

14 February 2017

To the CMD Shareholders and the Optionholders

Dear Sir/Madam,

**COMPOSITE DOCUMENT RELATING TO THE CONDITIONAL
MANDATORY CASH OFFERS BY UBS AG AND DBS ASIA CAPITAL
LIMITED FOR AND ON BEHALF OF CHINA MENGNIU DAIRY COMPANY
LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN CHINA MODERN
DAIRY HOLDINGS LTD. (OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY CHINA MENGNIU DAIRY COMPANY
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)
AND
FOR CANCELLATION OF ALL OUTSTANDING OPTIONS
IN CHINA MODERN DAIRY HOLDINGS LTD.**

1. INTRODUCTION

Reference is made to the Joint Announcement issued by Mengniu and CMD on 4 January 2017 that Mengniu had entered into a sale and purchase agreement with Success Dairy II on the same day, pursuant to which Mengniu has conditionally agreed to acquire and Success Dairy II has conditionally agreed to sell 965,465,750 CMD Shares (being the Subject Shares) for a consideration of HK\$1,873,003,555, payable in U.S. dollars, which is equivalent to US\$241,475,350, as determined by the Exchange Rate. The consideration under the SPA represents HK\$1.94 or US\$0.25 per CMD Share at SPA Completion.

As at the date of the Joint Announcement, Success Dairy II held the Existing CMD Shares and the Investor Option. An irrevocable notice to exercise the Investor Option was served on CMD by Success Dairy II on 28 December 2016, which is conditional upon, among other things, Mengniu Shareholders having approved the Transaction at the EGM. Upon the exercise of the Investor Option, CMD shall issue 488,036,618 CMD Shares to Success Dairy II.

On 25 January 2017, 338,602,205 new CMD Shares were issued to the wholly-owned entities of the Individuals by CMD pursuant to the terms of the June 16 SPA. Mengniu Shareholders approved the Transaction by way of ordinary resolution at the EGM held on 3 February 2017. On 6 February 2017, CMD issued 488,036,618 CMD Shares (being the New CMD Shares) to Success Dairy II pursuant to the terms of the Investor Option. In addition, the listing approval of the New CMD Shares was granted by the Stock Exchange on 23 December 2016, and had not been withdrawn as at the Latest Practicable Date.

SPA Completion took place on 7 February 2017 whereby the Subject Shares, being an aggregate of 965,465,750 CMD Shares, were transferred by Success Dairy II to Mengniu SPV, as directed by Mengniu.

Immediately following issuance of the New CMD Shares to Success Dairy II and prior to SPA Completion, Success Dairy II beneficially owned an aggregate of 965,465,750 CMD Shares, representing approximately 15.7% of the issued share capital of CMD on a fully diluted basis, while Mengniu and its Concert Parties were interested in 1,347,903,000 CMD Shares, representing approximately 22.0% of the issued share capital of CMD on a fully diluted basis, other than the interest in the Subject Shares under the SPA.

Immediately following the SPA Completion but before the commencement of the Offers, Success Dairy II was not interested in any CMD Shares, while Mengniu and its Concert Parties beneficially owned an aggregate of 2,313,368,750 CMD Shares, representing approximately 37.7% of the issued share capital of CMD as at the Latest Practicable Date. Accordingly, upon the SPA Completion, Mengniu is required to make (i) a conditional mandatory cash offer for all the issued CMD Shares not already owned or agreed to be acquired by Mengniu and its Concert Parties pursuant to Rule 26.1 of the Takeovers Code, and (ii) an appropriate offer to the Optionholders for the cancellation of the outstanding CMD Options pursuant to Rule 13 of the Takeovers Code.

This letter forms part of this Composite Document and sets out, among other things, the details of the Offers, certain information of Mengniu and the intention of Mengniu regarding the CMD Group. Further details of the terms and procedures of acceptance of the Offers are set out in Appendix I to this Composite Document, and the accompanying Form(s) of Acceptance. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

The CMD Shareholders and the Optionholders are strongly advised to consider carefully the information contained in the "Letter from the CMD Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as set out in this Composite Document.

