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Daqing Dairy Holdings Limited
大慶乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1007)

DISCLOSEABLE TRANSACTION

On 21 September 2011, Wuchang Benniu, as purchaser, entered into the Agreement with the Seller, pursuant to which the Seller has agreed to sell and Wuchang Benniu has agreed to purchase 6,800 heads of Holstein cattle at the Purchase Price. Pursuant to the Agreement, the 6,800 heads of Holstein cattle are due for delivery between 1 November 2011 and 30 June 2012 (the “Delivery Date”).

As the applicable percentage ratios (within the meaning of the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

THE AGREEMENT

On 21 September 2011, Wuchang Benniu, as purchaser, entered into the Agreement with the Seller, pursuant to which the Seller has agreed to sell and Wuchang Benniu has agreed to purchase 6,800 heads of Holstein cattle at the Purchase Price. The principal terms of the Agreement are set out below:

The Acquisition

Date : 21 September 2011

Parties:

Seller : 北京鑫茂中牧進出口有限公司 (Beijing Xinmao Animal Husbandry Co., Ltd*), a company established in the PRC and is principally engaged in import and export of livestock, poultry, economic animals and other related products.

Each of the Seller and its ultimate beneficial owner is a person who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company and is a third party independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules)

Purchaser : Wuchang Benniu

Subject matter of the Acquisition : 6,800 heads of Holstein cattle

Purchase Price : RMB170.0 million (equivalent to approximately HK\$207.4 million) payable in cash

The Agreement also contains the standard of quality of the Holstein cattle.

Completion of the Acquisition

It is provided under the Agreement that the Seller shall deliver the 6,800 heads of Holstein cattle that had passed the quarantine control to Wuchang Benniu on or before the Delivery Date. Wuchang Benniu shall have 45 days from the Delivery Date to inspect the Holstein cattle. The completion shall take place upon the acceptance of the Holstein cattle by Wuchang Benniu after inspection (the "Completion Date").

Purchase Price

The Purchase Price for the 6,800 heads of Holstein cattle is RMB170.0 million (equivalent to approximately HK\$207.4 million). It is payable in cash by Wuchang Benniu to the Seller in the following manner:

- (1) as to 90% of the Purchase Price (i.e. RMB153.0 million, equivalent to approximately HK\$186.7 million) (the “Deposit”) shall be paid within 20 working days from the date of execution of the Agreement; and
- (2) the remaining balance of 10% of the Purchase Price (i.e. RMB17.0 million, equivalent to approximately HK\$20.7 million) shall be paid within three working days from the Completion Date.

If the Seller fails to deliver the 6,800 heads of Holstein cattle to Wuchang Benniu by the Delivery Date in accordance with the terms of the Agreement, the Seller shall refund the Deposit to Wuchang Benniu within three working days from the Delivery Date.

The Purchase Price was determined after arm’s length negotiations between the Seller and Wuchang Benniu with reference to the prevailing market price of the Holstein cattle after taking into consideration the import and quarantine costs (wherever applicable).

INFORMATION ON THE GROUP, SOURCE OF FUNDING AND REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacture, marketing and sales of milk formula products in the PRC.

At the moment, the Group purchases milk from suppliers and from which it converts into milk formula products. As disclosed in the Prospectus, the Group intends to implement downward integration by having its own herds of dairy cows. Indeed, as disclosed in the Prospectus, part of 34.7% of the net proceeds from the listing would be used to for this purpose. The Directors believe that the purchase of the Holstein cattle is beneficial to the Group as it will ensure a safe and reliable supply of raw milk to the Group.

The Agreement was entered into after an earlier agreement with a prior seller failed to proceed. On 5 June 2011, Wuchang Benniu entered into an agreement with another independent third party to purchase 6,800 heads of Holstein cattle for an aggregate consideration of RMB170.0 million (equivalent to approximately HK\$207.4 million). At the relevant time, Wuchang Benniu paid a deposit of RMB150.0 million (equivalent to approximately HK\$183.0 million). However, the seller was unable to deliver the cattle, the full deposit was returned in August 2011.

Having regard to the above factors, the Directors consider that the terms of the Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Company has recently consulted the Stock Exchange whether purchases of cattle under such circumstances would be treated as transactions of a revenue nature and in the ordinary and usual course of business of the Group and hence exempted from the notifiable transaction rules under Chapter 14 of the Listing Rules. The Stock Exchange has indicated that these purchases would not be treated as revenue transactions and therefore the notifiable transaction rules apply.

Based on the applicable percentage ratios (within the meaning of the Listing Rules), the Acquisition exceeds 5% but is less than 25% of the applicable percentage ratios. Hence, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

Had the previous agreement proceeded, it would also constitute a discloseable transaction for the Company based on the applicable percentage ratios (within the meaning of the Listing Rules).

DEFINITIONS

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

“Acquisition”	the purchase of 6,800 heads of Holstein cattle by Wuchang Benniu from the Seller pursuant to the Agreement
“Agreement”	the cattle purchase agreement dated 21 September 2011 and made between the Seller on the one part and Wuchang Benniu (as purchaser) on the other part, pursuant to which the Seller has agreed to sell and Wuchang Benniu has agreed to purchase 6,800 heads of Holstein cattle at the Purchase Price

“Board”	the board of Directors
“Company”	Daqing Dairy Holdings Limited (Stock Code: 1007), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 15 October 2010
“Purchase Price”	RMB170.0 million (equivalent to approximately HK\$207.4 million), being the purchase price of 6,800 heads of Holstein cattle payable by Wuchang Benniu to the Seller in accordance with the terms of the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	北京鑫茂中牧進出口有限公司 (Beijing Xinmao Animal Husbandry Co., Ltd*), a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of the Shares
“Shares”	share(s) of HK\$0.00001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuchang Benniu”	五常犇牛牧業有限責任公司 (Wuchang Benniu Muye Co., Ltd*), an indirect wholly owned subsidiary of the Company

In this announcement, for the purpose of illustration only, amounts quoted in RMB and HK\$ have been converted at the rate of HK\$1.22 to RMB1. Such exchange rate has been used, where applicable, for purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

By Order of the Board
Daqing Dairy Holdings Limited
Zhao Yu
Chairman

Hong Kong, 21 September 2011

As at the date of this announcement, the executive Directors are Mr Zhao Yu, Mr Zhao Chuan Wen, Mr Xia Yuan Jun, Mr Fu Chong, Mr Fong Pin Jan, Mr Wang Delin, and the independent non-executive Directors are Mr Cheung Hok Fung Alexander, Ms Chan Wah Man Carman and Mr Zhang Zhou.

** For identification purpose only*