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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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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)**

**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 Island Ballroom, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 17 November 2011 at 3:00 p.m. is set out on pages 23 to 27 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 return 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. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

18 October 2011

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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 Island Ballroom, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 17 November 2011 at 3:00 p.m., the notice of which is set out on pages 23 to 27 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
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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 the Company or any Subsidiary holds any equity interest
“Latest Practicable Date”	13 October 2011, 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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“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
“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
“Qualified Participant”	any executive director or employee (whether full time or part time) of the Company, any Subsidiary 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
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 2(4) of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as modified from time to time) of the Company
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares upon exercise of an Option
“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:*

Mr. Deng Jiuqiang (the Chairman)

Ms. Gao Lina

Mr. Han Chunlin

*Non-executive Directors:*

Mr. Wolhardt Julian Juul

Mr. Hui Chi Kin Max

Mr. Lei Yongsheng

*Independent Non-executive Directors:*

Prof. Li Shengli

Prof. Guo Lianheng

Mr. Lee Kong Wai Conway

*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

18 October 2011

*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 480,000,000 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, being 0.83% of the issued share capital of the Company as at the date of passing of the relevant ordinary resolution.

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 40,000,000 Shares, representing 0.83% 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, Mr. Wolhardt Julian Juul, Mr. Hui Chi Kin Max, Mr. Lei Yongsheng, Prof. Li Shengli, Prof. Guo Lianheng and Mr. Lee Kong Wai Conway 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, the adoption of Share Option Scheme and the re-election of Directors, is set out on pages 23 to 27 of this circular. Shareholders are advised to read the notice and to complete and return 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 a 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, the adoption of the Share Option Scheme 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.**  
**Deng Jiuqiang**  
*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 4,800,000,000 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 480,000,000 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 earlier 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 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 Companies Law.

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 financial year ended 30 June 2011) 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, the controlling shareholder (as defined in the Listing Rules) of the Company, namely Advanced Dairy Company Limited, Crystal Dairy Holdings Limited and Brightmoon Limited (collectively the "**Controlling Shareholders**"), together control the exercise of approximately 36.37% voting rights 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 the Controlling Shareholders would increase to approximately 40.41% of the issued share capital of the Company. 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 in 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 following months immediately preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Highest traded Prices HK\$</b>	<b>Lowest traded Prices HK\$</b>
<b>2010</b>		
November	2.80	2.40
December	2.73	2.35
<b>2011</b>		
January	2.88	2.51
February	2.88	2.46
March	2.67	2.36
April	2.56	2.35
May	2.66	2.39
June	2.63	2.37
July	2.50	2.28
August	2.45	1.71
September	2.18	1.62
October (up to the Latest Practicable Date)	1.99	1.34

**UNDERTAKING**

To the best of their knowledge, having made all reasonable enquiries, none of the Directors or any of their associates (as defined in the Listing Rules) 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.

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## APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME

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*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 any executive director or employee (whether full time or part time) of the Company, any Subsidiary 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;
- (iii) the nominal value of the Shares; and
- (iv) the initial public offer price of the Shares.

### 4. MAXIMUM NUMBER OF SHARES

The maximum number of the Shares in respect of which Options may be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed the number of the Shares that shall represent 0.83% of the total number of the Shares in issue as at the date of shareholders' approval of the Share Option Scheme (the "**Scheme Mandate**").

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 then existing general mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

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## **APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME**

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The limit that the maximum 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.

### **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.

Any grant of Options to a Substantial Shareholder of the Company or any of its 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.

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## APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME

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### 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, each of which will consist of one third of the Granted Options and will be associated with a performance target within a specific financial period (the “**Performance Target**”). 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 of the Company in which the Options are first granted to the relevant Qualified Participant (the “**First year**”), the financial period for the second tranche will be the financial year of the Company immediately following the First Year (the “**Second Year**”) and the financial period for the third tranche will be the financial year of the Company immediately following the Second Year (the “**Third Year**”). The corresponding tranche will accrue if the Performance Target set for the relevant financial period is met.

