general mandate. In addition, subject to approval of the ordinary resolutions in relation to the Proposed General Mandate and the Proposed Repurchase Mandate, the number of Shares re-purchased by the Company under the Proposed Repurchase Mandate will also be added to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted under the Proposed General Mandate.

### GENERAL MANDATE TO REPURCHASE SHARES

In addition, an ordinary resolution will be proposed to approve the granting of the Proposed Repurchase Mandate to the Directors to exercise the powers of the Company to repurchase Shares representing up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution in relation to such general mandate. On the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 482,733,875 Shares which are fully paid-up.

An explanatory statement as required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in Appendix I to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

### PROPOSED ADOPTION OF SHARE OPTION SCHEME

As at the Latest Practicable Date, the Company does not have any share option scheme currently in force. The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of the Shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, exercise period, any lock up period and other conditions. Accordingly, the Directors believe that any calculation of value of the Options as at the Latest Practicable Date based on a large number of speculative assumptions would not be meaningful and may be misleading to the Shareholders.

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## LETTER FROM THE BOARD

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The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules, which is conditional upon:

- (i) the passing of an ordinary resolution at the Annual General Meeting approving the adoption of the Share Option Scheme and the allotment and issuance of the Shares, which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Options; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Options that may be granted under the Share Option Scheme.

An ordinary resolution will be proposed at the Annual General Meeting to approve the proposed adoption of the Share Option Scheme. To the best knowledge of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the proposed adoption of the Share Option Scheme and, therefore, no Shareholder is required to abstain from voting on the said resolution.

Subject to the passing of the ordinary resolution set out in the notice of the Annual General Meeting in respect of the adoption of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme is 100,000,000 Shares, representing 2.07% of the issued share capital of the Company as at the date of the Annual General Meeting, assuming that there is no change in the issued share capital of the Company before the Annual General Meeting.

No Directors are trustees of the Share Option Scheme or have a direct or indirect interest in the trustee.

An application will be made to the Listing Committee of the Stock Exchange for approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to any such Options that may be granted under the Share Option Scheme.

A summary of the terms of the Share Option Scheme is set out in Appendix II to this circular. A copy of the rules of the Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Office B, 24th Floor, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting (and any adjournment thereof, as the case may be).

### RE-ELECTION OF DIRECTORS

By virtue of Article 17.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but no less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As such, Mr. Han Chunlin, Mr. Wolhardt Julian Juul, Mr. Hui Chi Kin, Max and Mr. Kang Yan shall retire and be eligible to offer themselves for re-election at the Annual General Meeting.



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## LETTER FROM THE BOARD

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All of the retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting. The particulars of these directors which are required to be disclosed by the Listing Rules are set out in Appendix III to this circular.

### ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting, which contains, inter alia, ordinary resolutions to approve the Mandates and the re-election of Directors, is set out on pages 22 to 26 of this circular. Shareholders are advised to read the notice and to complete and deliver the accompanying form of proxy for use at the Annual General Meeting in accordance with the instructions printed thereon.

### VOTING BY WAY OF POLL

Pursuant to Article 14.6 of the Articles of Association, a resolution put to the vote of a general meeting shall be decided by way of poll. It is also the requirement under Listing Rule 13.39(4) that any vote of shareholders at a general meeting must be taken by poll. Therefore, the chairman of the meeting will demand a poll for every resolution put to the vote at the Annual General Meeting and the Company will announce the results of the poll in the manner prescribed under Rule 13.95(5) of the Listing Rules.

### RESPONSIBILITY STATEMENT

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

### RECOMMENDATION

The Directors consider that the proposed resolutions for the granting to the Directors of the Mandates and the re-election of Directors are in the interests of the Group and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully  
By order of the Board of  
**China Modern Dairy Holdings Ltd.**  
**Yu Xubo**  
*Chairman*

*The following is an explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the Proposed Repurchase Mandate.*

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 4,827,338,751 Shares of nominal value of HK\$0.10 each.

Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 482,733,875 Shares, which are fully paid-up and represent 10% of the issued share capital of the Company as at the Annual General Meeting, during the period ending on the earliest of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in a general meeting.

## **REASONS FOR THE REPURCHASES**

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share, and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

## **FUNDING OF REPURCHASES**

Repurchases of Shares will be financed out of funds legally available for the purpose and in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts of the Company for the six months ended 31 December 2013) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing levels.

**THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING**

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Mengniu, being the Company's single largest shareholder and held 1,347,903,000 Shares, representing approximately 27.92% of the entire issued share capital of the Company at the Latest Practicable Date.

In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Proposed Repurchase Mandate, the percentage of voting rights at a general meeting of the Company held by Mengniu would increase to approximately 31.02% of the issued share capital of the Company. Such an increase of shareholding would give rise to an obligation for Mengniu to make a mandatory offer under the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase of Shares pursuant to the Proposed Repurchase Mandate. In any event, the Directors have no present intention to repurchase Shares to such extent which will trigger the mandatory offer requirement pursuant to the Takeovers Code.

The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of the public falling below the prescribed minimum percentage of 25%.

**SHARE REPURCHASE MADE BY THE COMPANY**

No repurchase of Shares (whether on the Stock Exchange or otherwise) has been made by the Company during the six months prior to the Latest Practicable Date.

**SHARE PRICES**

The Shares are trading on the Stock Exchange and the highest and lowest traded prices for Shares recorded on the Stock Exchange in each of the twelve months immediately preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Highest traded</b>	<b>Lowest traded</b>
	<b>Prices</b>	<b>Prices</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2013</b>		
April	2.77	2.36
May	2.90	2.38
June	2.77	2.09
July	2.46	1.95
August	2.80	2.28
September	3.10	2.55
October	3.87	3.00
November	4.40	3.63
December	4.25	3.71
<b>2014</b>		
January	4.28	3.36
February	4.11	3.45
March	3.81	3.14
April (up to the Latest Practicable Date)	3.90	3.31

**UNDERTAKING**

To the best of their knowledge, having made all reasonable enquiries, none of the Directors or any of their Associates currently intends to sell any Shares to the Company or its subsidiaries, if the Proposed Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Proposed Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No Connected person has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Proposed Repurchase Mandate is exercised.

*The following is a summary of the principal terms of the Share Option Scheme proposed to be adopted at the Annual General Meeting:*

### **1. PURPOSE**

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its Shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

### **2. WHO MAY JOIN**

The Directors may at their discretion grant the Options to: (i) any executive director, or employee (whether full time or part time) of the Company, any Subsidiary or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity; (iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Company, any Subsidiary or any Invested Entity who is an individual; (iv) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of the Company, any Subsidiaries or any Invested Entity.

The basis of eligibility of any Qualified Participants to the grant of the Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

### **3. SUBSCRIPTION PRICE OF SHARES**

The Subscription Price shall, subject to any adjustment provided in the Share Option Scheme, be a price determined by the Board but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Trading Days immediately preceding the Offer Date; and
- (iii) the nominal value of the Shares.

### **4. MAXIMUM NUMBER OF SHARES**

The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 100,000,000 Shares, representing 2.07% of the issued share capital of the Company at the date upon which the Share Option Scheme takes effect in accordance with its terms ("**Scheme Mandate**"), assuming that there is no change in the issued share capital of the Company before the Annual General

Meeting from the Latest Practicable Date. For the purpose of calculating the Scheme Mandate, Options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company shall not be counted.

The Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the Scheme Mandate provided the Options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

The limit on the number of the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of the Shares as shall represent 30% of the Shares in issue from time to time.

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant Options to any Grantee if the acceptance of those Options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his Options (including both exercised and outstanding Options) during any 12-month period exceeding 1% of the total Shares then in issue.

The maximum numbers set out above shall be adjusted, in such manner as the auditors for the time being of the Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company whether by way of consolidation or subdivision of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

## **5. ACCEPTANCE OF OPTION**

An Option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant of the Option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter.

## **6. GRANT OF OPTIONS TO CONNECTED PERSONS**

Any grant of Options to a Related Person must be approved by all the independent non-executive directors of the Company (excluding any independent non-executive director who is also a Grantee of the Options).

