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刊發發售通函



CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(在開曼群島註冊成立之有限公司)

(「本公司」)(股份代號：2319)

於二零二六年到期的650,000,000港元4.50厘息可換股債券

(債務股份代號：5805)(「本債券」)

本公告乃根據香港聯合交易所有限公司證券上市規則(「上市規則」)第37.39A條刊發。

請參閱本公告隨附日期為二零二三年六月八日內容有關發行本債券的發售通函(「發售通函」)。發售通函僅以英文刊發，並無編製發售通函的中文版本。

香港投資者謹請注意：本公司確認本債券擬僅供專業投資者(定義見上市規則第37章)購買，並已按該基準於香港聯合交易所有限公司上市。因此，本公司確認本債券不適合作為香港或其他地方零售投資者之投資。投資者應審慎考慮所涉及的風險。

發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，且並非向公眾發出邀請以就認購或購買任何證券作出要約，亦非供傳閱以邀請公眾就認購或購買任何證券作出要約。

發售通函不得被視為認購或購買本公司任何證券的勸誘，且並無意進行有關勸誘。在作出投資決定時，投資者須倚賴彼等自身對本公司、本集團(定義見發售通函)及發售條款(包括所涉及的裨益及風險)的審查。

承董事會命
中國蒙牛乳業有限公司*
公司秘書
郭偉昌

香港，二零二三年六月十六日

於本公告日期，本公司執行董事為盧敏放先生、王燕女士及張平先生；本公司非執行董事為陳朗先生、王希先生及Simon Dominic Stevens先生；本公司獨立非執行董事為葉禮德先生、李恒健先生及葛俊先生。

* 僅供識別

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “Offering Circular”). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer (as defined in the attached Offering Circular) or from BOCI Asia Limited and BNP Paribas Securities (Asia) Limited (together, the “Managers”) as a result of such access. In order to review the attached Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer and the Managers that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”); (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Managers and the Agents (as defined in the attached Offering Circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Managers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Managers the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are “capital market intermediaries” (together, the “CMI”) subject to Paragraph 21 of the SFC Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (together, the “OCs”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an “Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “IDD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

No EEA or UK PRIIPs KID — No EEA or UK PRIIPs key information document (KID) has been prepared as not available to retail in EEA or UK.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT DELIVER OR FORWARD THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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CHINA MENGNIU DAIRY COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(stock code: 2319.HK)

HK\$650,000,000 4.50 per cent. Exchangeable Bonds Due 2026
exchangeable for the ordinary shares of

CHINA MODERN DAIRY HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)

(stock code: 1117.HK)

Issue Price: 100.00 per cent.

The 4.50 per cent. Exchangeable Bonds due 2026 in the aggregate principal amount of HK\$650,000,000 (the "Bonds"), exchangeable for the ordinary shares of par value of HK0.10 each (the "CMD Shares") of China Modern Dairy Holdings Ltd. ("Modern Dairy") will be issued by China Mengniu Dairy Company Limited (the "Company", the "Issuer" or "Mengniu").

The Bonds will bear interest on their outstanding principal amount from and including 15 June 2023 at the rate of 4.50 per cent. per annum, payable semi-annually in arrear in equal instalments of HK\$22,500 per Calculation Amount (as defined in the Terms and Conditions of the Bonds) on 15 December and 15 June in each year (each an "Interest Payment Date"), beginning on 15 December 2023.

The issue price of the Bonds shall be 4.50 per cent. of the aggregate principal amount of the Bonds and the denominations of the Bonds shall be HK\$2,000,000 and integral multiples of HK\$1,000,000 in excess thereof.

The Bonds will constitute direct, unsubordinated, unconditional and, subject to Condition 4(A) of the Terms and Conditions of the Bonds, unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority amongst themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Subject to the right of the Issuer to make a Cash Election as described in the Terms and Conditions of the Bonds, each Bondholder has the right, subject as provided in the Terms and Conditions of the Bonds and to any applicable laws and regulations and in the manner as described in the Terms and Conditions of the Bonds, to exchange a Bond at any time during the Exchange Period (as defined in the Terms and Conditions of the Bonds) for a pro rata share of the Exchange Property (as defined in the Terms and Conditions of the Bonds) as at the relevant Exchange Date (as defined in the Terms and Conditions of the Bonds). The right of a Bondholder to exchange a Bond for Exchange Property (or, as the case may be, exchange a Bond for payment of the Cash Alternative Amount (as defined in the Terms and Conditions of the Bonds)) pursuant to Condition 7(B)(iv) of the Terms and Conditions of the Bonds is herein referred to as the "Exchange Right". The "Exchange Property" shall initially comprise 568,181,818 CMD Shares, deposited in the Deposit Accounts (as defined in the Terms and Conditions of the Bonds) in accordance with Condition 7(L) of the Terms and Conditions of the Bonds, and shall include all Relevant Securities (as defined in the Terms and Conditions of the Bonds) and other property arising out of or derived or resulting therefrom and such other property, in each case as may be deemed or required to comprise all or part of the Exchange Property pursuant to the Terms and Conditions of the Bonds, but excluding any such property as may or may be deemed to have ceased to form part of the Exchange Property. Subject to the right of the Issuer to make a Cash Election, on the exercise of Exchange Rights, Bondholders will initially be entitled to receive 874,125 CMD Shares for each HK\$1,000,000 principal amount of Bonds (subject to adjustments pursuant to the Terms and Conditions of the Bonds). The CMD Shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Unless previously redeemed, exchanged or purchased and cancelled as provided in the Terms and Conditions of the Bonds, the Bonds will be redeemed at its principal amount on 15 June 2026 (the "Maturity Date") together with interest accrued but unpaid thereon to such date. On 15 June 2025 (the "Put Option Date"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at their principal amount, together with interest accrued but unpaid thereon to but excluding the Put Option Date. The Bonds may also be redeemed at the option of the holders at their principal amount, together with interest accrued but unpaid thereon to but excluding the Relevant Event Redemption Date (as defined in the Terms and Conditions of the Bonds), upon (i) CMD Shares ceasing to be listed or admitted to trading or being suspended from trading for a period exceeding 30 consecutive Trading Days (as defined in the Terms and Conditions of the Bonds) on the Hong Kong Stock Exchange or, if applicable, an alternative stock exchange, or (ii) when there is a Change of Control (as defined in the Terms and Conditions of the Bonds). The Bonds may be redeemed in whole but not in part at the option of the Issuer at their principal amount, together with interest accrued but unpaid thereon to but excluding the relevant date fixed for redemption (i) at any time from and including 29 June 2025 to but excluding the Maturity Date, provided that the Value (as defined in the Terms and Conditions of the Bonds) of the Exchange Property on each of 20 out of 30 consecutive Trading Days (as defined in the Terms and Conditions of the Bonds) the last day of which period occurs no more than five Trading Days immediately prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded 130 per cent. of the aggregate principal amount of the Bonds outstanding on such Trading Day (excluding for this purpose the face value of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the Exchange Property (or any cash payment in respect thereof) has not yet been delivered and excluding from the Exchange Property such undelivered (or unpaid) Exchange Property); or (ii) at any time, if prior to the date on which the relevant notice of redemption is given by the Issuer less than 10 per cent. in aggregate principal amount of the Bonds originally issued is outstanding. At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Agent and to the Bondholders in accordance with Condition 17 of the Terms and Conditions of the Bonds (which notice will be irrevocable), redeem the Bonds at their principal amount, together with interest accrued but unpaid thereon to but excluding the date fixed for redemption in the event of certain changes relating to taxation in the PRC, Hong Kong or the Cayman Islands or, in each case, any political subdivision or any authority thereof or therein or having power to tax on or after 8 June 2023, as described in the Terms and Conditions of the Bonds. Under such circumstances, each Bondholder will have the right to elect for his Bonds not to be redeemed, whereupon no Additional Amounts (as defined in the Terms and Conditions of the Bonds) shall be payable in respect thereof, as described in the Terms and Conditions of the Bonds.

The Issuer has made an application for the pre-issuance registration (the "Pre-Issuance Registration") in relation to the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Administrative Measures for the Examination and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "Order 56") issued by the NDRC and effective from 10 February 2023. The Issuer has received the Enterprise Foreign Debt Filing Registration Certificate (企業借用外債備案登記證明) dated 29 March 2023 in respect of, among other things, the issue of the Bonds from the NDRC in connection with the Pre-Issuance Registration. The Issuer undertakes to use its reasonable endeavours to file or cause to be filed with the NDRC the requisite Post-Issuance Reporting Filings, and file or cause to be filed with the China Securities Regulatory Commission (the "CSRC") the requisite post-issuance registration within the relevant prescribed timeframe after the Issue Date, respectively.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds".

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Investing in the Bonds involves risks, including but not limited to risks associated with the exchangeable features of the Bonds, and there are various other risks relating to the Bonds, the Exchange Property, the Group, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 17 for a description of certain factors to be considered in connection with an investment in the Bonds and CMD Shares.

The Bonds and the CMD Shares to be delivered upon exchange thereof have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or other. The Bonds and the CMD Shares, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Bonds and the CMD Shares to be delivered upon exchange of the Bonds and the distribution of this offering circular (the "Offering Circular"), see "Subscription and Sale".