2. CONDITIONAL MANDATORY CASH OFFERS

UBS as the financial adviser and DBS as the joint financial adviser are making the Offers for and on behalf of Mengniu to all the CMD Shareholders for all the issued CMD Shares (other than those already owned or agreed to be acquired by Mengniu and its Concert Parties) and to the Optionholders for the cancellation of all outstanding Options

in compliance with Rules 26.1 and 13 of the Takeovers Code respectively, on the following basis:

Principal Terms of the Offers

The Share Offer

For each Offer Share HK\$1.94 or US\$0.25 in cash

The Offer Price of HK\$1.94 or US\$0.25 for each Offer Share under the Share Offer is equivalent to the consideration per CMD Share of HK\$1.94 or US\$0.25 pursuant to the SPA assuming the Investor Option is exercised and as determined using the Exchange Rate.

The CMD Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Third Party Rights and together with all rights of any nature attaching to them as at the date of despatch of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of despatch of the Composite Document.

The Option Offer

As at the Latest Practicable Date, CMD has adopted the Management Option Scheme, the Share Option Scheme I, Share Option Scheme II and Share Option Scheme III. A CMD Option granted under any and each of the Option Schemes may be exercised in accordance with their respective terms. In addition, under the terms of the Option Schemes, the CMD Options are not assignable, and Optionholders may not in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any CMD Option or purport to do any of the foregoing.

In accordance with the terms of the Share Option Scheme I, Share Option Scheme II and Share Option Scheme III, if a general offer is made to all the CMD Shareholders and the offer becomes or is declared unconditional, the Optionholders are entitled to exercise the CMD Options (to the extent vested but not already exercised) before the expiry of the period of 10 Business Days following the day when the general offer becomes or is declared unconditional. Under the rules of the Management Option Scheme, the relevant CMD Options that remain exercisable but are unexercised may continue to be exercised.

For each CMD Option with exercise price below the Offer Price HK\$1.94 or US\$0.25 less the exercise price in respect of the relevant CMD Option in cash

For each CMD Option with exercise price above the Offer Price HK\$0.0001 or US\$0.00013 in cash

The offer price per CMD Option under the Option Offer is illustrated in the following table:

CMD Option	Vested	Exercise price per CMD Share	Offer price per CMD Option (HK\$/US\$) (Note)
CMD Options granted under the Management Option Scheme	Yes	HK\$0.86	HK\$1.08/ US\$0.14
CMD Options granted under the Share Option Scheme I	Yes	HK\$2.89	HK\$0.0001/ US\$0.000013
CMD Options granted under the Share Option Scheme II	No	HK\$3.38	HK\$0.0001/ US\$0.000013
		HK\$2.83	HK\$0.0001/ US\$0.000013
		HK\$1.52	HK\$0.42/ US\$0.05
CMD Options granted under the Share Option Scheme III	No	HK\$1.71	HK\$0.23/ US\$0.03

Note: The US\$ is converted using the Exchange Rate.

The Option Offer will be extended to all eligible Optionholders in accordance with the Takeovers Code.

As at the Latest Practicable Date, there are 6,131,406,706 CMD Shares in issue (of which 2,313,368,750 are held by Mengniu and its Concert Parties) and 315,401,705 CMD Options outstanding conferring rights on the Optionholders to subscribe for CMD Shares. Out of the 315,401,705 CMD Options, there are 215,757,083 CMD Options with exercise prices lower than the Offer Price and 99,644,622 CMD Options with exercise prices higher than the Offer Price. Save for the aforesaid CMD Options, CMD does not have any other outstanding securities, options, warrants or derivatives or convertible rights affecting the CMD Shares, and had not entered into any agreement for the issue of such warrants, options, derivatives or securities as at the Latest Practicable Date.

Conditions to the Offers

The Share Offer is conditional only upon Mengniu through its nominee, Mengniu SPV, having received acceptances in respect of the CMD Shares which, together with the CMD Shares held by Mengniu and its Concert Parties as at the Latest Practicable Date, will result in Mengniu and its Concert Parties holding more than 50% of the total issued share capital of CMD.