The Granted Options accrued in accordance with the above paragraph 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 of the Company are replaced or the number of newly appointed directors exceeds 50% of the then board members of the Company; 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 in accordance with the above paragraph shall immediately vest and any Granted Options that are not accrued shall automatically lapse.

### 8. TIME OF EXERCISE OF OPTION

In respect of an Option, the option period shall 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 3 years from the Offer Date.

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 after the Granted Options are vested provided that:

- (i) the vested Options must be exercised within 5 years on the day when they become vested and after such period the vested Options will automatically lapse;

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## APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME

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- (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 ground on which an employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the Grantee’s employment contract 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 exercisable but not already exercised) within a period of 1 month from the date of such cessation 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, his legal personal representatives may exercise the Option up to the Grantee’s entitlement (to the extent exercisable 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, 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 exercisable but not already exercised);
- (v) if a general offer is made to all the holders of Shares 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 exercisable 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;
- (vi) 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 exercisable but not already exercised) had been exercised immediately before the passing of the resolution; and
- (vii) 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 exercisable 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.



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## **APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME**

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### **9. RIGHTS ATTACHING TO SHARES**

An Option is personal to the Grantee and shall not be transferable or assignable.

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 number of Shares, the Subscription Price, the method of exercise of the Option and/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. RANKING OF SHARES**

The Shares to be allotted upon exercise of an Option will rank *pari passu* with the fully paid Shares in issue on the date of allotment.

### **12. 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.

### **13. VARIATION**

Where the alteration to the Share Option Scheme shall be of a material nature to the terms and conditions of the Share Option Scheme, such alteration requires the prior sanction of a resolution of the Shareholders in general meeting.

Without prejudice to the above 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

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## **APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME**

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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 granted shall comply with the requirements of the Listing Rules.

Any amendment to the Share Option Scheme other than the aforementioned alterations must be approved by the Board in accordance with the Share Option Scheme.

### **14. CANCELLATION OF UNEXERCISED OPTION**

Options granted but not exercised or lapsed may be cancelled with the consent of the relevant Grantee. 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 and new Options can be granted provided that there are sufficient available unissued Options (excluding such cancelled Options) for such re-issuance under the Scheme Mandate.

### **15. LOCK-UP ON SHARES**

A Grantee is free to deal in such number of Shares allotted to him/her pursuant to an exercise of a vested Option as follows:

- (i) on the first anniversary of the Vesting Date, a maximum of one third of the Shares attributable to the vested Option;
- (ii) on the second anniversary of the Vesting Date, a maximum of another one third of the Shares attributable to the vested Option; and
- (iii) on the third anniversary of the Vesting Date, the balance of the Shares attributable to the vested Option.

In addition to any restrictions on dealing of shares under the Listing Rules and the relevant legislation which may be applicable to the relevant Grantee, notwithstanding an exercise of the Options and the subsequent allotment of Shares pursuant to the exercise of the Options and except pursuant to the above paragraph, no Grantee is permitted to sell or otherwise deal in the allotted Shares.

### **16. LAPSE OF OPTION**

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

- (i) the expiry of the periods referred to in items (i) to (vii) under paragraph 8 of this Appendix II;
- (ii) subject to item (vi) 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 (vi) under paragraph 8 of this Appendix II;

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## **APPENDIX II THE PRINCIPAL TERMS OF THE SHARE OPTION SCHEME**

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- (iii) the date the arrangement or compromise referred to in item (vii) under paragraph 8 of this Appendix II becomes effective;
- (iv) 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 as set out in item (ii) under the paragraph 8 of this Appendix II;
- (v) the date on which the Grantee commits a breach of the provision in relation to assignment of Options under the Share Option Scheme;
- (vi) 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; and
- (vii) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

### **17. 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.

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

Mr. WOLHARDT Julian Juul, aged 38, is a non-executive Director and a director of Modern Farming (Group) Co, Ltd., a subsidiary of the Company (“Modern Farm”). 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), China Mengniu Dairy Company Limited (stock code: 2319) (“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. 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 the 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 the Group.