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Company or the Group or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company, the Group and Modern Dairy. The Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Modern Dairy has not participated in the preparation of this Offering Circular and this Offering Circular does not purport to include sufficient information with regard to Modern Dairy and the CMD Shares to enable prospective investors of the Bonds to make an informed decision regarding an investment in the Bonds or the CMD Shares. Prospective investors should consult the publicly available information of Modern Dairy prior to making a decision to invest in the Bonds. The Bonds are not rated. The Bonds will initially be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 15 June 2023 (the "Issue Date") with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Offering Circular dated 8 June 2023

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IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Group and Modern Dairy. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Issuer, having made all reasonable enquiries, confirms that: (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (collectively, the “**Group**”), the CMD Shares and the Bonds, and such information with respect to Modern Dairy, which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Bonds and the CMD Shares, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and the rights attaching to the Bonds); (ii) the statements of fact contained in this Offering Circular relating to the Issuer and the Group are true and accurate in all material respects and not misleading as of the date thereof; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly and reasonably held, have been reached after reasonable consideration of all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group, or the Bonds, and to the best of the Company’s knowledge, the CMD Shares or Modern Dairy, the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinions or intentions expressed in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular.

The Issuer have prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of BOCI Asia Limited and BNP Paribas Securities (Asia) Limited (the “**Managers**”) or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the EEA, the UK, Hong Kong, PRC, Japan, Singapore and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “Subscription and Sale”. By purchasing the Bonds, investors represent and

agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Group, Modern Dairy, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or Modern Dairy since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Managers, Citicorp International Limited (the “**Trustee**”), the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Managers, the Trustee or the Agents any of their respective directors, officers, employees, affiliates, representatives, advisers or agents, or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and

each such person must rely on its own examination of the Issuer and the Group and the merits and risks involved in investing in the Bonds. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in the Bonds. The risks and investment considerations identified in this Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of the Bonds and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the any of them or on their behalf in connection with the Company, the Group, Modern Dairy or the Bonds. Each of the Managers, the Trustee and the Agents and each of their respective directors, officers, employees, affiliates, representatives, advisers and agents and each person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Group or Modern Dairy during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls any of them.

In connection with the offering of the Bonds, the Manager and/or its affiliates, or affiliates of the Issuer may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Manager and/or its affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018).

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual terms, and actual numbers may differ from those contained herein due to rounding.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industries in which the Group operates in and the economic development of certain regions within the PRC have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer or the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls of them, and none of the Issuer or the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, advisers or agents or any person who controls of them make any

representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “**U.S.\$**” and to “**U.S. dollars**” are to United States dollars; all references to “**HK\$**” and “**Hong Kong dollars**” are to Hong Kong dollars; all references to “**Renminbi**”, “**CNY**” and “**RMB**” are to the currency of the PRC; all references to “**United States**” or “**U.S.**” are to the United States of America; references to “**China**”, “**Mainland China**” and the “**PRC**” in this Offering Circular are to the People’s Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to “**PRC Government**” are to the government of the PRC; references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “**Macau**” are to the Macau Special Administrative Region of the People’s Republic of China; and all references to the “**United Kingdom**” and “**UK**” are to the United Kingdom of Great Britain and Northern Ireland.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this Offering Circular, that investor should obtain independent professional advice.

CERTAIN DEFINED TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which you should consider when reading the information contained herein. When the terms “**we**”, “**us**”, “**our**”, “**Mengniu**”, the “**Company**”, the “**Issuer**”, the “**Group**” and words of similar import are used, they are referring to China Mengniu Dairy Company Limited and its consolidated subsidiaries, unless the context indicates otherwise.

In this Offering Circular, references to:

- “**Aice**” are to AICE Holdings Limited and its subsidiaries;
- “**AQSIQ**” are to the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局);
- “**Arla**” or “**Arla Foods**” are to Arla Foods Amba;
- “**AUD**” are to Australian dollars, the official currency of Australia;
- “**Bellamy’s**” are to Bellamy’s Australia Limited;
- “**bovine TB**” are to bovine tuberculosis;
- “**Chilled Business JV(s)**” are to collectively, Chilled Business JVs Holdco and the Individual Chilled Business JVs
- “**Chilled Business JVs Holdco**” are to Inner Mongolia Tegaoxin Dairy Co., Ltd. (內蒙古特高新乳製品有限公司), a company incorporated in the PRC with limited liability
- “**chilled products**” are a general reference to dairy products that shall be stored, transported and sold in a chilled environment, typically within a temperature of 2°C to 6°C. Such products typically include chilled yoghurt, pro-biotic beverage, pasteurised milk and low temperature modulation milk;
- “**China Shengmu**” are to China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 1432);
- “**Clearstream**” are to Clearstream Banking S.A.;

“COFCO”	are to COFCO Corporation (中糧集團有限公司) and, unless the context indicates otherwise, some or all of its subsidiaries and other persons acting in concert, including without limitation COFCO (Hong Kong) Limited (中糧集團(香港)有限公司), China Foods (Holdings) Limited (中國食品(控股)有限公司), Farwill Limited (志遠有限公司), COFCO Dairy Holdings Limited (中糧乳業控股有限公司), COFCO Dairy Investments Limited (中糧乳業投資有限公司), Prominent Achiever Limited (亘達有限公司), WDF Investment Co., Ltd. (萬德丰(北京)投資管理有限公司), and Colour Spring Limited (彩泉有限公司);
“Company” or “Mengniu”	are to China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司), whose shares are listed on SEHK (Stock Code 2319);
“COVID-19”	are to a disease caused by a novel strain of coronavirus, SARS-COV-2;
“Danone” or “Danone Group”	are to, as the context indicates, Danone S.A. or one or several subsidiaries of Danone S.A., including Danone Asia Pte Ltd;
“EIT Law”	are to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法);
“Euroclear”	are to Euroclear Bank SA/NV;
“FIRB”	are to the Foreign Investment Review Board of Australia;
“Greatview”	are to Greatview and its subsidiaries and associates, including Greatview Beijing Trading Co., Ltd. (紛美(北京)貿易有限公司);
“H1N1”	are to influenza A virus subtype H1N1;
“HK\$” and “HK dollars”	are to Hong Kong dollars, the official currency of Hong Kong;
“Hong Kong Stock Exchange”	are to The Stock Exchange of Hong Kong Limited;
“IFRS”	are to International Financial Reporting Standards;

“Individual Chilled Business JVs”	are to Mengniu Dairy (Jiaozuo) Co., Ltd. (蒙牛乳製品(焦作)有限公司), Mengniu Dairy (Meishan) Co., Ltd. (蒙牛乳業(眉山)有限公司), Tongliao Mengniu Dairy Co., Ltd. (通遼市蒙牛乳製品有限責任公司), Mengniu High-Tech Dairy (Ma’anshan) Co., Ltd. (蒙牛高科乳製品(馬鞍山)有限公司), Ningxia Mengniu Dairy Co., Ltd. (寧夏蒙牛乳製品有限責任公司), Mengniu Dairy (Tianjin) Co., Ltd. (蒙牛乳製品(天津)有限責任公司), Mengniu Dairy (Qingyuan) Co., Ltd. (蒙牛乳業(清遠)有限公司), Mengniu Dairy (Tai’an) Co., Ltd. (蒙牛乳製品(泰安)有限責任公司), Hubei Frealth Dairy Co., Ltd. (湖北友芝友乳業有限責任公司) and Mengniu High-Tech Dairy (Beijing) Co., Ltd. (蒙牛高科乳製品(北京)有限責任公司), companies incorporated in the PRC with limited liability;
“Inner Mongolia Mengniu”	are to Inner Mongolia Mengniu Dairy (Group) Co., Ltd. (內蒙古蒙牛乳業(集團)股份有限公司), the immediate parent company of all of major subsidiaries of Mengniu in the PRC excluding Inner Mongolia Mengniu;
“Listing Rules”	are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Managers”	are to BOCI Asia Limited and BNP Paribas Securities (Asia) Limited;
“Milk Deluxe”	are to a brand of Mengniu’s liquid milk products (特侖蘇);
“Milkground”	are to Shanghai Milkground Food Tech Co., Ltd., whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600882);
“Modern Dairy”	are to China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), whose shares are listed on the SEHK (Stock Code 1117) and unless the context indicates otherwise, references to Modern Dairy are to Modern Dairy and its consolidated subsidiaries collectively;
“MOF”	are to the Ministry of Finance of the PRC (中華人民共和國財政部);
“NDRC Certificate”	are to the certificate issued by the National Development and Reform Commission of the PRC on 29 March 2023, evidencing the Company’s examination and registration of the Bonds;
“Offering Circular”	are to this Offering Circular;
“PBoC”	are to the People’s Bank of China (中國人民銀行), the central bank of the PRC;

“PRC” or “China” . . .	are to the People’s Republic of China, excluding, for the purpose of this Offering Circular only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
“PRC Government” . . .	are to all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities of the PRC;
“provinces”	are to provinces and to provincial-level autonomous regions and municipalities in China which are directly under the supervision of the central PRC Government;
“RMB” or “Renminbi” .	are to the Renminbi, the official currency of the PRC;
“SAFE”	are to the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“SARS”	are to severe acute respiratory syndrome;
“SASAC”	are to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會);
“SAT”	are to the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
“scaled farms”	are to farms possessing 100 dairy cows or more;
“SEHK”	are to The Stock Exchange of Hong Kong Limited;
“SIG Combibloc”	are to SIG Combibloc and its subsidiaries and associates, including Combibloc (Suzhou) Co., Ltd. (康美包(蘇州)有限公司);
“SGS certification” . . .	are to the certification granted by Société Générale de Surveillance S.A., a multinational company which provides inspection, verification, testing and certification services.
“Tetra Pak”	are to Tetra Pak International SA, its subsidiaries and associates, including Tetra Pak China Ltd. (利樂中國有限公司) and its subsidiaries;
“UHT milk”	are to ultra-high temperature milk, which is generally heated to between 275 and 302 degrees Fahrenheit which allows the milk to be stored at room temperature for extended periods of time;
“U.S.\$” and “U.S. dollars”	are to United States dollars, the official currency of the United States of America;
“Yashili”	are to Yashili International Holdings Ltd (雅士利國際控股有限公司), whose shares are listed on the SEHK (Stock Code 1230).

Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8972 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2022, and all translations from Hong Kong dollars into U.S. dollars were made at the rate of HK\$7.8015 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2022. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or HK dollars, or vice versa, at any particular rate or at all.

The Company records its financial statements in RMB and its financial statements are prepared in accordance with International Financial Reporting Standards, or the “IFRS”, which may differ in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted accounting principles.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

Non-GAAP Financial Measures

For the purpose of this Offering Circular, EBITDA for any period consists of profit for the year/period before finance costs, interest income, income tax expense, depreciation and amortisation. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company’s ability to incur and service debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit attributable to owners of Mengniu or any other measure of performance or as an indicator of its operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA, such as revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included herein because it is considered as a useful supplement to cash flow data as a measure of Mengniu’s performance and its ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare Mengniu’s EBITDA to EBITDA presented by other companies because not all companies use the same definition.

FORWARD LOOKING STATEMENTS

Certain forward-looking statements have been made in this Offering Circular regarding, among other things, the Company's consolidated financial conditions, future expansion plans and business strategy. This Offering Circular may contain words such as "believe", "could", "may", "will", "target", "estimate", "project", "predict", "forecast", "guideline", "should", "plan", "expect" and "anticipate" and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the captions "Summary" and "Principal Business of the Company" relating to the following matters may include forward-looking statements:

- business strategies and plan of operation;
- capital expenditure plans;
- the amount and nature of, and potential for, future development of business;
- operations and business prospects;
- production facilities under construction or planning;
- the regulatory environment of the relevant industry in general; and
- future development in the relevant industry.

Such statements are subject to various risks and uncertainties, including, but not limited to:

- changes in global economic and social conditions;
- changes in the world political situation;
- changes in economic and political conditions and increases in regulatory burdens in the PRC and other countries in which the Company operates, transacts business or has interests;
- the impact of the outbreak of COVID-19 on our business, financial performance and results of operations;
- accidents and natural disasters;
- changes in import controls or import duties, levies or taxes, either in international markets or in the PRC;
- changes in laws, regulations, taxation or accounting standards or practices and any related liabilities or compliance costs or obligations;
- currency, interest rate, price and credit risks;
- changes in prices or demand for products or raw materials produced or used by the Company or its subsidiaries or affiliates, both in the PRC and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations;

- the risks of increasing expenditures and investments;
- uncertainty of technological change;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- acquisitions or divestitures;
- dividend policy;
- potential disputes with international and domestic joint venture partners; and
- other factors, including those discussed in “Risk Factors”.

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although the Company believes that the expectations of the management of the Company as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements and we undertake no obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020, 2021 and 2022 and the auditor's report in respect of each of the financial year contained in their respective annual reports for 2020, 2021 and 2022, respectively, are incorporated by reference in, and form part of, this Offering Circular. The audited consolidated financial statements were prepared in conformity with International Financial Reporting Standards (“IFRS”). See “General Information”.

Copies of the aforementioned documents that are included in this Offering Circular or which are so deemed to be incorporated in, and to form part of, this Offering Circular (i) may be downloaded free of charge from the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> (the other contents of this website do not form part of this Offering Circular); or (ii) will be available free of charge at the Company's principal place of business at 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong during normal business hours so long as any of the Bonds is outstanding.

SUMMARY

This summary below is intended only to provide a limited overview of information disclosed in more detail elsewhere in this Offering Circular and may not contain all of the information that may be important to you. Terms defined elsewhere in this Offering Circular shall have the same meaning in this summary. You should read this entire Offering Circular before making an investment decision to purchase the Bonds.

We are a leading dairy product manufacturer in China. We ranked among the “Global Dairy Top 20” list published by Rabobank for the fourteenth consecutive year. We offer a wide range of dairy products including liquid milk products (such as UHT milk, milk beverages and yoghurt), ice cream, milk formula and other products (such as cheese). As at 31 December 2022, we had developed 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand respectively, with an aggregate annual production capacity of 12.91 million tonnes.

We are listed on the Main Board of the Hong Kong Stock Exchange since June 2004 (Stock Code: 2319). We became a Hang Seng Index constituent in March 2014, making us the first blue chip Chinese dairy product manufacturer. As at 31 December 2022, our market capitalisation was HK\$140,014 million.

We are committed to sustainable development. We were included as a constituent stock in major sustainable development indexes such as the Hang Seng Corporate Sustainability Index Series for the third consecutive year. In 2022, our MSCI ESG rating improved to an A grade, the highest rating in the Chinese food industry, and we ranked first in the “ESG Vanguard 50 Index” (央企ESG • 先鋒50指數).

We have developed an advantageous market position at each major component of the dairy products value chain:

- **Upstream.** We source 100% of our raw milk from standardised ranches and scaled farms. We have a long-term raw milk procurement arrangement with Modern Dairy, in which we held a 56.36% equity interest but controlled less than 50% of the voting rights as at 31 December 2022, to secure a stable supply of high quality raw milk. In addition, we entered a raw fresh milk supply framework agreement with China Shengmu in December 2019 and held a 29.99% equity interest in China Shengmu as of 31 December 2022 to secure a stable supply of organic raw milk. Meanwhile, we have expanded our raw milk supply globally into overseas countries with quality milk sources. We have secured stable source of high quality raw milk through strategic investment in various raw milk suppliers and maintaining stable relationship with third party raw milk suppliers;
- **Midstream.** We possess advanced automated manufacturing processes and facilities. As of 31 December 2022, we had 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand, respectively. As of the same date, we had a total annual production capacity of 12.91 million tonnes. Leveraging our rich resources and international-leading technologies, we continued to innovate around product differentiation and premiumization, leading the industry with superior and diversified products; and

- Downstream. We had approximately thousands of dealers and millions of retail outlets throughout China as at 31 December 2022, covering all provinces, municipalities and autonomous regions. The majority of these dealers are exclusive dealers and all of our UHT milk dealers are exclusive dealers. We have developed long-term relationships with most of our dealers. In addition, we conduct online sales through multiple contracted online sales channels, including all major e-commerce platforms in China such as Tmall, JD and Pinduoduo. We have also taken steps to expand our omni-channel operations and accelerated the development of new retail channels such as O2O delivery and community group purchases.

We offer our products primarily under the umbrella brand “蒙牛” (MENGNIU) and its related brands, including Bellamy’s, Aice and Milkground which we acquired in recent years. “蒙牛” (MENGNIU) is among the most widely recognised brands in China which was listed as one of the most valuable global brands by BrandZ™ in 2022. In addition, we won the “Quality Brand Award” at the People’s Daily Online 19th People’s Quality Awards and the Most Influential Sports Marketing Brand Award of the Year of ECO SPORTS (ECO氣體年度最具影響力體育營銷品牌獎).

We have established comprehensive partnerships with our strategic shareholders, including COFCO, and together we have achieved significant synergies in business development and operations. COFCO is a key state-owned enterprise under the purview of SASAC and the largest agri-food enterprise in China. We benefit from COFCO’s support in quality management and control, development of logistics capabilities and sales channels as well as feed and packaging supply.

We have been actively expanding our overseas business with a focus on the Southeast Asia markets, which are emerging with great market potential. By the end of 2022, we have launched a range of room-temperature and chilled probiotics drinks and ice cream products in overseas markets. We have established our first overseas liquid milk factory in Indonesia, which has been put into operation in November 2018. In July 2019, the Group held approximately 9.99% equity interest in Aice, a leading ice cream brand in Southeast Asia with an extensive sales network in Indonesia. In addition, the Group also held interest in Aice through certain convertible promissory notes. In March 2021, we acquired the control of Aice, as part of our strategy to expand our market share of ice-cream products in Southeast Asia. As of 31 December 2022, we held 42.25% equity interest in Aice and had the right to appoint a majority of members of Aice’s board of directors. The coverage of our distribution and sales network has also been expanded into, among others, Hong Kong, Malaysia, Indonesia, Myanmar, the Philippines and Cambodia. In 2022, Inner Mongolia Mengniu, a major subsidiary of the Company, acquired additional 5.00% equity interest in Milkground, which mainly engages in the manufacture and distribution of cheese products of Milkground brand. After the acquisition, Inner Mongolia Mengniu held 35.01% equity interest in Milkground. The acquisition was made as part of our strategy to expand market share of cheese products. Milkground was included in the consolidated statements of the Group from 30 November 2022 onwards.

We have benefited from the full support of local governments in the PRC as a result of our commitment to local economic development. Support provided to us by local governments took the form of tax support (including preferential tax rates and tax relief), favourable support for establishment of business, and favourable industry policies.

We have introduced the business division system with our business being divided into several major business divisions primarily based on our product categories, including room temperature, chilled, fresh milk, milk powder, ice cream and cheese. Implementation of the new organisational structure has integrated the management of key aspects of our operation, including production, procurement, sales and quality control into different business divisions, and also enhanced synergies in our operations, and improved our utilisation of resources, operational and management efficiency, as well as product quality.