The Option Offer is conditional only upon the Share Offer becoming or being declared unconditional.

The last day on which the Offers can become unconditional is the First Closing Date.

No Increase and No Extension Statement

Mengniu has undertaken to Success Dairy II that the Offer Price will be at HK\$1.94 or US\$0.25 per CMD Share and will not be increased. Accordingly, the Offer Price will remain at HK\$1.94 or US\$0.25 per CMD Share and will not be increased, and Mengniu does not reserve the right to do so.

Further, the Offers will be open for acceptance for 21 days following the date on which the Composite Document is posted. Unless the Offers become unconditional as to acceptances, the Offers will not be extended beyond the first date on which they are permitted to be closed.

CMD Shareholders, Optionholders and investors should be aware that, following the making of such statement, Mengniu will not be allowed to increase the Offer Price save in wholly exceptional circumstances, as provided in Rule 18.3 of the Takeovers Code.

3. NON-ACCEPTING SHAREHOLDERS

Mengniu and CMD have received written unconditional and irrevocable confirmations and undertakings from certain CMD Shareholders that they will not accept the Share Offer. Details of the Non-Accepting Shareholders as at the Latest Practicable Date and such unconditional and irrevocable confirmations and undertakings are set out below:

Non-Accepting Shareholders	Number of CMD Shares held	% of issued CMD Shares	Details of Non-Acceptance
		<i>(Note)</i>	
Ms. Lina Gao	4,800,000	0.08%	Ms. Lina Gao is an executive CMD Director. She has unconditionally and irrevocably confirmed and undertaken to Mengniu and CMD that until the Offers end, lapse or are withdrawn, she will continue to own the legal and beneficial interests in her CMD Shares and she will not accept any part of the Share Offer and will not tender her CMD Shares for acceptance.

Non-Accepting Shareholders	Number of CMD Shares held	% of issued CMD Shares <i>(Note)</i>	Details of Non-Acceptance
Jinmu Holdings Company Limited ("Jinmu")	221,581,733	3.61%	Jinmu has unconditionally and irrevocably confirmed and undertaken to Mengniu and CMD that until the Offers end, lapse or are withdrawn, it will continue to own the legal and beneficial interests in its CMD Shares and it will not accept any part of the Share Offer and will not tender its CMD Shares for acceptance. Jinmu's controlling shareholder and sole director is Ms. Lina Gao.
ZUO Weilin (左衛林)	121,638,225	1.98%	As disclosed in CMD's circular to CMD Shareholders dated 15 July 2016, CMD had entered into the June 16 SPA with the Individuals, whereby a total of 338,602,205 CMD Shares would be issued to the Individuals by CMD as consideration shares at the completion date of the June 16 SPA. On 25 January 2017, 338,602,205 new CMD Shares were issued to the wholly-owned entities of the Individuals by CMD in accordance with the terms of the June 16 SPA. Accordingly, the Share Offer will also be extended to these Individuals.
YANG Jingchao (楊景超)	12,163,823	0.20%	
GUO Hanqing (郭漢卿)	119,347,119	1.95%	
SUN Yongping (孫永平)	63,606,424	1.04%	
LIU Yanbin (劉雁斌)	21,846,614	0.36%	

Non-Accepting Shareholders	Number of CMD Shares held	% of issued CMD Shares	Details of Non-Acceptance
		<i>(Note)</i>	
			<p>Pursuant to the terms of the June 16 SPA, the Individuals have undertaken to CMD that they will not dispose of the CMD Shares to be issued to them ("Lock-up") within one year from the completion date of the June 16 SPA. To ensure compliance with the Lock-up, the CMD Shares owned by the Individuals will be held in an escrow account of which CMD has control. CMD has unconditionally and irrevocably confirmed and undertaken to Mengniu that it will not (1) agree to the Individuals accepting any part of the Offers; (2) allow the CMD Shares held in the escrow account to be released from the account; or (3) enable the Individuals to tender their CMD Shares for acceptance in the Share Offer.</p>
Total	564,983,938	9.21%	

Note: Assuming none of the outstanding CMD Options is exercised.

