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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)

MEMORANDUM OF UNDERSTANDING

ENTERING INTO OF THE MOU

On 21 February 2012 (after trading hours), the Company entered into the MOU with the Vendor in relation to the proposed acquisition of the entire issued share capital of Mingford by the Company. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquires, the Vendor and its ultimate beneficial owners are the Independent Third Parties.

The Board wishes to emphasize that the Proposed Acquisition is subject to, among other things, the entering into of the Definitive Documentation, of which the final terms and conditions of which are yet to be agreed. As the Proposed Acquisition may or may not proceed, potential investors and Shareholders are advised to exercise caution when dealing in the Shares. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company should any Definitive Documentation be entered into as and when appropriate in accordance with the Listing Rules.

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

ENTERING INTO OF THE MOU

On 21 February 2012 (after trading hours), the Company entered into the MOU with the Vendor in relation to the proposed acquisition of the Mingford Group by the Company. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquires, the Vendor and its ultimate beneficial owners are the Independent Third Parties.

As at the date of this announcement, Mingford is beneficially owned by the Vendor (as to 50.0%), Mr. Chi Lian Cheng (as to 30.0%) and Mr. Chan Wai Cheung (as to 20.0%). To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquires and based on the information provided to the Company by the Vendor, Mr. Chi Lian Cheng and Mr. Chan Wai Cheung are also the Independent Third Parties.

Pursuant to the MOU, the Vendor has expressed its intention to dispose of its 50% interests in the issued share capital of Mingford to the Company on the basis and pursuant to the terms agreed to in the MOU between the Company and the Vendor. The Vendor has also agreed to procure that Mr. Chi Lian Cheng and Mr. Chan Wai Cheung sell their aggregate 50% interests in the issued share capital of Mingford held by them to the Company on similar terms.

The MOU sets out certain basic terms and conditions which shall form the principal basis of further negotiation between the Company and the Vendor as well as Mr. Chi Lian Cheng and Mr. Chan Wai Cheung (as the case may be) in relation to the Definitive Documentation.

Major terms of the MOU

Due diligence review and reorganisation of the Mingford Group (including the Jintianran Group)

The Company will be entitled to commence a complete due diligence review on the Mingford Group within one month after the date of the MOU, such due diligence to include the business, legal, financial and taxation aspects of the Mingford Group (including the Jintianran Group) and such other aspect as the Company may require and the Vendor shall use their reasonable endeavours to assist the Company to carry out such due diligence review and shall provide copies of all documents as requested by the Company in the course of due diligence. Any steps to be taken in connection with the reorganisation of the Mingford Group (including the Jintianran Group) shall be subject to the consent and approval of the Company.

Exclusivity

The Vendor agrees that it and its agents and affiliates shall not, and shall procure that Mr. Chi Lian Cheng, Mr. Chan Wai Cheung and their respective agents and affiliates shall not, at any time during the Term (as defined hereinafter), solicit, initiate or encourage submission of further proposals or offers from any person, or directly or indirectly enter into any commitment (whether on a conditional or unconditional basis) or any negotiation, arrangement or agreement (whether subject to conditions or otherwise) similar to or relating in whole or in part to the Proposed Acquisition or which may directly or indirectly affect the Proposed Acquisition, including but not limited to any acquisition or purchase of all or part of the shareholdings of the Mingford Group (including, for the avoidance of doubt, the registered capital of any of the members of the Jintianran Group), with any party other than the Company, or the issue of any share (including, for the avoidance of doubt, any increase in the registered capital of any of the members of the Jintianran Group) or loan capital or the grant of any warrant, option or other right to subscribe for any share (including, for the avoidance of doubt, the registered capital of any of the members of the Jintianran Group) or loan capital of Mingford and/or the Mingford Group (including the Jintianran Group), or with respect to the material assets of the Mingford Group (including the Jintianran Group), the sale and purchase of all or any portion of the assets and businesses of the Mingford Group (including Jintianran Group).

Definitive Documentation

The Company expects to enter into the Definitive Documentation with the Vendor as well as Mr. Chi Lian Cheng and Mr. Chan Wai Cheung as soon as the parties are able to finalize the concrete terms thereof.