Save as disclosed above, Mr. Wolhardt: (i) has not held any position in the Company or its subsidiaries nor does he have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) did not hold any other directorships in any listed public companies in the last three years nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Wolhardt has an appointment letter with the Company regarding his appointment as non-executive Director commenced on 26 November 2010 for one year and he is subject to retirement by rotation and re-election at the Company’s general meeting in accordance with the Articles of Association. According to the appointment letter of Mr. Wolhardt, he is not entitled to any remuneration.

### **MR. HUI CHI KIN MAX (“MR. HUI”)**

Mr. HUI Chi Kin Max (許志堅), aged 38, is a non-executive Director and a director of Modern Farm. Mr. Hui is currently a principal at CDH Investments Management (Hong Kong) Limited and is a director of Crystal Dairy Holdings (CDH) Limited. During 1999 to 2003, Mr. Hui worked at the private equity division of Morgan Stanley Asia Limited in Hong Kong and the investment banking department of Schroders & Co in New York respectively. 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

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

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bachelor's degree in chemical engineering and received a master's degree of engineering from Princeton University in 1999. He joined the 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 the Group.

Save as disclosed above, Mr. Hui: (i) has not held any position in the Company or its subsidiaries nor does he have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) did not hold any other directorships in any listed public companies in the last three years nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Hui has an appointment letter with the Company regarding his appointment as non-executive Director commenced on 26 November 2010 for one year and he is subject to retirement by rotation and re-election at the Company's general meeting in accordance with the Articles of Association. According to the appointment letter of Mr. Hui, he is not entitled to any remuneration.

### MR. LEI YONGSHENG ("MR. LEI")

Mr. LEI Yongsheng (雷永勝), aged 49, is a non-executive Director and a director of Modern Farm. Mr. Lei is currently a managing director and the Secretary-General of Lao Niu Foundation, a private fund engaged in social welfare activities in the PRC. He is also a director of Brightmoon Limited. Prior to joining Lao Niu Foundation in July 2009, Mr. Lei worked for Mengniu (Inner Mongolia) as the vice president and secretary to the board of directors and for China Mengniu (Hong Kong) Company Limited (中國蒙牛(香港)有限公司) as the chief executive officer from 2003. Prior to that, Mr. Lei worked for the general office of the Department of Finance of the Inner Mongolia Autonomous Region (內蒙古自治區財政廳綜合處) as a deputy head from 1999 to 2001. Mr. Lei also worked for the Valuation Management Centre of the State-owned Assets Administration Bureau of the Inner Mongolia Autonomous Region (內蒙古自治區國有資產管理局評估管理中心) as a deputy head from 1991 to 1998 and taught in the Department of Accountancy of the Inner Mongolia Finance and Economics College (內蒙古財經學院) from 1985 to 1990. Mr. Lei graduated from Inner Mongolia Finance and Economics College in 1985 with a bachelor's degree in economics. He joined the Group in July 2010 and was appointed as a non-executive Director of the Company on 27 July 2010, and has been involved in the corporate development and strategic planning of the group.

Save as disclosed above, Mr. Lei: (i) has not held any position in the Company or its subsidiaries nor does he have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) did not hold any other directorships in any listed public companies in the last three years nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lei has an appointment letter with the Company regarding his appointment as non-executive Director commenced on 26 November 2010 for one year and he is subject to retirement by rotation and re-election at the Company's general meeting in accordance with the Articles of Association. According to the appointment letter of Mr. Lei, he is not entitled to any remuneration.