Our Competitive Strengths

- We are well-positioned to seize the development opportunities of the PRC dairy industry.
- We maintain a leading market position and possess a well-recognised brand.
- We offer a diversified mix of products and we continuously innovate and upgrade our product offerings.
- We have a strong distribution network across the PRC.
- We have strong capabilities with respect to key aspects across the value chain.
- We have an experienced management team and a strong board of directors.
- We have prudent financial management and financial policy.
- We have a well-established ESG management system.

Our Strategies

- We will focus on nutrition of our dairy products and health needs of the consumers and develop our world-leading research and development capabilities.
- We will focus on brand building by continuously investing in premium brands and conducting high-profile marketing campaigns.
- We will build a sales team with omni-channel management capability and industry leading efficiency.
- We will continuously improve our product quality and operation efficiency across the entire supply chain.
- We aim for breakthroughs in new business to build up new growth drivers.
- We will align our company culture with our 2025 strategic target.
- We will drive future growth with innovation and digitalisation.

Recent Development

On 13 May 2021, Danone announced that as of May 2021, Danone had disposed all of its interests in Mengniu (the “**Danone Mengniu Disposal**”). Following the Danone Mengniu Disposal, Mengniu and Danone continued to have the following relationships:

- (a) **Chilled Business JVs.** Danone (Shanghai) Holding Co., Ltd. (“**Danone Shanghai**”), a wholly owned subsidiary of Danone, held a 20% equity interest in each of the Chilled Business JVs, with the remaining 80% equity interests owned by Mengniu and/or Inner Mongolia Mengniu;
- (b) **25% beneficial ownership in Yashili.** Danone Asia Baby Nutrition Pte. Ltd. (“**Danone Nutrition**”), a wholly owned subsidiary of Danone, was the beneficial owner of 25% of the issued share capital of Yashili. Mengniu, through its 99.95%-owned subsidiary, China Mengniu International Company Limited, was the beneficial owner of approximately 51% of the issued share capital of Yashili; and
- (c) **Dumex China.** Yashili International Group Co. Ltd. (“**Yashili Guangdong**”), a subsidiary of Yashili, was the 100% beneficial owner of Dumex Baby Food Co., Ltd. (“**Dumex China**”), a baby infant formula company in the PRC that was sold in May 2016 to Yashili Guangdong by Danone Asia Pacific Holdings Pte. Ltd. (“**Danone APAC**”), a wholly-owned subsidiary of Danone,

(together, the “**Mengniu-Danone Relationships**”).

Following the Danone Mengniu Disposal, Mengniu and Danone agreed to proceed to unwind the Mengniu-Danone Relationships. To unwind the Mengniu-Danone Relationship, on 6 May 2022, the Group entered into a series of agreements with certain subsidiaries of Danone, pursuant to which Danone would dispose 20% equity interest in each of the Chilled Business JVs (the “**Chilled Business Sale Shares**”) to the Group (the “**Chilled Business JVs Acquisition**”), the Group would dispose 100% equity interest in Dumex China to Danone (the “**Dumex China Disposal**”), and Danone would dispose 25% equity interest in Yashili to the Company (the “**25% Yashili Acquisition**”).

On 26 August 2022, the Chilled Business JVs Acquisition was completed, upon which the Chilled Business JVs became wholly-owned by the Company and/or Inner Mongolia Mengniu. The consideration of RMB1,400 million was paid by Danone to Mengniu upon completion, and the remaining balance of RMB200 million was paid after completion of the Dumex China Disposal.

The Dumex China Disposal was completed on 2 March 2023 for a total consideration of RMB870 million on a cash free and debt free basis, subject to the closing accounts adjustments. RMB850 million was paid by Danone APAC to Yashili Guangdong upon completion, and any remaining balance of the consideration would be paid by Danone APAC to Yashili Guangdong after completion of the closing accounts adjustments. Upon the completion of the Dumex China Disposal, the Company and Yashili ceased to hold any interest in Dumex China and Dumex China ceased to be a subsidiary of the Company and Yashili. Accordingly, the financial results of Dumex China are no longer consolidated into the consolidated financial statements of the Group.

The completion of the 25% Yashili Acquisition took place on 9 March 2023 for which the Company paid a total consideration of HK\$1,423,688,089 to Danone. As a result, as of the date of this Offering Circular, the Company holds an approximately 76.04% interest in Yashili and Danone ceased to be a shareholder of Yashili.

As further disclosed in the announcement dated 6 May 2022 (the “**3.5 Announcement**”), the Company has proposed that, subject to the satisfaction of certain pre-conditions as set out in the 3.5 Announcement, it will, through Star Future Investment Company Limited, a wholly-owned subsidiary of the Company, put forward a proposal to the holders of shares of Yashili in issue (other than those held by the Company directly or indirectly) for the privatisation of Yashili (the “**Yashili Privatisation Proposal**”) by way of a scheme of arrangement under section 86 of the Companies Act of the Cayman Islands (the “**Scheme**”), on the terms and subject to the conditions as described in the 3.5 Announcement and as amended in the announcement of the Company, Yashili and Star Future Investment Company Limited dated 16 August 2022.

As disclosed in the announcement dated 9 March 2023, all pre-conditions to the making of the Yashili Privatisation Proposal and implementation of the Scheme had become fulfilled on 9 March 2023. With all the pre-conditions having been fulfilled, the implementation of the Yashili Privatisation Proposal is subject only to the satisfaction (or where applicable, waiver) of the conditions to the Yashili Privatisation Proposal. The scheme document in relation to, among other things, the Yashili Privatisation Proposal and the Scheme, was despatched on 31 May 2023.

For further information on the Yashili Privatisation Proposal and the Scheme, please refer to the public disclosure of Yashili and/or the Company on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk>, our website at <http://www.mengniu.com.cn> or the website of Yashili at <http://www.yashili.hk>.

SUMMARY OF THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Description of the Global Certificate” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer	China Mengniu Dairy Company Limited.
Issue	HK\$650,000,000 4.50 per cent. Exchangeable Bonds due 2026 exchangeable into a pro rata share of the Exchange Property as at the relevant Exchange Date.
Issue Price	100.00 per cent.
Form and Denomination.	The Bonds will be issued in registered form and in the denominations of HK\$2,000,000 each integral multiples of HK\$1,000,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.50 per cent. per annum payable semi-annually in arrear in equal instalments of HK\$22,500 per Calculation Amount (as defined in the Terms and Conditions of the Bonds) on 15 December and 15 June in each year (each an “ Interest Payment Date ”), beginning on 15 December 2023.
Issue Date	15 June 2023.
Maturity Date	15 June 2026.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Exchange Right.	Subject to the right of the Issuer to make a Cash Election, each Bondholder will have the right, subject to any applicable laws and regulations and in the manner described in the Terms and Conditions of the Bonds, to exchange a Bond at any time during the Exchange Period for a pro rata share of the Exchange Property as at the relevant Exchange Date. However, in the event of an Offer for any Relevant Securities, the Exchange Rights may be suspended as described in “Terms and Conditions of the Bonds — General Offers”.

Cash Election On or after 15 June 2025 and upon the exercise of Exchange Rights by a Bondholder, the Issuer may make a Cash Election by giving notice to the relevant Bondholders by not later than the Cash Election Exercise Date falling five business days in Hong Kong following the relevant Exchange Date (with a copy to the Trustee, the Principal Agent and the Registrar), to satisfy the exercise of the Exchange Right in respect of the relevant Bonds, in whole or in part and where in part, by reference to either (a) the Principal Limit, or (b) the Cash Limit, by making payment, or procuring that payment is made, to the relevant Bondholder of the Cash Alternative Amount instead of delivering the pro rata share of the Exchange Property, together with any other amounts payable by the Issuer to such Bondholder pursuant to the Terms and Conditions of the Bonds in respect of, or relating to, the relevant exercise of Exchange Rights.

The Issuer will pay the Cash Alternative Amount, together with any other amount as aforesaid, by not later than four Payment Business Days following the last day of the Cash Alternative Calculation Period by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions contained in the relevant Exchange Notice. The Cash Alternative Amount, a sum in Hong Kong dollars, is determined according to the average of the Value on each Trading Day in the Cash Alternative Calculation Period of the relevant *pro rata* share of the Exchange Property which, had a Cash Election not been made, would otherwise fall to be delivered to such Bondholder upon exercise of Exchange Rights in respect of the relevant Bonds.

Cash Alternative Calculation Period The period of five consecutive Trading Days commencing on the second Trading Day immediately following the Cash Election Exercise Date.

Exchange Period Subject to and upon compliance with the Terms and Conditions of the Bonds, the Exchange Right attaching to any Bond may be exercised by the holder thereof at any time on or after 26 July 2023 and up to the close of business (at the place where the Certificate representing the relevant Bond to be exchanged is deposited for exchange) on the date which falls 10 days prior to the Maturity Date (or, if such date shall not be a business day at the place where the Certificate representing the Bond is to be delivered, the immediately preceding business day at such place) or if such Bond shall have been called for redemption prior to the Maturity Date, then up to the close of business (at the place aforesaid) on the date which falls 10 days prior to the date fixed for redemption thereof (or, if such date shall not be a business day at the place where the Certificate representing the Bond is to be delivered, the immediately preceding business day at such place).