Any grant of Options to a Substantial Shareholder or an independent non-executive director of the Company or any of their respective Associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all Options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the proposed Offer Date:

- (i) would represent in aggregate more than 0.1% of the Shares then in issue; and

- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

At the general meeting to approve the proposed grant of Options referred to in the above paragraph, all Connected Persons of the Company must abstain from voting unless intending to vote against the proposed grant and that intention has been stated in the circular containing the details of the number and terms of the Options to be granted to each Grantee, a recommendation from independent non-executive Directors and any other information as required under the Listing Rules to be despatched to Shareholders. At such general meeting, the vote to approve the grant of such Options must be taken on a poll in accordance with the relevant provisions of the Listing Rules.

## 7. PERFORMANCE TARGETS AND VESTING OF OPTIONS

Once the Options are granted to the relevant Qualified Participant (the “**Granted Options**”), the Granted Options will be deemed to be divided into three tranches (the “**First Tranche**”, “**Second Tranche**” and “**Third Tranche**”, respectively, referred to below collectively as the “**Tranches**” and each as a “**Tranche**”). Each Tranche will consist of one third of the Granted Options.

Each Tranche will be associated with a performance target for each of the financial year ended 31 December 2014, 2015 and 2016, respectively (the “**Performance Target**” for such Tranche). Such Performance Target will be determined at the Board’s discretion and specified in the offer letter when the Options are granted. The financial period for the First Tranche will be the financial year ending 31 December 2014 (the “**First Year**”), the financial period for the Second Tranche will be the financial year ending 31 December 2015 (the “**Second Year**”) and the financial period for the Third Tranche will be the financial year ending 31 December 2016 (the “**Third Year**”). The corresponding Tranche will accrue if 95% or more of the Performance Target set for the relevant financial period is met. The corresponding Tranche will accrue on a pro-rata basis if 85% to 95% of the Performance Target set for the relevant financial period is met.

The Granted Options accrued shall vest on a one-off basis within 30 days after the date of publication of the results announcement for the Third Year (the “**Vesting Date**”). Any Granted Options not accrued as a result of non-fulfilment of any Performance Target shall automatically lapse.

Notwithstanding any provisions in the Share Option Scheme, when:

- (i) any person, together with its affiliates, become interested in excess of 50% of the issued share capital of the Company prior to the Vesting Date (“**Change in Control**”) and as a result of such Change in Control, more than 50% of the board members are replaced or the number of newly appointed directors exceeds 50% of the then board members; or
- (ii) the Company undertakes a sale or disposal of over 50% of the assets of the Company to persons which are not Connected Person,

then, all accrued Granted Options shall immediately vest and any Granted Options that are not accrued shall automatically lapse.

## 8. TIME OF EXERCISE OF OPTION

Subject to the provisions of the Share Option Scheme, including, without limitation, the operational rules that the Board may from time to time adopt for the purpose of giving effect to or implementing the Share Option Scheme, an Option may be exercised by the Grantee at any time during the Option Period provided that:

- (i) the vested Options could only be exercised one year after the day they are vested;
- (ii) if the Grantee who is a director or an employee (whether full time or part time) of the Company or any Subsidiary or any Invested Entity (“**Eligible Employee**”) ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds that includes guilty of misconduct, bankruptcy, commitment of a criminal offence and any other grounds on which an employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the Grantee’s employment contract (the “**Grounds for Termination**”) or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the Grantee shall be entitled to exercise the Option up to his entitlement at the date of cessation (to the extent vested but not already exercised) within a period of 1 month from the date of such cessation, which date shall be the last day on which the Grantee was at work with the Company, the relevant Subsidiary or Invested Entity (whether salary is paid in lieu of notice or not) (or within such longer period as the Board may determine);
- (iii) in the event of death of the Grantee (being an individual) before exercising the Option in full and none of the Grounds for Termination has arisen in case such Grantee is an Eligible Employee, his legal personal representatives may exercise the Option up to the Grantee’s entitlement (to the extent vested as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine;
- (iv) if the Grantee being an Eligible Employee ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the Grounds for Termination has arisen, the Grantee shall be entitled within a period of 12 months from the date of retirement (or such longer period as the Board may determine) to exercise the Option up to the Grantee’s entitlement (to the extent vested but not already exercised);
- (v) in the event that the Grantee being a non-Eligible Employee in the absolute opinion of the Board ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of the Group or otherwise, such Grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the Board may determine) to exercise the Option up to its entitlement (to the extent vested but not already exercised);