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

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### PROF. LI SHENGLI (“PROF. LI”)

Prof. LI Shengli (李勝利), aged 45, is an independent non-executive Director. Prof. Li graduated from Shihezi Agricultural College (石河子農學院) with a bachelor’s degree in animal husbandry and veterinary science in July 1987. He then obtained his doctorate degree in animal nutrition science from China Agricultural University in July 1996. Since 2003, Prof. Li has been with China Agricultural University, working at various times as an assistant professor and professor. Prof. Li is currently vice-director (Animal Nutrition) of the State Key Laboratories, Director of the council of the directors’ association of the Sino-US Dairy Research Center, chief scientist in national dairy products industry technology system (國家奶牛產業技術體系), an advisor to the China School Milk Programme (國家學生飲用奶計劃) and a specialist in the Cattle and Poultry Research Centre of Beijing Sanyuan Breeding Technology Co., Ltd. (北京三元種業科技股份有限公司畜牧研究院). Prof. Li is a member of the Eighth Committee of the Ministry of Agriculture and Technology (第8屆科技農業部委員會) and an advisor to the Beijing Municipal Government in the development of agricultural sciences and technologies and the Working Committee of National Dairy Herd Improvement Programme (DHI) (全國奶牛生產性能測定工作委員會) of the Dairy Association of China (中國奶業協會). In 2007, Prof. Li obtained a patent on Rubeili (乳倍利), a type of high-energy and high-protein supplementary feed for dairy cows. Prof. Li was awarded the Second Prize and a Prize of the Beijing Science and Technology Award (北京市科學技術獎) in 2000 and 2007 respectively and was recognized by the Beijing Municipal Government as “Top 10 Scientists with Contribution to the Economic Development in Rural Villages of Beijing” (對北京農村經濟發展作出貢獻的“十佳”科學家) in 2009. Prof. Li was appointed as an independent director of Modern Farm in October 2006 and resigned in June 2009. He has been appointed as an independent director of Xinjiang Western Animal Husbandry Co., Ltd. (新疆西部牧業股份有限公司), a company listed on China Venture Exchange (stock code: 300106) since July 2009. He was appointed as an independent non-executive Director on 27 October 2010.

Save as disclosed above, Prof. Li: (i) has not held any position in the Company or its subsidiaries nor does he have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) did not hold any other directorships in any listed public companies in the last three years nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Prof. Li has an appointment letter with the Company regarding his appointment as independent non-executive Director commenced on 26 November 2010 for one year and he is subject to retirement by rotation and re-election at the Company’s general meeting in accordance with the Articles of Association. According to the appointment letter of Prof. Li, he is entitled to an annual remuneration package of RMB60,000. His remuneration package is determined with reference to the remuneration policy of the Company, his duties and the prevailing market level of remuneration for executives of similar positions.

### PROF. GUO LIANHENG (“PROF. GUO”)

Prof. GUO Lianheng (郭連恆), aged 48, is an independent non-executive Director. Prof. Guo graduated from Peking University with a bachelor’s degree in law in July 1985 and he has been a part-time lawyer since then. He completed a postgraduate course at the Minzu University of China in July 2004 majoring in economic law. Prof. Guo has been appointed as a member of the review

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

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committee for graduate theses and debates at Law School of Inner Mongolia University since 2000 and has become a law professor since 2004. Prof. Guo is currently a consultant at the Higher Education Research Office of the Inner Mongolia Finance and Economic College, part-time lawyer at the Inner Mongolia Dianze Law Office (內蒙古典澤律師事務所) and an executive member and the chairman of the Legal Education Research Institute (法學教育研究會) of the Inner Mongolia Law Society. Prof. Guo held various roles with a number of legal education and research organizations, such as director of the Comparative Law Research Association and Law Education Research Association of China Law Society (中國法學會), deputy leader of Teaching and Research Group of the economic law course in the National Industry and Commerce Management Training Programme, and visiting researcher at the Inner Mongolian Academy of Social Sciences, Institute of Law (內蒙古社會科學院法學研究所). Prof. Guo has been an arbitrator of Huhehaote Arbitration Commission (呼和浩特仲裁委員會) since September 1995. Prof. Guo was an independent director of Inner Mongolia Yuan Xing Energy Company Limited (內蒙古遠興能源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000683), from March 2003 to March 2009. He also acted as a legal consultant for Mengniu (Inner Mongolia) from January 1999 to December 2002. Prof. Guo was awarded as an Outstanding Youth in Jurisprudence of Inner Mongolia (內蒙古優秀中青年法學家) by the Law Society of Inner Mongolia Autonomous Region in October 1999. Prof. Guo was appointed as an independent non-executive Director on 27 October 2010.