Exchange Property . . . The Exchange Property shall initially comprise 568,181,818 CMD Shares, to be deposited in the Deposit Accounts in accordance with Condition 7(L) of the Terms and Conditions of the Bonds, and shall include all Relevant Securities and other property arising out of or derived or resulting therefrom and such other property, in each case as may be deemed or required to comprise all or part of the Exchange Property pursuant to the Terms and Conditions of the Bonds, but excluding any such property as may or may be deemed to have ceased to form part of the Exchange Property pursuant to the Terms and Conditions of the Bonds.

Subject to the right of the Issuer to make a Cash Election, on the exercise of Exchange Rights, Bondholders shall initially be entitled to receive 874,125 CMD Shares for each HK\$1,000,000 principal amount of Bonds (subject to adjustment pursuant to the Terms and Conditions of the Bonds).

**Deposit of
CMD Shares** The Issuer will have deposited with the Agent Bank or in one or more designated accounts of the Issuer (together, the “**Deposit Accounts**”), a total of 568,181,818 CMD Shares, which are sufficient to satisfying the Exchange Rights relating to the Bonds as at 15 June 2023. The Exchange Property is not subject to security interest in favour of the holders of the Bonds.

**Adjustments to the
Exchange Property . .** The Bonds will contain provisions for the adjustment of the Exchange Property in the event of the occurrence of certain events including, among others, sub-division, consolidation or redenomination, rights issues, bonus issues, capital distributions and reorganisations. The Bonds will also contain provisions for the adjustment of the Exchange Property in relation to General Offers, as further described in Condition 8 of the Terms and Conditions of the Bonds.

**Negative Pledge and
Other Covenants . . .** The Bonds will contain a negative pledge provision and other covenants, each as further described in Condition 4 of the Terms and Conditions of the Bonds.

Events of Default The Bonds will contain certain events of default provisions as further described in Condition 12 of the Terms and Conditions of the Bonds.

Final Redemption Unless previously redeemed, exchanged or purchased and cancelled, the Bonds will be redeemed on the Maturity Date at its principal amount together with interest accrued but unpaid thereon to such date.

**Redemption at the
Option of the Issuer . . .**

The Bonds may be redeemed at the option of the Issuer at their principal amount, together with interest accrued but unpaid thereon to but excluding on the relevant date fixed for redemption:

- (i) in whole but not in part, at any time from and including 29 June 2025 to but excluding the Maturity Date, provided that the Value of the Exchange Property on each of 20 out of 30 consecutive Trading Days the last day of which period occurs no more than five Trading Days immediately prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded 130 per cent. of the aggregate principal amount of the Bonds outstanding on such Trading Day (excluding for this purpose the face value of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the Exchange Property (or any cash payment in respect thereof) has not yet been delivered and excluding from the Exchange Property such undelivered (or unpaid) Exchange Property); or
- (ii) in whole but not in part, at any time, if prior to the date on which the relevant notice of redemption is given by the Issuer less than 10 per cent. in aggregate principal amount of the Bonds originally issued is outstanding.

**Redemption for
Taxation Reasons . . .**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Agent and to the Holders in accordance with Condition 17 of the Terms and Conditions of the Bonds (which notice will be irrevocable), at their principal amount, together with interest accrued but unpaid thereon to but excluding the date fixed for redemption in the event of certain changes affecting taxes of the PRC, Hong Kong or the Cayman Islands or any political subdivision or any authority thereof or therein or having power to tax, as further described in Condition 10(C) of the Terms and Conditions of the Bonds.

**Redemption at the
Option of Holders . . .**

On 15 June 2025 (the “**Put Option Date**”), the holder of each Bond, the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder at their principal amount, together with interest accrued but unpaid thereon to but excluding the Put Option Date.

Redemption for Relevant Events	If (i) the CMD Shares cease to be listed or admitted to trading, or are suspended from trading for a period exceeding 30 consecutive Trading Days, on the Hong Kong Stock Exchange (and if applicable, the Alternative Stock Exchange); or (ii) there is a Change of Control, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder at the Relevant Event Redemption Date at their principal amount, together with interest accrued but unpaid thereon to but excluding the Relevant Event Redemption Date.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, Hong Kong, the Cayman Islands or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 11 of the Terms and Conditions of the Bonds.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them, the first date on which Exchange Rights may be exercised and the timing for the making of the Post-Issuance Filings and/or the Post-Issuance NDRC Filing) and so that such further issue shall be consolidated and form a single series with the Bonds in accordance with Condition 18 of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.
Governing Law and Jurisdiction	English law, Hong Kong courts.
Trustee	Citicorp International Limited.
Principal Agent	Citibank, N.A., London Branch.
Registrar	Citibank Europe plc.

Agent Bank	BOCI Financial Products Limited.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 16 June 2023. A confirmation of the eligibility for the listing of the Bonds has been received from the Hong Kong Stock Exchange.
Selling Restrictions . . .	For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of offering materials in certain jurisdictions, including the United States, the United Kingdom, the PRC, Hong Kong, Singapore and Japan, see “Subscription and Sale”.
Use of Proceeds	See the section entitled “Use of Proceeds”.
ISIN	XS2630648280.
Common Code	263064828.
Legal Entity Identifier .	2549005Q343BSJ8RSS21.

SUMMARY FINANCIAL INFORMATION

Summary Financial Information of the Company

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information as at or for the years ended 31 December 2020, 2021 and 2022 set forth below is derived from Company's audited consolidated financial statements as at and for the years ended 31 December 2020, 2021 and 2022 and should be read in conjunction with such audited consolidated financial statements together with the related notes incorporated by reference in this Offering Circular, as audited by Ernst & Young and KPMG, certified public accountants, for the years 2020 and 2021, and 2022, respectively.

Consolidated Statement of Profit or Loss

	For the year ended 31 December		
	2020	2021	2022
	(in thousands of RMB)		
Revenue	76,034,844	88,141,475	92,593,322
Cost of sales	(47,405,564)	(55,751,561)	(59,903,540)
Gross profit	28,629,280	32,389,914	32,689,782
Other income and gains	1,204,786	1,617,656	2,139,649
Selling and distribution expenses	(21,540,925)	(23,487,674)	(22,347,316)
Administrative expenses	(3,132,947)	(3,524,302)	(4,441,844)
Impairment losses on financial and contract assets, net	(156,876)	(208,293)	(289,432)
Loss on disposal of financial assets measured at amortised cost	(22,385)	(33,565)	(53,993)
Other expenses	(1,764,510)	(1,863,223)	(1,863,564)
Interest income	1,084,613	1,027,394	1,385,385
Finance costs	(572,255)	(743,072)	(1,125,263)
Share of profits and losses of:			
A joint venture	(37,413)	(34,905)	—
Associates	463,418	728,238	408,949
Profit before tax	4,154,786	5,868,168	6,502,353
Income tax expense	(653,193)	(904,510)	(1,317,549)
Profit for the year	3,501,593	4,963,658	5,184,804
Attributable to:			
Owners of the Company	3,525,044	5,025,537	5,302,972
Non-controlling interests	(23,451)	(61,879)	(118,168)
	<u>3,501,593</u>	<u>4,963,658</u>	<u>5,184,804</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB per share)			
Basic	0.897	1.274	1.342
Diluted	0.892	1.267	1.336

Consolidated Statement of Comprehensive Income

	For the year ended 31 December		
	2020	2021	2022
	(in thousands of RMB)		
Profit for the year	3,501,593	4,963,658	5,184,804
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	392,078	(607,784)	(410,782)
Effective portion of changes in fair value of hedging instruments arising during the year	(56,058)	9,556	454,077
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(10,814)	—	—
	<u>(66,872)</u>	<u>9,556</u>	<u>454,077</u>
Share of other comprehensive income of associates	10,666	(72,824)	(6,977)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>335,872</u>	<u>(671,052)</u>	<u>36,318</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation	246,072	135,546	(915,068)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	101,289	(74,800)	680
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>347,361</u>	<u>60,746</u>	<u>(914,388)</u>
Other comprehensive income, net of tax	<u>683,233</u>	<u>(610,306)</u>	<u>(878,070)</u>
Total comprehensive income for the year	<u>4,184,826</u>	<u>4,353,352</u>	<u>4,306,734</u>
Attributable to:			
Owners of the Company	4,243,176	4,467,823	4,414,370
Non-controlling interests	(58,350)	(114,471)	(107,636)
	<u>4,184,826</u>	<u>4,353,352</u>	<u>4,306,734</u>