- (vi) if a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the holders of Shares (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the Option Period of an outstanding Option, the Grantee (or his legal personal representatives) shall be entitled to exercise the Option (to the extent vested but not already exercised) at any time before the expiry of the period of 10 business days following the date on which the offer becomes or is declared unconditional;
- (vii) if an effective resolution is passed for the voluntary winding-up of the Company or an order of court is made for the winding-up of the Company, a Grantee may in respect of outstanding Options by notice in writing to the Company within 15 business days after the date of such resolution, elect to be treated as if the Option (to the extent vested but not already exercised) had been exercised immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made and be accompanied by a remittance for the full amount of the Subscription Price for the relevant Shares. Immediately upon receipt of the notice by the Company, the Grantee will become entitled to receive out of the assets available in the liquidation *pari passu* with the Shareholders such sum as would have been received in respect of the Shares that are the subject of the election; and
- (viii) if a compromise or arrangement between the Company and the Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Grantee may exercise his Option (to the extent vested but not already exercised) forthwith until the expiry of 2 calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the Court, whichever is earlier, conditional upon the compromise or arrangement being sanctioned by the court and becoming effective.

## 9. RIGHTS ATTACHING TO SHARES

An Option is personal to the Grantee and shall not be transferable or assignable (except for the transmission of an Option on the death of any Grantee to a person who of succession is entitled to the Option).

The Shares to be allotted upon exercise of an Option will be subject to all the provisions of the Articles of Association of the Company and will rank *pari passu* with the fully paid Shares in issue on the date of allotment. The Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

A Share issued upon the exercise of an Option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of the Company.

**10. EFFECT OF REORGANISATION OF CAPITAL STRUCTURE OF THE COMPANY**

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in the Subscription Price or the number of Shares subject to the Share Option Scheme, as the auditors for the time being of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value.

**11. PERIOD OF SHARE OPTION SCHEME**

The Share Option Scheme will remain in force for a period of 3 years commencing on the date on which the conditions set out in the section headed “Proposed Adoption of Share Option Scheme” of this circular are fulfilled.

**12. AMENDMENT OF THE SHARE OPTION SCHEME**

The following matters require the prior sanction of a resolution of the Shareholders in general meeting:

- (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Grantee;
- (iii) any change to the authority of the Board or the scheme administrator of the Share Option Scheme;
- (iv) any amendments to the terms of options granted to a Grantee who is a Substantial Shareholder of the Company or an independent non-executive director, or any of their respective Associates must be approved by our shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any Connected Person of our Company must abstain from voting on the resolution to approve such amendment, except that such a Connected Person may vote against such resolution; and
- (v) any alteration to the provisions in this paragraph.

Any amendment to the Share Option Scheme other than those set out above must be approved by resolution of the Board.

Without prejudice to other above provisions in this paragraph, no alteration shall be made to the Share Option Scheme if such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Articles for the time being of the Company for a variation of the rights attached to the Shares and provided further that any amendments on the terms of the Share Option Scheme or the terms of the Options shall comply with the requirements of the Listing Rules.

### **13. CANCELLATION OF UNEXERCISED OPTION**

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel Options previously granted to, and yet to be exercised by, a Grantee. The Board shall make such arrangements as the Grantee may agree to compensate him for the cancellation of Options including, without limitation, granting new Options provided that there are sufficient available unissued Options (excluding such cancelled Options) for such re-issuance under the Scheme Mandate.

### **14. LAPSE OF OPTION**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in item (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) under paragraph 8 of this Appendix II;
- (iii) subject to item (vii) under paragraph 8 of this Appendix II, the date of the commencement of the winding-up of the Company in respect of the situation contemplated in item (vii) under paragraph 8 of this Appendix II;
- (iv) the date the arrangement or compromise referred to in item (viii) under paragraph 8 of this Appendix II becomes effective;
- (v) the date on which the Grantee being an Eligible Employee ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the Grounds for Termination;
- (vi) the date on which the Grantee commits a breach of the provision in relation to the assignment or transfer of Options;
- (vii) if an Option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation;

- (viii) in respect of the Grantee being a consultant or adviser (whether individual or corporation), the date on which the Board resolves that the consultant or adviser fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

**15. TERMINATION**

The Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all Options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of this Scheme.