4. VALUE OF THE OFFERS

Comparisons of value

The Offer Price of HK\$1.94 per Offer Share represents:

	Market price of CMD Shares <i>HK\$ per CMD Share</i>	Premium/ (discount) of the Offer Price to the market price <i>Approximate %</i>
Closing price as quoted on the Stock Exchange on 3 January 2017, being the Last Trading Day	1.88	3.2
Average closing price for the five consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	1.8760	3.4
Average closing price for the ten consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	1.8370	5.6
Average closing price for the 30 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	1.9427	(0.1)
Average closing price for the 60 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	1.8425	5.3
Closing price as quoted on the Stock Exchange on 10 February 2017, being the Latest Practicable Date	1.95	(0.5)
Audited consolidated net asset value per CMD Share based on 5,304,767,883 CMD Shares in issue as at 31 December 2015	1.67	16.2
Unaudited consolidated net asset value per CMD Share based on 5,304,767,883 CMD Shares in issue as at 30 June 2016	1.54	26.0

Highest and lowest trading prices

During the Relevant Period, being the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date, the highest closing price of the CMD Shares as quoted on the Stock Exchange was HK\$2.13 per CMD Share on 29 November 2016 and the lowest closing price of the CMD Shares as quoted on the Stock Exchange was HK\$0.99 per Share on 15 July 2016.

Value of the Offers

- (i) As at the Latest Practicable Date, there were 6,131,406,706 CMD Shares in issue, and the entire issued share capital of CMD was valued at approximately HK\$11,894,929,010 on the basis of the Offer Price of HK\$1.94 per CMD Share.
- (ii) Assuming that (a) all CMD Shareholders and Optionholders will accept the Offers (excluding the Non-Accepting Shareholders who will not accept or are not in a position to accept the Share Offer); (b) there is no change in the issued share capital of CMD since the Latest Practicable Date, and (c) none of the outstanding CMD Options is exercised prior to the close of the Offers, the Offers are valued at approximately HK\$6,413,337,913 in aggregate.
- (iii) Assuming that (a) all CMD Shareholders will accept the Share Offer (excluding the Non-Accepting Shareholders who will not accept or are not in a position to accept the Share Offer); (b) all CMD Options are exercised before they lapse prior to the close of the Offers, and (c) all CMD Shares issued on the exercise of the CMD Options will be tendered for acceptance under the Share Offer, the Offers are valued at approximately HK\$6,922,804,103 in aggregate.

5. CONFIRMATION OF FINANCIAL RESOURCES

Mengniu will finance the Offers by internal resources and external debt facilities.

On 4 January 2017, Mengniu as borrower, entered into a facility agreement with DBS Bank Ltd., Hong Kong Branch as lender, where an unsecured term loan facility of US\$650,000,000 was provided to Mengniu to finance the consideration payable under the SPA and the Offers. On 16 January 2017, Mengniu as borrower, entered into another facility agreement with China Merchants Bank Co., Ltd., Hong Kong Branch, where an unsecured term loan facility of HK\$2,000,000,000 was provided to Mengniu for the same purpose. Neither the payment of interest on, nor repayment of any liability (contingent or otherwise) in respect of these two term loan facilities will depend to any significant extent on the business of CMD.

On the basis that (a) all of the outstanding CMD Options are exercised before they lapse prior to the close of the Offers, and (b) all CMD Shares (including CMD Shares issued on the exercise of the CMD Options) are tendered for acceptance by CMD Shareholders under the Share Offer (other than the Non-Accepting Shareholders), the total maximum of cash consideration payable is HK\$6,922,804,103 in respect of 3,568,455,723 CMD Shares.

UBS has been appointed as the financial adviser and DBS has been appointed as the joint financial adviser to Mengniu in respect of the Offers. UBS and DBS are satisfied that sufficient resources are available to Mengniu to satisfy the consideration for the full acceptance of the Offers (excluding the CMD Shares owned by the Non-Accepting Shareholders).