Consolidated Statement of Financial Position

	As of 31 December		
	2020	2021	2022
	(in thousands of RMB)		
Non-current assets			
Property, plant and equipment	12,546,604	17,335,240	19,652,598
Construction in progress	2,729,469	2,619,402	4,111,176
Investment properties	63,924	62,508	61,067
Right-of-use assets	1,847,675	2,142,140	2,783,177
Goodwill	4,883,291	4,857,687	8,887,830
Other intangible assets	7,717,340	7,999,443	12,374,368
Investments in a joint venture	103,427	—	—
Investments in associates	9,020,464	15,793,874	10,396,345
Deferred tax assets	1,276,625	1,561,308	1,600,692
Derivative financial instruments	—	11,119	475,625
Other financial assets	7,690,082	14,235,644	20,240,280
Long term prepayments	760,762	463,038	452,973
Total non-current assets	48,639,663	67,081,403	81,036,131
Current assets			
Other financial assets	7,752,088	4,666,980	6,827,398
Derivative financial instruments	2,175	1,901	4,716
Inventories	5,512,450	6,485,485	8,073,377
Trade and bills receivables	2,988,362	4,159,688	3,660,242
Prepayments, other receivables and other assets	3,604,858	4,285,875	4,639,624
Pledged deposits	249,521	203,151	284,213
Cash and bank balances	11,397,123	11,216,861	12,765,829
Assets held for sale	—	—	521,675
Total current assets	31,506,577	31,019,941	36,777,074
Current liabilities			
Trade and bills payables	7,969,321	8,803,902	10,200,635
Other payables and accruals	11,465,916	14,576,417	13,581,433
Interest-bearing bank and other borrowings . .	4,924,393	4,265,484	9,094,719
Derivative financial instruments	3,653	1,239	25,769
Income tax payable	181,013	221,206	226,846
Other financial liabilities	1,600,200	1,203,800	—
Liabilities held for sale	—	—	23,850
Total current liabilities	26,144,496	29,072,048	33,153,252
Net current assets	5,362,081	1,947,893	3,623,822
Total assets less current liabilities	54,001,744	69,029,296	84,659,953

	As of 31 December		
	2020	2021	2022
	(in thousands of RMB)		
Non-current liabilities			
Interest-bearing bank and other borrowings . .	14,019,832	18,786,328	26,106,255
Convertible bonds	—	3,981,115	3,907,631
Deferred income	420,006	477,833	572,132
Deferred tax liabilities	2,279,605	2,456,217	3,926,470
Derivative financial instruments	34,742	36,305	10,708
Other financial liabilities	—	1,292,066	84,959
Total non-current liabilities	<u>16,754,185</u>	<u>27,029,864</u>	<u>34,608,155</u>
Net assets	<u>37,247,559</u>	<u>41,999,432</u>	<u>50,051,798</u>
Equity			
Equity attributable to owners of the Company			
Share capital	359,359	359,774	359,948
Treasury shares held under share award scheme	(56,916)	(29,244)	(175,701)
Other reserves	12,953,689	12,057,667	10,466,418
Retained earnings	<u>19,726,510</u>	<u>24,437,587</u>	<u>29,447,875</u>
	32,982,642	36,825,784	40,098,540
Non-controlling interests	<u>4,264,917</u>	<u>5,173,648</u>	<u>9,953,258</u>
Total equity	<u>37,247,559</u>	<u>41,999,432</u>	<u>50,051,798</u>

Other Financial Data of the Group

	For the year ended 31 December		
	2020	2021	2022
	(in millions of RMB)		
Other Financial Data:			
EBITDA ⁽¹⁾	5,779.3	7,980.3	9,120.5
EBITDA margin ⁽²⁾	7.6%	9.1%	9.9%
Total borrowings ⁽³⁾ /EBITDA	3.3	3.4	4.3
Net borrowings ⁽⁴⁾ /EBITDA	1.3	2.0	2.9
EBITDA/Interest ⁽⁵⁾	10.1	10.7	8.1
	As of 31 December		
	2020	2021	2022
	(in millions of RMB)		
Total borrowings	18,944.3	27,033.0	39,108.6
Net borrowings	7,547.2	15,816.1	26,342.8
Total borrowings/Total capitalisation ⁽⁶⁾	33.7%	39.2%	43.9%

(1) EBITDA is calculated based on profit for the year and excludes income tax expense, finance costs, interest income, depreciation of property, plant and equipment, amortisation of other intangible assets, depreciation of investment properties and depreciation of right-of-use assets. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to incur and service debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit attributable to owners of the Company or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA, such as revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included herein because we believe that it is a useful supplement to cash flow data as a measure of our performance and ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. The EBITDA for the year ended 31 December 2020, 2021 and 2022 included Yashili International Holdings Ltd. and the impairment of goodwill.

(2) EBITDA margin is calculated as EBITDA divided by revenue.

(3) Total borrowings are calculated as the sum of total short-term and long-term indebtedness, which comprises interest-bearing bank and other borrowings. The total borrowings for the year ended 31 December 2020, 2021 and 2022 included the borrowings of Yashili International Holdings Ltd.

(4) Net borrowings are calculated as total borrowings minus cash and bank balances.

(5) Interest is calculated as finance costs including capitalised interests.

(6) Total capitalisation equals total borrowings plus total equity.

RISK FACTORS

This Offering Circular contains forward-looking statements relating to events that involve risks and uncertainties. Prospective investors should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular. The risks described below are not the only ones that may affect the Company, Modern Dairy or the Bonds. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our businesses, financial condition or results of operations. If any of the possible events described below occur, our financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and investors could lose all or part of their investment.

Modern Dairy has not participated in the preparation and offering of this Offering Circular and, as such, there may be additional risks relating to Modern Dairy and/or the CMD Shares which could affect the trading price of the CMD Shares and, therefore, the trading price of the Bonds. Prospective investors should consult the publicly available information of Modern Dairy in order to assess these risks prior to making a decision to invest in the Bonds.

RISKS RELATING TO THE COMPANY AND THE GROUP

Our business is dependent on supplies of raw milk and other major raw materials, a shortage of which could result in reduced production and revenues for the Company.

Raw milk is the primary raw material we use to produce liquid milk and the other dairy products, and it represented a majority of our raw materials costs for the year ended 31 December 2022. It is expected that our raw milk demands will continue to grow in the future. We source all of our raw milk from standardised ranches and scaled farms for the year ended 31 December 2022. Any shortage of supply, outbreak of disease, deterioration of quality or price fluctuation of raw milk supplies in these farms or a termination of supply arrangements with these farms could have a material adverse effect on the quality or profitability of our dairy products. The expansion of our business depends heavily on our and our partnering ranches and farm's ability to obtain a sufficient number of dairy cows. We cannot guarantee that we will be able to secure a consistent supply of raw milk and other major raw materials in the required quantity and the quality, and at commercially acceptable prices, to accommodate our present or future business needs. Any failure to do so or to find alternative sources or at commercially acceptable prices, on satisfactory terms, in a timely manner, or occurrence of adverse events in the areas from which we procure dairy cows, could adversely affect our growth prospects.

Raw milk production is, in turn, influenced by a number of factors which are beyond our control, including, but not limited to, the following:

- seasonal factors, with dairy cows generally producing more milk in temperate weather as opposed to cold or hot weather and extended unseasonably cold weather or intense heat potentially leading to lower than expected production;
- environmental factors, with the volume and quality of milk produced by dairy cows closely linked to the quality of the nourishment provided by the environment around them; and

- governmental agricultural and environmental policy, with government grants, subsidies, provision of land, technical assistance and other agricultural and environmental policies having a direct effect on the viability of individual dairy farmers and dairy farms, and the number of dairy cows and quantities of milk they are able to produce.

We also source large volumes of raw materials from suppliers primarily located in the PRC. Interruption or a shortage in the supply of raw milk or any other raw materials could result in us being unable to operate our production facilities at full capacity, or if the shortage is severe, any production at all, thereby leading to reduced revenues or no production output and sales. Any failure to secure a steady supply of raw milk and other major raw materials will materially and adversely affect our business, financial condition and results of operations.

Contamination of products and any similar incidents in the future could have a significant adverse impact on our reputation, business performance and financial conditions.

As a manufacturer of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in any adverse reaction, illness or injury. We may also experience losses from product recalls resulting from suspected or actual defects in the development or manufacturing of our products or even the sale of counterfeit products. Our business is also highly sensitive to consumers' perception of the safety of our products. Any negative publicity regarding the safety of particular ingredients or products in our industry in general, of other companies, or of our products or ingredients specifically may affect customer confidence in our products, regardless of whether such publicity has any factual basis.

Our products generally undergo standard quality and safety inspections when they are delivered to our customers. If our products are found to be contaminated during the inspection process, we could face delivery rejections or product returns or even claims for damages, which could reduce our sales and damage our relationships with our customers. Moreover, if our customers' downstream products are contaminated, and if the contamination can ultimately be traced back to the use of our products, we could be subject to product liability claims by our customers and end consumers for damages, including without limitation, medical expenses, disability and wrongful death. Any occurrence of such incidents could negatively impact our results of operations, the corporate and brand image or consumers' confidence in our products, and may result in product recalls as well as loss of revenues, particularly if the contaminated products have caused fatalities, injuries or illnesses to consumers.

In addition, if we are found in violation of applicable food safety laws (e.g. Food Safety Law of the PRC (中華人民共和國食品安全法), which took effect on 1 June 2009, and was further amended in April 2021, and Law of the PRC on Quality and Safety of Agricultural Products (中華人民共和國農產品質量安全法), which took effect on 1 November 2006, was amended in October 2018 and further amended in September 2022), we could be subject to penalties including monetary fines, confiscation of equipment, order to cease manufacturing or business operation and/or the revocation of licences needed to conduct our business, which could materially and adversely affect our reputation, business, financial condition and results of operations.

For the three years ended 31 December 2022, our products were not reported to be associated with any material contamination incidents, and we did not conduct any product recalls. Despite the measures we have in place to control the quality of our raw milk and products, there can be no guarantee that contamination of these products will not occur during the transportation, production, distribution and sales processes due to reasons unknown to us or beyond our control. We cannot assure you that any contamination of our products, or similar, will not occur in the future or that we will be able to detect such contamination and deal with it effectively. Any such incidents, if occurs, may materially and adversely affect our results of operations, brand and reputation.