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## APPENDIX III PARTICULARS OF DIRECTORS SUBJECT TO RE-ELECTION

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*The particulars of Directors who are subject to re-election at the Annual General Meeting and which are required to be disclosed by the Listing Rules are set out below:*

### **MR. HAN CHUNLIN (“MR. HAN”)**

**Mr. Han Chunlin** (韓春林), aged 41, is an executive Director and the Chief Operating Officer of the Company. Mr. Han is also a director of Modern Farm and Helingeer Modern Farming Co., Ltd. (“Helingeer Modern Farm”). Mr. Han has more than 15 years of experience in food and beverage industry in China. Prior to joining the Group in September 2008 and his appointment as an executive Director of the Company on 14 November 2008, Mr. Han worked as the marketing vice general manager of Nowara Shinnosuke (Fujian) Food Industry Company from February 2006 to July 2008. From January 1999 to September 2004, he served at the Liquid Milk Department of Mengniu (Inner Mongolia) as marketing manager. Prior to that, Mr. Han was a branch-plant manager at the Milk Powder Department of Inner Mongolia Yili Industrial Group Company Limited from July 1994 to January 1999. Mr. Han received a bachelor’s degree in biology from Inner Mongolia University in July 1994.

Mr. Han has entered into a service agreement with the Company for a term of three years commencing on 29 November 2013 which shall be terminated in accordance with the provisions of the service agreement or, throughout the term of the appointment, by either party giving to the other not less than three months’ prior notice in writing. His term of office is subject to retirement by rotation and re-election in accordance with the Articles.

Mr. Han is at present entitled to receive a fixed salary of RMB1,200,000 per annum payable in 12 equal monthly instalments. Mr. Han is also eligible to participate in the Share Option Scheme. The emoluments of Mr. Han have been approved, and are subject to annual review, by the Remuneration Committee, with reference to prevailing market conditions and to his duties and responsibilities at the Company.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Han was interested in options to subscribe for 23,554,573 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, (i) Mr. Han has not held any directorships in any other listed public companies in the last three years immediately prior to the issue of this circular; (ii) he does not have any relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company or its subsidiaries; (iii) he does not have or was not deemed to have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO; and (iv) there is no information required to be disclosed in relation to him pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(w) of the Listing Rules.

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## APPENDIX III PARTICULARS OF DIRECTORS SUBJECT TO RE-ELECTION

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### MR. WOLHARDT JULIAN JUUL (“MR. WOLHARDT”)

**Mr. WOLHARDT Julian Juul**, aged 40, is a non-executive Director of the Company and a director of Modern Farm. Mr. Wolhardt was the chairman of the Company from 17 September 2012 to 28 June 2013. Mr. Wolhardt is currently a partner of KKR Asia Limited focusing on private equity transactions in the Greater China region. He has been actively involved in advising on investments in Yageo Corporation, a company listed on the Taiwan Stock Exchange (stock code: 2327), Tianrui Group Cement Company Limited and International Far Eastern Leasing Company Limited since he joined KKR Asia Limited in 2006. Before joining KKR Asia Limited, Mr. Wolhardt was with Morgan Stanley Private Equity from 1998 to 2006 and was responsible for its private equity business in China. While at Morgan Stanley Private Equity, Mr. Wolhardt advised on investments in a number of highly successful companies in China, several of which, such as China Dongxiang (Group) Company Limited (stock code: 3818), Hengan International Group Company Limited (stock code: 1044), Mengniu, China Shanshui Cement Group Limited (stock code: 691) and Ping An Insurance (Group) Company of China, Limited (stock code: 2318), have been listed on the Main Board of the Stock Exchange. He is also a non-executive director of Mengniu and Novo Holdco Limited. He is independent non-executive director of China Cord Blood Corporation, a company listed on New York Stock Exchange (Stock code: CO). Mr. Wolhardt is a Certified Public Accountant and Certified Management Accountant. He received a bachelor’s degree in accounting from the University of Illinois (Urbana-Champaign) in 1995. He joined our Group in July 2008 and was appointed as a non-executive Director of the Company on 30 July 2008, and has been involved in the corporate development and strategic planning of our Group.

Mr. Wolhardt has entered into a letter of appointment with the Company for his appointment as a Non-executive Director for a term of three years commencing on 27 November 2011, subject to retirement by rotation and re-election at the general meeting of shareholders of the Company in accordance with the Articles of Association. According to Mr. Wolhardt’s letter of appointment, he is not entitled to any remuneration.