6. GENERAL MATTERS RELATING TO THE OFFERS

Mengniu SPV to hold the accepted CMD Shares

Mengniu is making the Offers. Mengniu has nominated Mengniu SPV to be its nominee to be the transferee of and to receive the CMD Shares to be transferred to Mengniu pursuant to the Offers. Mengniu SPV is a wholly-owned subsidiary of Mengniu.

Effect of accepting the Offers

By validly accepting the Share Offer, the CMD Shareholders will sell to Mengniu their CMD Shares free from all Third Party Rights and together with all rights attaching or accruing to the CMD Shares as at the date of despatch of the Composite Document, including the rights to receive all dividends and distribution declared, made or paid on or after the date of despatch of the Composite Document.

By validly accepting the Option Offer, the outstanding CMD Options tendered by the Optionholders will be cancelled, together with all rights attaching thereto with effect from the date of despatch of the Composite Document. Optionholders should note that under the respective rules of the Share Option Scheme I, Share Option Scheme II and Share Option Scheme III, all CMD Options that remain unexercised (to the extent vested) prior to the earlier of (i) the date of expiry of the option period, or (ii) the last day of the period of 10 Business Days after the date on which the Share Offer becomes or is declared unconditional (i.e., Tuesday, 21 March 2017, if the Share Offer become or is declared unconditional on the First Closing Date), shall lapse. Under the rules of the Management Option Scheme, the relevant CMD Options that remain are exercisable but are unexercised may continue to be exercised.

Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code. Please refer to the section headed "7. Right of Withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

Stamp Duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant CMD Shareholder at a rate of 0.1% of (i) the market value of the CMD Shares; or (ii) consideration payable by Mengniu in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by Mengniu to the relevant CMD Shareholders accepting the Share Offer. Mengniu will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant CMD Shareholders accepting the Share Offer and will pay its respective portion of the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the CMD Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

Payment

Payment (after deducting the accepting CMD Shareholders' share of ad valorem stamp duty in connection with the Share Offer) in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following the later of the date on which the Offers become or are declared unconditional and the date on which duly completed Form(s) of Acceptance and the relevant documents of title of the CMD Shares or the CMD Options (as the case may be) are received by Mengniu to render each such acceptance complete and valid.

Accepting CMD Shareholders and Optionholders may elect to be paid in either Hong Kong dollars or in U.S. dollars, but not in both. If no election is made, such CMD Shareholder or Optionholder is deemed to have accepted payment in Hong Kong dollars. Accepting CMD Shareholders and Optionholders are reminded to exercise caution when electing payment in U.S. dollars, in particular, with respect to their ability to receive U.S. dollars in payment or to deposit U.S. dollar cheques into their bank accounts. Accepting CMD Shareholders and Optionholders are encouraged to consult their stockbrokers and/or banks if in doubt.

No fraction of a cent will be payable and the amount of the consideration payable to a person who accepts the Offers will be rounded up to the nearest cent.

Return of documents

If the Offers do not become or are not declared unconditional, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar (in the case of Offer Shares) and/or the company secretary of CMD (in the case of CMD Options) will be returned to the accepting CMD Shareholder(s) (to the address specified on such CMD Shareholder's WHITE Form of Share Offer Acceptance) and the accepting Optionholder(s) (to the company secretary of CMD for collection of such Optionholder(s)) respectively by ordinary post at its/his/her own risk as soon as possible but in any event within ten (10) days after the Offers have lapsed.

Taxation advice

CMD Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of Mengniu, CMD and their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Holders

The making of the Offers to persons who are citizens, residents or nationals of jurisdictions outside Hong Kong may be affected by or subject to the laws and regulations of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax and regulatory requirements in their own jurisdictions. It is the responsibility of any Overseas Holders wishing to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection with the Offers, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, fares, transfer or other taxes due in such jurisdiction.

Any acceptance by any Overseas Holder will be deemed to constitute a representation and warranty from such Overseas Holder that the local laws and requirements in respect of such Overseas Holder have been complied with. The Overseas Holders should consult their professional advisers if in doubt.

7. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

8. INFORMATION OF THE CMD GROUP

CMD is a company incorporated in the Cayman Islands with limited liability, and CMD Shares have been listed on the Main Board of the Stock Exchange since 2010 (Stock Code: 1117). CMD Group is the largest dairy farming company in terms of herd size as well as the largest raw milk producer in China. It is headquartered in China's eastern province of Anhui, and its primary business is raising dairy cows and selling raw milk to branded dairy companies for processing into consumer dairy products. As at 30 June 2016, CMD Group had 27 farms in operation in China with approximately 220,493 dairy cows in total. CMD Group's farms are situated across the PRC in strategic geographical locations that are close to downstream dairy product processing plants and feed supply sources.

The table below sets forth a summary of certain audited consolidated financial information of CMD Group for the years ended 31 December 2014 and 31 December 2015 extracted from the 2015 annual report of CMD Group and for the six months ended 30 June 2016 extracted from the 2016 interim report of CMD Group:

	FY2014 (Audited) (RMB'000)	FY2015 (Audited) (RMB'000)	1HFY2016 (Unaudited) (RMB'000)
Revenue	5,026,706	4,826,341	2,229,110
Profits (Loss) before taxation	770,364	355,381	(589,673)
Profits (Loss) for the year/period attributable to owners of CMD	735,317	321,296	(565,668)
Net assets	6,655,952	7,950,032	7,348,023

The shareholding structure of CMD:

- (i) immediately following issuance of the New CMD Shares to Success Dairy II and prior to SPA Completion;
- (ii) immediately following SPA Completion but before the commencement of the Offers, assuming no CMD Options are exercised; and

- (iii) immediately following completion of the Offers, assuming none of the outstanding CMD Options is exercised and all CMD Shares are tendered for acceptance by CMD Shareholders under the Share Offer (other than the Non-Accepting Shareholders)

are as follows:

	Immediately following issuance of New CMD Shares to Success Dairy II pursuant to the exercise of the Investor Option and prior to SPA Completion (Note 2)		Immediately following SPA Completion but before commencement of the Offers, assuming no CMD Options are exercised		Immediately following the completion of the Offers, assuming none of the outstanding CMD Options is exercised and all CMD Shares are tendered for acceptance by CMD Shareholders under the Share Offer (other than the Non-Accepting Shareholders)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholders						
Mengniu and its Concert Parties (excluding Success Dairy II)	1,347,903,000	22.0%	2,313,368,750	37.7%	5,566,422,768	90.8%
Success Dairy II	965,465,750	15.7%	0	0.0%	0	0.0%
Xinmu Holdings Co. Ltd	671,021,025	10.9%	671,021,025	10.9%	0	0.0%
Yinmu Holdings Co. Ltd	446,465,419	7.3%	446,465,419	7.3%	0	0.0%
Jinmu Holdings Co. Ltd (Notes 1 & 3)	221,581,733	3.6%	221,581,733	3.6%	221,581,733	3.6%
Directors and Chief Executive						
Gao, Lina (Notes 1 & 3)	4,800,000	0.1%	4,800,000	0.1%	4,800,000	0.1%
Other Public Shareholders	2,474,169,779	40.4%	2,474,169,779	40.4%	338,602,205 (Notes 2 & 3)	5.5%
Total	6,131,406,706 (Note 2)	100.0%	6,131,406,706	100.0%	6,131,406,706	100.0%

Notes:

- Ms. Lina Gao is the legal and beneficial owner of 4,800,000 CMD Shares. In addition, Ms. Lina Gao holds approximately 49.12% of the interests in Jinmu.
- On 25 January 2017 (which is a date prior to the issuance of New CMD Shares to Success Dairy II pursuant to the exercise of the Investor Option), 338,602,205 new CMD Shares were issued to the wholly-owned entities of the Individuals by CMD pursuant to the terms of the June 16 SPA, thus enlarging the total issued share capital of CMD by 338,602,205 CMD Shares. The entirety of 338,602,205 CMD Shares will be subject to the Lock-up and thus will not be or are not in a position to be tendered for acceptance under the Share Offer. For further details, please refer to the section headed "3. Non-Accepting Shareholders" above.
- Ms. Lina Gao, Jinmu and the Individuals referred to in Note 2 above are the Non-Accepting Shareholders. The number of CMD Shares held by each of the Non-Accepting Shareholders and the details of non-acceptance are set out in the section headed "3. Non-Accepting Shareholders" above.