We face risks related to natural disasters, health epidemics and other outbreaks which could significantly disrupt our production, sales and distribution operations.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases may severely disrupt our business, and materially and adversely affect our financial condition and results of operations. An outbreak of a health epidemic or contagious disease, such as Severe Acute Respiratory Syndrome (SARS) and the novel coronavirus (COVID-19) and influenza A (H1N1) could cause a widespread health crisis and harm business activities in affected areas, which could in turn could cause disruption to our production, sales and distribution operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC government or other countries in response to such outbreaks of health epidemics and contagious diseases may also interrupt our operations or those of our customers, partners or other counterparties, which could have a material and adverse effect on our financial condition and results of operations. For example, due to the heightened epidemic control and prevention measures in responses the outbreak of COVID-19 since December 2019, the production and transportation of some of the Group's products, and the operations of the Group's sales outlets and product turnover were adversely affected, In 2020, profit attributable to owners of the Company amounted to RMB3,525.0 million, representing a 14.1% decrease from RMB4,105.4 million in 2019. From 8 January 2023, the PRC downgraded management of COVID-19 and lifted most infectious disease management. However, any recurrence of COVID-19 or outbreaks of other contagious diseases in China, could have material and adverse effect on our business, financial condition and results of operations.

Increases in raw material costs and commodity prices that we are unable to pass on to our customers will reduce our profitability.

We attempt to negotiate competitive rates for the raw materials we use for our products, such as raw milk, particularly given the bulk volume of business we do with our suppliers. A shortage in the raw materials or fluctuations in world commodity prices may negatively affect the purchase price we may negotiate with independent suppliers. In particular, the raw milk we use is subject to price fluctuations due to various factors beyond our control, including increasing market demand, inflation, severe climatic and environmental conditions, changes in governmental and agricultural regulations and programmes and other factors. In addition, our costs of feeds may increase due to our development of self-built ranches, which in turn may adversely affect our business.

We cannot assure you that the prices we currently pay for raw materials and other commodities will remain stable. Any increase in the prices we are required to pay for materials and commodities may result in less competitive products we can offer to the

market, and compel us to locate more suitable and cost-competitive alternatives for our production. In particular, our ability to pass on part or all of our cost increases to our customers by increasing the selling prices of our products largely depends on market conditions and pricing methods employed in various markets in which we sell our products. If, as a result of consumer sensitivity to pricing or otherwise, we are unable to increase our prices to offset the increased costs of raw materials and commodities, we may experience lower profitability and may be unable to maintain historical levels of productivity. Increases in raw material costs and commodity prices that we cannot effectively address through increases in prices of our products could reduce our profitability.

A deterioration in our brand image could adversely affect our business.

We rely to a significant extent on our brand image and brand name, “蒙牛” (MENGNIU), which has become one of the best known brands among customers in China. In recent years, we have also expanded our product portfolio through the acquisition of new brands including Bellamy’s, Aice and Milkground. Any negative incident or negative publicity concerning us or our products could adversely affect our reputation and business. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that decrease consumer confidence. In the past, we were involved in certain food safety incidents, which have negatively affected our brand image. Please see “— Contamination of products and any similar incidents in the future could have a significant adverse impact on our reputation, business performance and financial conditions”. Consumer demand for our products, our brand value and goodwill could diminish significantly if we fail to maintain the quality of our products, or fail to deliver a consistently positive consumer experience in each of our products, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity of “蒙牛” (MENGNIU), or concerning us, our brands or products, could adversely affect our reputation, business, financial condition, results of operation and prospects.

Sales of our products are subject to changes in consumer perception, preferences and tastes and we may not be able to introduce new products successfully.

Customer trends in the dairy industry are constantly changing. Our success depends on our ability to anticipate, identify, interpret and react to the evolving tastes, dietary habits and nutritional needs of customers and to offer products that appeal to them. Sales of our products could be affected by nutritional and health-related concerns about our products.

Our future success will depend partly on our ability to anticipate or adapt to such changes in consumer preferences and to offer, on a timely basis, new products that meet such preferences. There is no guarantee that we will be able to gain market acceptance or significant market share for our new products. Any failure to anticipate, identify or respond to these changing tastes or preferences could result in a decrease in our sales, a decline in the market share of our products, or erosion of our market share and financial position. This could in turn lead to our inability to recover our research and development, production and marketing costs, thereby materially and adversely affecting our business, financial condition and results of operations.

We face intense competition in the dairy industry and might lose our market share.

Our leading market position has enabled us to benefit from comparatively stronger bargaining power in procuring raw materials, determining product pricing and responding effectively to changing market conditions and competitive pressures, which in turn have contributed to our significant growth and stable profit margin. However, there is no guarantee that we can maintain or increase our competitiveness and market position. Should we fail to maintain our leading position relative to other manufacturers in the industry, our business, financial condition and results of operations may be adversely affected.

In order to compete successfully in the markets, we will need to continue to restore and maintain customer confidence in our brand and products, develop new products and enhance our product offerings while maintaining price competitiveness. If and to the extent we fail to develop new products that differentiate us from our competitors, we may need to compete largely on price, which may cause our operating margins to decline. Our inability to compete successfully against competitors and pricing pressures could result in lost customers, loss of market share and reduced operating margins, which would adversely impact our results of operations.

In addition, we face competition from companies offering similar products in China and elsewhere. These competitors may have been in business longer than us has and may have greater resources and scale than we do to rapidly respond to competitive pressures. Our competitors may also benefit from stable raw material supplies or production facilities that are closer to the markets we compete in which may provide them with cost advantages. In addition, some consumers or a selected group of consumers in China may also elect to purchase dairy products that have longer shelf life from outside of China. This may favour our competitors who have established stronger market positions in regions outside of China. Some of these competitors have used, and are expected to continue to use, greater amounts of incentives and subsidies for distributors and retailers and more advanced processes and technologies. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. Furthermore, consolidation among industry participants in China may result in stronger domestic competitors that are more able to compete as end-to-end suppliers as well as competitors who are more specialised in particular areas and geographic markets. This could have a material adverse effect on our business, financial condition and results of operations. Such competitive pressures could have an adverse impact on the supply and pricing of our products, reduce our market share and have an adverse impact on our financial performance.

Increased competition may result in price reductions, reduced margins and loss of market share, any of which could materially and adversely affect our profit margins. There is no guarantee that we will be able to compete effectively against our current and future competitors.

The production and packaging of our UHT milk and a portion of milk beverages frequently use Tetra Pak production equipment, packaging technology and packaging materials.

Our UHT milk and room temperature milk beverage production facilities frequently use equipment, packaging technology and packaging materials supplied by Tetra Pak, including our equipment and technology relating to pre-treatment of raw materials, ultra-high temperature treatment, homogenisation, packaging, as well as engineering and maintenance services in relation to such equipment. Many of our production facilities rely to a significant extent on Tetra Pak equipment and technology. Our primary UHT milk products and room temperature beverage products also primarily use packaging materials manufactured by Tetra Pak. The majority of these packaging materials, which are fundamental to maintaining the quality and freshness of our products, are manufactured by Tetra Pak in China. If there are any product quality or safety issues with Tetra Pak equipment and technology or packaging materials, the quality and freshness of our products will be adversely affected which in turn may adversely impact our reputation, operations and financial performance and condition.

Some of the contracts we enter into with Tetra Pak to purchase their equipment require Tetra Pak to provide ongoing technical support and maintenance services. Typically, our contracts with Tetra Pak provide for a one-year warranty period. We have also entered into long-term supply contracts for packaging materials with Tetra Pak. In the event that Tetra Pak fails to continue to supply such equipment, services or packaging, or we are unable in the future to reach agreement on reasonable terms with Tetra Pak in relation to such continued supply, we may be unable to find a comparable alternative supplier of equipment, services or packaging, which may affect our ability to maintain and upgrade our production facilities, lead to production interruptions and delays in the delivery of our products to customers, or result in quality deterioration, and may also prevent us from improving and updating the packaging of our products to meet changing market preferences.

We may have disagreements with our strategic shareholders, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our key strategic shareholders include COFCO. COFCO is a key state-owned enterprise under the purview of SASAC and one of the largest sugar beet and edible oil producers and distributors in China. We benefit from COFCO's support in quality management and control, mergers and acquisitions, as well as development of logistics capabilities and sales channels. To the extent there are disagreements between us and our strategic investors regarding the business and operations of the Company or the jointly invested enterprise, there is no assurance that we will be able to resolve them in a manner that will be in our best interests. Further, there is no assurance that we will be able to resolve disagreements or disputes, if any, that may arise between us and our strategic shareholders, in a manner favourable to us.

In addition, our strategic shareholders may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our requests or contrary to our policies and objectives;
- be unable or unwilling to fulfil their obligations, whether of a financial nature or otherwise;

- take actions that are not acceptable to regulatory authorities;
- have financial difficulties;
- have disputes with us; or
- compete with us.

In addition, the occurrence of adverse events within the areas or countries in which our strategic shareholders operate their dairy business could adversely affect our growth prospects. These adverse events include, without limitation, economic slowdown, social unrest and changes in applicable laws and regulations. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may enter into strategic acquisitions, investments, alliances or joint ventures that may be expensive or difficult to implement; our failure to successfully implement these strategic manoeuvres and integrate them with our existing business could have a material adverse effect on our business.