Save as disclosed above, Mr. Wolhardt (i) has not held any other positions in the Company and its subsidiaries, and does not have any relationships with any Directors, senior management members or substantial or controlling shareholders of the Company or its subsidiaries; (ii) has not held any other directorships in any listed public companies in the last three years; (iii) does not have any interest in shares within the meaning of Part XV of the Securities and Futures Ordinance; and (iv) there is no information required to be disclosed in relation to him pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(w) of the Listing Rules.

### MR. HUI CHI KIN, MAX (“MR. HUI”)

**Mr. HUI Chi Kin, Max** (許志堅), aged 40, is a non-executive Director of the Company and a director of Modern Farm. Mr. Hui is currently the Chief Executive Officer and a managing director of CDH Investment Advisory Private Limited. From 1999 to 2003, he worked with the private equity division of Morgan Stanley Asia Limited in Hong Kong and the investment banking department of Schroders & Co in New York. Prior to working in the financial industry, Mr. Hui was an engineer at the oil and gas pipeline division of Bechtel Corporation in San Francisco from 1997 to 1998. Mr. Hui graduated from the University of California, Berkeley in 1996 with a bachelor’s degree in chemical

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## APPENDIX III PARTICULARS OF DIRECTORS SUBJECT TO RE-ELECTION

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engineering and received a master's degree of engineering from Princeton University in 1999. He joined our Group in February 2009 and was appointed as a non-executive Director of the Company on 23 February 2009, and has been involved in the corporate development and strategic planning of our Group.

Mr. Hui has entered into a letter of appointment with the Company for his appointment as a Non-executive Director for a term of three years commencing on 27 November 2011, subject to retirement by rotation and re-election at the general meeting of shareholders of the Company in accordance with the Articles of Association. According to Mr. Hui's letter of appointment, he is not entitled to any remuneration.

Save as disclosed above, Mr. Hui (i) has not held any other positions in the Company and its subsidiaries, and does not have any relationships with any Directors, senior management members or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) has not held any other directorships in any listed public companies in the last three years; (iii) does not have any interest in shares within the meaning of Part XV of the Securities and Futures Ordinance; and (iv) there is no information required to be disclosed in relation to him pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(w) of the Listing Rules..

### **Mr. KANG Yan (“Mr. Kang”)**

**Mr. KANG Yan (康龔)**, aged 38, is an independent non-executive Director of the Company. Mr. Kang was graduated from the Renmin University of China in 1998. Mr. Kang is a qualified practicing attorney in China and is currently a partner of Haiwen & Partners. He joined Beijing Commerce & Finance Law Offices in 2002 and was promoted to a partner in 2008. Mr. Kang has over 10 years of experience in corporate law advisory service on mergers and acquisitions and initial public offerings.

Mr. Kang has entered into a letter of appointment with the Company for his appointment as an Independent Non-executive Director for a term of three years commencing on 28 June 2013, subject to retirement by rotation and re-election at the general meeting of shareholders of the Company in accordance with the Articles of Association. According to Mr. Kang's letter of appointment, he is entitled to an annual remuneration of RMB200,000. The remuneration of Mr. Kang is determined after considering the remuneration policy of the Company, his duties and the prevailing market remuneration of executives in similar positions.

Save as disclosed above, Mr. Kang (i) has not held any other positions in the Company and its subsidiaries, and does not have any relationships with any Directors, senior management members or substantial or controlling shareholders of the Company or its subsidiaries; (ii) has not held any other directorships in any listed public companies in the last three years; (iii) does not have any interest in shares within the meaning of Part XV of the Securities and Futures Ordinance; and (iv) there is no information required to be disclosed in relation to him pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(w) of the Listing Rules.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of China Modern Dairy Holdings Ltd. will be held at Atrium Room, 39/F, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on (Thursday) 5 June 2014 at 3:00 p.m. for the members to consider and, if thought fit, to pass with or without modification, the following resolutions as ordinary resolutions:

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors of the Company for the six months ended 31 December 2013.
  
2. To re-elect the following retiring Directors:
  - (i) Mr. HAN Chunlin
  
  - (ii) Mr. WOLHARDT Julian Juul
  
  - (iii) Mr. HUI Chi Kin Max
  
  - (iv) Mr. KANG Yan

and to authorize the board of directors of the Company to fix the directors' remuneration.