Save as disclosed above, Prof. Guo: (i) has not held any position in the Company or its subsidiaries nor does he have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) did not hold any other directorships in any listed public companies in the last three years nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Prof. Guo has an appointment letter with the Company regarding his appointment as independent non-executive Director commenced on 26 November 2010 for one year and he is subject to retirement by rotation and re-election at the Company's general meeting in accordance with the Articles of Association. According to the appointment letter of Prof. Guo, he is entitled to an annual remuneration package of RMB60,000. His remuneration package is determined with reference to the remuneration policy of the Company, his duties and the prevailing market level of remuneration for executives of similar positions.

### MR. LEE KONG WAI CONWAY (“MR. LEE”)

Mr. LEE Kong Wai Conway (李港衛), aged 57, is an independent non-executive Director. Mr. Lee graduated from Kingston University (formerly known as Kingston Polytechnic) in London with a bachelor's degree in business studies in July 1980 and further obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young and held key leadership positions in the development of his firm in China. Mr. Lee is currently an independent non-executive director of China Taiping Insurance Holdings Company Limited (stock code: 966), West China Cement Limited (stock code: 2233), Chaowei Power Holdings Limited (stock code: 951), GOME Electrical Appliances Holding Limited (stock code: 493) and Tibet 5100 Water Resources Holdings Ltd (stock code: 1115) and Sino Vanadium Inc. (a company listed on

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

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the Toronto Stock Exchange (stock code: SVX)). Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants. Since 2007, Mr. Lee has been a member of Chinese People's Political Consultative Conference of Hunan Province. Mr. Lee was appointed as an independent non-executive Director on 27 October 2010.

Save as disclosed above, Mr. Lee: (i) has not held any position in the Company or its subsidiaries nor does he have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries; and (ii) did not hold any other directorships in any listed public companies in the last three years nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lee has an appointment letter with the Company regarding his appointment as independent non-executive Director commenced on 26 November 2010 for one year and he is subject to retirement by rotation and re-election at the Company's general meeting in accordance with the Articles of Association. According to the appointment letter of Mr. Lee, he is entitled to an annual remuneration package of RMB60,000. His remuneration package is determined with reference to the remuneration policy of the Company, his duties and the prevailing market level of remuneration for executives of similar positions.

Save as disclosed above, there is no other matter about Mr. Wolhardt, Mr. Hui, Mr. Lei, Prof. Li, Prof. Guo and Mr. Lee that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules or needs to be brought to the attention of the Shareholders.



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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. (the “**Company**”) will be held at Island Ballroom, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 17 November 2011 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 year ended 30 June 2011.
2. To re-elect the following retiring Directors:
  - (i) Mr. Wolhardt Julian Juul
  - (ii) Mr. Hui Chi Kin Max
  - (iii) Mr. Lei Yongsheng
  - (iv) Prof. Li Shengli
  - (v) Prof. Guo Lianheng
  - (vi) Mr. Lee Kong Wai Conway

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.
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

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## NOTICE OF ANNUAL GENERAL MEETING

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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) ; or (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 of the Company 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 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 18 October 2011, 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.**  
**Deng Jiuqiang**  
*Chairman*

Hong Kong, 18 October 2011

*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 notarially certified copy of such power of attorney or authority, must be deposited 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 fixed for holding the meeting or any adjournment thereof.  
  
Completion and return of the proxy form will not preclude any member from attending and voting in person at the meeting or any adjourned meeting 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.
4. **Shareholders whose names appear on the register of members of the Company on Thursday, 17 November 2011 are entitled to attend and vote at the Annual General Meeting. The**

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## NOTICE OF ANNUAL GENERAL MEETING

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**register of members of the Company will be closed from Monday, 14 November 2011 to Thursday, 17 November 2011, 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 Friday, 11 November 2011, 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.