Payment of the purchase price

The consideration of the Proposed Acquisition shall be determined with reference to the valuation of the Mingford Group (taking into account the Jintianran Group) as appraised by an independent valuer engaged by the Company and acceptable to all the parties. The consideration of the Proposed Acquisition shall be satisfied by either cash, consideration shares and/or convertible notes carrying the rights to convert into new shares of the Company, or any combination of them, to be agreed by the parties provided always that the manner in which the consideration of the Proposed Acquisition shall be satisfied shall not result in a reverse takeover of the Company.

Binding effect

Save and except the terms mentioned in the MOU directly related to the Proposed Acquisition which shall be binding and enforceable upon signing of the MOU (as to the incorporation of such terms into the Definitive Documents), the MOU is not legally binding upon nor enforceable against, and does not constitute an offer, a counter-offer, an acceptance and/or a commitment to enter into the Proposed Acquisition or any other transactions by, any party and that any binding commitment shall be subject to the execution and delivery of the Definitive Documentation.

Term

This MOU will remain in effect for one month from the date of signing the MOU and is subject to further extension as may be mutually agreed by the Parties in writing, or until superseded by the execution of the Definitive Documentation, whichever is the earlier. Upon expiry of the MOU, the Parties shall have no further rights or obligations hereunder, except with respect to any antecedent breaches of the binding provisions as set out in the MOU.

The Board wishes to emphasize that the Proposed Acquisition is subject to, among other things, the entering into of the Definitive Documentation, of which the final terms and conditions of which are yet to be agreed. As the Proposed Acquisition may or may not proceed, potential investors and Shareholders are advised to exercise caution when dealing in the Shares. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company should any Definitive Documentation be entered into as and when appropriate in accordance with the Listing Rules.

INFORMATION ON THE MINGFORD GROUP

As at the date hereof, Mingford owns the entire issued share capital Rich Kind (China) Limited (富善(中國)有限公司) which is a company incorporated under the laws of Hong Kong. Rich Kind (China) Limited in turn owns the entire equity interest in Daqing Rich Kind Environmental Protection Technology Limited (大慶富善環保技術有限公司), a wholly foreign owned enterprise established under the laws of the PRC.

Daqing Rich Kind Environmental Protection Technology Limited owns the entire equity interest in Jintianran. As at the date of the MOU, the Jintianran Group is principally engaged in the operation and management of dairy farms and the production and sale of cattle feed, raw milk, milk powder and other dairy products. The shareholding structure in relation to the Mingford Group and the Jintianran Group may be subject to change as a result of group reorganisation.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings.

“Board”	the board of Directors
“Company”	Daqing Dairy Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be constructed accordingly
“Definitive Documentation”	the formal sale and purchase agreement and any other documents (if any) in relation to the Proposed Acquisition
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	the third parties independent of the Company and its connected persons
“Jintianran”	黑龍江金天然乳業有限責任公司 (Heilongjiang Jintianran Dairy Company Limited)*, a company incorporated in the PRC
“Jintianran Group”	Jintianran and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mingford”	Mingford Development Limited (名峰發展有限公司), a company incorporated in the British Virgin Islands and is beneficially owned by Vendor (as to 50.0%), Mr. Chi Lian Cheng (as to 30.0%) and Mr. Chan Wai Cheung (as to 20.0%)
“Mingford Group”	Mingford and its subsidiaries, including Jintianran Group

“MOU”	the memorandum of understanding dated 21 February 2012 entered into by the Company and the Vendor in relation to the Proposed Acquisition
“Parties”	the Company and the Vendor; and “Party” shall mean anyone of them
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the Company’s proposed acquisition of the entire issued share capital of Mingford from the Vendor, Mr Chi Lian Cheng and Mr. Chan Wai Cheung
“Share(s)”	ordinary share(s) of HK\$0.00001 each in the share capital of the Company
“Shareholders”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the effective period of the MOU, being one month from the date of signing of the MOU
“Vendor”	City Skyline Capital Limited, a company incorporated in the British Virgin Islands

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

Hong Kong, 21 February 2012

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*