9. INFORMATION OF MENGNIU AND MENGNIU SPV

(a) Mengniu

Mengniu is a company incorporated in the Cayman Islands with limited liability and Mengniu Shares have been listed on the Main Board of the Stock Exchange since 2004 (stock code: 2319). The Mengniu Group is one of the leading dairy product manufacturers in the PRC, principally engaged in manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

(b) Mengniu SPV

Future Discovery Limited is a BVI Business Company incorporated in the British Virgin Islands on 3 January 2017, which is a directly wholly-owned subsidiary of Mengniu. Its main business is to hold the Subject Shares to be transferred from Success Dairy II upon SPA Completion, and to receive the Offer Shares from accepting CMD Shareholders.

10. REASONS FOR THE TRANSACTION

(1) To strengthen Mengniu's positioning in high-end dairy products market

Mengniu Group is dedicated to improving the quality of its dairy products and to further expand into the high-end dairy products segment through continuous innovation in their products and their nutritional content as well as development of the overall business model. High quality and stable raw milk supply is essential to the success of high-end dairy products, and Mengniu Group has adopted a number of means to secure stable and high quality milk such as the construction of modernised dairy farms, investment in large-scale dairy farming companies and collaboration with leading dairy companies on farming technology and management.

CMD is the largest dairy farming company in terms of herd size and the largest raw milk producer in China and has won a widespread recognition for its stringent quality standards and stable, reliable quality assurance. As the key raw milk supplier, CMD Group's stable milk supply will enable Mengniu Group to focus on premium products with higher value-add to satisfy consumers' increasing demand for higher quality milk products.

(2) To support the development of low temperature dairy products

Given its large scale presence in China, CMD Group has excellent geographical advantages given its farms are in the close proximity of key dairy consumption regions. In addition, some of CMD Group's farms are close to Mengniu Group's downstream processing plants. Through the Transaction, Mengniu Group will be able to drive improved performance and strategic development of CMD Group in line with Mengniu Group's future growth plans. This in turn will provide strong support for the growth of

Mengniu Group's low-temperature dairy production, strengthening Mengniu Group's leading position in the low-temperature dairy market.

(3) To become an integrated market leader with demonstrated ability to control the entire value chain and further enhance operation efficiency

CMD Group started selling raw milk to Mengniu Group in 2006 and in October 2008, the supply relationship was further formalized when Mengniu entered into a 10-year raw milk supply off-take agreement with CMD. In addition, their strategic relationship was further strengthened when Mengniu acquired a strategic stake in CMD in May 2013 and as at the Latest Practicable Date, Mengniu is CMD's single largest shareholder with a 37.7% stake. The Transaction will enhance the current business collaboration and will ensure the continuity of high quality and safe raw milk supply to Mengniu Group.

In addition, CMD Group is a pioneer in domestic large-scale farming and its expertise in farming and quality management will help Mengniu Group in quality control of raw milk purchased from smaller dairy farmers, which will further improve Mengniu Group's operational capabilities.

Based on the foregoing and having carefully reviewed and considered the terms and conditions of the Transaction, the Mengniu Directors consider that the Transaction are on normal commercial terms, the terms of which are fair and reasonable and in the interests of Mengniu and Mengniu Shareholders as a whole.

11. MENGNIU'S INTENTION ON THE CMD GROUP

Operational matters, employees and senior management

After the close of the Offers, Mengniu intends to continue the existing principal business of the CMD Group. Mengniu will conduct a review of the business operations and financial position of the CMD Group with a view to formulating a long term strategy and business plan suited to the CMD Group. No major changes are expected to be introduced in the existing principal business of the CMD Group, including any redeployment of the fixed assets of the CMD Group. Other than proposed changes to the CMD Board as mentioned below, Mengniu has no intention to make material changes to the management of the CMD Group or to terminate the employment of any employee or other personnel of the CMD Group.