3. To re-appoint Deloitte Touche Tohmatsu as the Company's auditors and to authorize the board of directors of the Company to fix their remuneration.



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## NOTICE OF ANNUAL GENERAL MEETING

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4. “**THAT:**

- (a) subject to paragraph 4(c) below, a general mandate be and is hereby unconditionally granted to the directors of the Company (the “**Directors**”) to exercise during the Relevant Period (as defined in paragraph 4(d) below) all the powers of the Company to allot, issue and deal with new shares in the Company and to make or grant offers, agreements, options or warrants which would or might require the exercise of such powers;
- (b) the mandate in paragraph 4(a) shall authorize the Directors during the Relevant Period (as defined in paragraph 4(d) below) to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period (as defined in paragraph 4(d) below);
- (c) the aggregate nominal value of shares of the Company allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the mandate in paragraph (a), otherwise than pursuant to (i) a Right Issue (as defined in paragraph (d) below); (ii) any option scheme or similar arrangement for the time being adopted by the Company for the purpose of granting or issuing shares or rights to acquire shares of the Company to the Directors, officers and/or employees of the Company and/or any of its subsidiaries, or (iii) any scrip dividend or similar arrangement pursuant to the Articles of Association from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said mandate shall be limited accordingly;
- (d) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company’s articles of association or any applicable law to be held; or
- (iii) the date on which authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“**Right Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

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## NOTICE OF ANNUAL GENERAL MEETING

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5. **“THAT:**

- (a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph 5(b) below) all the powers of the Company to repurchase or otherwise acquire shares in the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the aggregate nominal amount of shares so repurchased or otherwise acquired shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution;
- (b) for the purpose of this resolution:

**“Relevant Period”** means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company’s articles of association or any applicable law to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.”

6. **“THAT,** conditional upon the passing of resolutions numbered 4 and numbered 5 set out in the notice convening this meeting, the aggregate nominal amount of the shares in the Company which are repurchased or otherwise acquired by the Company pursuant to resolution numbered 5 shall be added to the aggregate nominal amount of the shares which may be issued pursuant to resolution numbered 4.”

7. **“THAT,** the share option scheme of the Company (**“Share Option Scheme”**), the rules of which are contained in the document marked “A” produced to the meeting and, for the purposes of identification, signed by the chairman of the meeting and summarized in the circular of the Company dated 30 April 2014, be hereby approved and adopted and the Directors be and are hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme including without limitation:

- (a) administering the Share Option Scheme and granting options under the Share Option Scheme;
- (b) modifying and/or amending the rules of the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment and the requirements of the Listing Rules;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (c) issuing and allotting from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the Share Option Scheme; and
- (d) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme.”

By order of the Board of  
**China Modern Dairy Holdings Ltd.**  
**Yu Xubo**  
*Chairman*

Hong Kong, 30 April 2014

*Registered office:*

Maples Corporate Services Limited  
PO Box 309  
Ugland House Grand Cayman KY1-1104  
Cayman Islands

*Principal place of business in Hong Kong:*

Office B, 24th Floor, Alliance Building  
130-136 Connaught Road Central  
Sheung Wan  
Hong Kong

**Notes:**

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power of attorney or authority, must be delivered at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be).

Completion and delivery of the proxy form will not preclude any member from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should he so wish.

3. In case of joint shareholding, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

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## NOTICE OF ANNUAL GENERAL MEETING

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4. **Shareholders whose names appear on the register of members of the Company on Thursday, 5 June 2014 are entitled to attend and vote at the Annual General Meeting. The register of members of the Company will be closed from Friday, 30 May 2014 to Monday, Thursday, 5 June 2014, both days inclusive, and during such period no share transfer will be registered. In order to qualify for voting at the meeting convened by the above notice, properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 29 May 2014, for registration.**
5. Concerning resolution 4 above, the approval is being sought from members for a general mandate to authorize allotment of shares, in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any shares of the Company up to 20% of the issued share capital of the Company. The Directors wish to state that they have no immediate plans to issue new shares in the Company other than shares which may fall to be allotted and issued upon the exercise of any options which may be granted under the share option scheme of the Company.
6. The translation into Chinese language of the notice is for reference only. In case of any discrepancies, the English version shall prevail.