Proposed change of board composition of CMD

The CMD Board is currently made up of 11 directors, comprising two executive CMD Directors, five non-executive CMD Directors and four independent non-executive CMD Directors. It is expected that Mr. WOLHARDT Julian Juul and Mr. HUI Chi Kin Max will resign as CMD Directors with effect from the First Closing Date or such date as permitted by the Executive. In addition, Success Dairy II has agreed to use reasonable endeavors to procure certain of Mengniu's nominees to the CMD Board with effect from the date when the Composite Document is posted or such other date as the Executive may permit under Rule 26.4 of the Takeovers Code. Such appointments will be made in

accordance with CMD's constitutional documents, the Takeovers Code and the Listing Rules, and their identities and relevant experience will be announced as and when they are appointed.

Notwithstanding the possible changes to the board composition of CMD, there are no changes to the independent non-executive CMD Directors. In any event, Mengniu and CMD will take all steps necessary to ensure that the number of independent non-executive CMD Directors does not fall below one-third of the total number of CMD Directors for a period longer than three months from the date that the Composite Document is posted, such that CMD shall continue to be compliant with Rule 3.11 of the Listing Rules.

Maintenance of the listing status of CMD

As the Non-Accepting Shareholders have indicated that they will not accept the Share Offer, Mengniu is not expected to be able to acquire the requisite percentage of CMD Shares to enable it to compulsorily acquire all the issued CMD Shares under Cayman Islands Companies Law and the Takeovers Code. Accordingly, after completion of the Offers, Mengniu will maintain the listing status of CMD.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to CMD, being 25% of the issued CMD Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the CMD Shares; or (ii) there are insufficient CMD Shares in public hands to maintain an orderly market; it will consider exercising its discretion to suspend dealings in the CMD Shares.

Assuming the Offers become or are declared unconditional in all respects, Mengniu Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the CMD Shares, and the new directors to be appointed to the CMD Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the CMD Shares. Any future transactions between the CMD Group and Mengniu Group will be carried out on an arm's length basis and in compliance with the Listing Rules.

12. GENERAL

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

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

The attention of the Overseas Holders is drawn to the section headed "Important Notices" in this Composite Document.

All documents and remittances sent to the CMD Shareholders and the Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the CMD Shareholders at their respective addresses as they appear in the register of members of CMD or in the case of joint CMD Shareholders, to the CMD Shareholder whose name appears first in the register of members of CMD or, in the case of the Optionholders, to the company secretary of CMD for collection of such Optionholders. None of CMD, Mengniu, UBS, DBS, or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

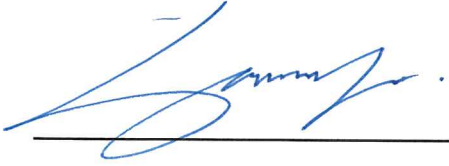
13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. You are reminded to carefully read the "Letter from the CMD Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and other information about the CMD Group, which are set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

Yours faithfully,

For and on behalf of

UBS AG Hong Kong Branch

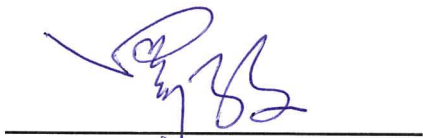


Name: Samson Lo

Title: Managing Director

For and on behalf of

UBS AG Hong Kong Branch



Name: Jun Luo

Title: Executive Director

Yours faithfully,

For and on behalf of

DBS Asia Capital Limited

A handwritten signature in black ink, appearing to read 'Wei Mun Yip', is written above a solid horizontal line. The signature is stylized and somewhat cursive.

Name: Wei Mun Yip

Title: Executive Director

For and on behalf of

DBS Asia Capital Limited

A handwritten signature in black ink, appearing to read 'Harry Yu', is written above a solid horizontal line. The signature is stylized and somewhat cursive.

Name: Harry Yu

Title: Senior Vice President