We have entered and may from time to time enter into strategic acquisitions and investments, and have established and may establish strategic alliances, with third parties in the dairy and food industry in general if suitable opportunities arise. Amongst our past acquisitions, joint ventures and strategic alliances, since January 2018, we have undertaken the following acquisitions which we consider material to our business:

- on 23 December 2018, among other parties, we, through our subsidiary Inner Mongolia Mengniu, and China Shengmu entered into a share purchase agreement (the “**Share Purchase Agreement**”), pursuant to which we agreed to purchase 51% of the equity interests in Inner Mongolia Shengmu High-tech Dairy Co., Ltd. (which has changed its name to Inner Mongolia Mengniu Shengmu High-tech Dairy Co., Ltd. in May 2019), being the liquid milk processing business segment of China Shengmu. All substantive conditions precedent under the Share Purchase Agreement have been fulfilled (or otherwise waived) at the end of April 2019 in accordance with the terms and conditions of the Share Purchase Agreement. Inner Mongolia Shengmu Hightech Dairy Co., Ltd. became a subsidiary of the Group and has been consolidated into the Group’s consolidated financial statements since the end of April 2019. On 6 July 2021, we, through our wholly owned subsidiary Start Great Holdings Limited, increased our equity interests in China Shengmu to 29.99% of the total issued share capital of China Shengmu;
- on 15 September 2019, we entered into an agreement to acquire all shares of Bellamy’s, a world-famous Australian organic infant formula and baby food producer, for a scheme consideration of AUD1.46 billion (equivalent to approximately RMB6.93 billion) in total and AUD12.65 (equivalent to approximately RMB60.04) per share. The acquisition was completed in December 2019 and Bellamy’s has become an indirect wholly-owned subsidiary of the Company;
- on 13 December 2020, we, through our subsidiary Inner Mongolia Mengniu, and Shanghai Milkground entered into a share subscription agreement (the “**Share Subscription Agreement**”), pursuant to which we have conditionally agreed to

subscribe no more than 100,976,102 newly issued shares of Shanghai Milkground at a price of RMB29.71 per share. On 9 July 2021, Shanghai Milkground completed the issuance of 100,976,102 shares pursuant to the Share Subscription Agreement. In addition, Inner Mongolia Mengniu and Ms. Chai Xiu, the then controlling shareholder of Shanghai Milkground, entered into a cooperation agreement that took effect on 9 July 2021, pursuant to which Ms. Chai has agreed to, and to procure her controlled entities to, during a certain period of time, abstain from exercising all or parts of their voting rights over such number of shares of Shanghai Milkground; and

- on 6 May 2022, we entered into a sale and purchase agreement with Danone Nutrition, pursuant to which we have conditionally agreed to acquire (or procure the acquisition of) from Danone Nutrition, and Danone Nutrition have conditionally agreed to sell, 25% of the issued share capital of Yashili. On 9 March 2023, the acquisition was completed and our equity interests in Yashili increased to approximately 76.04%.

In order to further develop and strengthen our control over upstream resources, we may enter into upward integration investments, including making acquisitions of raw milk producers to increase the volume of self-supplied raw milk for our products, cooperating with our existing business partners or other international institutions which produce and supply raw milk, or other strategic initiatives that could enhance or expand our current operations or products or that might otherwise offer our growth opportunities. We may engage in similar or other acquisitions, investments and alliances that we believe will complement our expansion strategies. We may also make strategic divestiture of our assets or restructure our business operations. We may raise additional financing through the divestiture of our stakes in any business. Any strategic acquisition, investment and alliance with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and a reduction or loss of control of operations that are material to our business. Moreover, strategic acquisitions, investments and alliances may be expensive to implement and subject us to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that may materially and adversely affect our business. If we cannot successfully integrate acquisitions, alliances, joint ventures and other partnerships on a timely basis, we may be unable to generate sufficient revenue to offset acquisition costs, we may incur costs in excess of what we anticipate, and our expectations of future results of operations and synergies may not be achieved. In addition, our business, financial condition and results of operations may be materially and adversely affected if we are unable to improve the efficiency of our operations. Acquisitions involve substantial risks, including, but not limited to:

- unforeseen difficulties in integrating operations, accounting systems and personnel;
- diversion of financial and management resources from existing operations;
- the uncertainty as to whether investment opportunities or initiatives are identified and assessed accurately in terms of the likely benefits, commercial viability and technical feasibility of such initiatives;
- the insufficiency of our experience in managing or operating such upward integration investments, which may increase our need to recruit additional personnel with suitable experience and/or cause our investments to fail to achieve the intended commercial benefits or the level of economic returns or at all;

- failure to attract and retain management and key employees;
- unforeseen difficulties related to entering geographic regions or markets where we do not have prior experience;
- failure to obtain sufficient equity or debt financing;
- potential undisclosed liabilities, litigation or other proceedings including disciplinary proceedings;
- the loss of key customers or suppliers;
- disagreement with partners; and
- uncertainty of financial condition of the joint venture partners.

These risks could expose us to additional legal and other costs and expenses which could be significant and have a material adverse effect on our business.

As further disclosed in the 3.5 Announcement, the Company has proposed that, subject to the satisfaction of certain pre-conditions as set out in the 3.5 Announcement, it will, through Star Future Investment Company Limited, our wholly-owned subsidiary, put forward the Yashili Privatisation Proposal by way of the Scheme, on the terms and subject to the conditions as described in the 3.5 Announcement and as amended in the announcement of the Company, Yashili and Star Future Investment Company Limited dated 16 August 2022.

As disclosed in the announcement dated 9 March 2023, all pre-conditions to the making of the Yashili Privatisation Proposal and implementation of the Scheme had become fulfilled on 9 March 2023. With all the pre-conditions having been fulfilled, the implementation of the Yashili Privatisation Proposal is subject only to the satisfaction (or where applicable, waiver) of the conditions to the Yashili Privatisation Proposal. The scheme document in relation to, among other things, the Yashili Privatisation Proposal and the Scheme, was despatched on 31 May 2023.

As disclosed in the 3.5 Announcement, the Company believes that the Yashili Privatisation Proposal will facilitate the long term growth of the Yashili more efficiently since it would place Yashili effectively under 100% control of the Company without being subject to the requirements relevant to being a standalone listed company, and could facilitate our contribution of further resources into Yashili to support the implementation of new initiatives. Moreover, the Yashili Privatisation Proposal will improve corporate governance since it will simplify the structure of the Company and the decision-making process could be streamlined. Potential competition between the Company and Yashili in the infant milk formula market could also be resolved.

However, there is no assurance that the conditions to the Yashili Privatisation Proposal may be satisfied (or where applicable, waived), and thus the Yashili Privatisation Proposal may or may not be implemented and the Scheme may or may not become effective. In the event that we fail to implement the Yashili Privatisation Proposal and Yashili remains as a standalone listed company, the expected strategic benefits stated above may not realise.

Our expansion plan may not be successful and we may not successfully manage our growth.

As the scale of our operations grows, we will need to continuously improve our management, operational and financial systems and strengthen our internal procedures and control. Our expansion plans involve enriching the number of product types and enlarging the investment in core production technologies. We also plan to increase consumption per capita by implementing new product marketing and sales promotions, continuing to strengthen sales coordination, improving product sales and extending services to consumers. However, we may be affected by a number of factors which may not be within our control. These factors include, but are not limited to, fluctuations in market demand for our products, changes in consumer taste and preference, and increasing competition from other industry participants. An adverse change in any of these factors may disrupt our expansion plans and have a material adverse effect on our business, financial condition and results of operations. Moreover, there is no assurance that our existing or future management, operational and financial systems, internal procedures and controls (including those relating to corporate governance) will be adequate to support our expansion and future operations or that we will be able to establish or develop business relationships beneficial to our future operations. Further, we may not be able to obtain financing at a reasonable cost or level, or at all, to complete construction and commence commercial operations of our new production facilities. Failure to execute our expansion plan efficiently, scale our business appropriately and manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We rely primarily on third-party distributors and there is no assurance that our marketing and distribution of our products will be effective or will not harm our brand and reputation.

We generally do not sell our products directly to end consumers. Instead, we primarily rely on third-party distributors and sub-distributors for the sale and distribution of our products. The performance of our distributors and the ability of our distributors to on-sell our products, uphold our brand, and expand our businesses and our sales network are crucial to the future growth of our business and may directly affect our sales volume and profitability. We sell our products through an extensive nationwide sales and distribution network covering every province and municipality in China. Our distributors normally have exclusive distribution rights in their respective regions and cities but not all of our distributors are required to exclusively distribute our products. We typically do not enter into long-term agreements with distributors. Consequently, our distributors may engage in activities that are prohibited under our arrangements with them, that violate PRC laws and regulations governing the dairy industry or other PRC laws and regulations in general, or that are otherwise harmful to our business or our reputation. We could be liable for sales and marketing activities of our distributors, including any violations of applicable law in connection with the advertising or promotion of our products. If our distributors engage in unlawful practices with respect to their sale or marketing of our products, we could be required to pay damages or fines, which could negatively affect our business, financial condition and results of operations. In addition, our brand and reputation or our sales activities could be adversely affected if we become the target of any negative publicity as a result of actions taken by our distributors.

Due to our dependence on distributors for the sale and distribution of our products to retail outlets, any one of the following events could cause material fluctuations or declines in our revenue and have a material adverse effect on our reputation, business, financial condition and results of operations:

- reduction, delay or cancellation of orders from one or more of our distributors;
- selection or increased sale by our distributors of our competitors' products;
- our failure to renew distribution agreements and maintain relationships with our existing distributors; and
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

The competition for distributors is intense in the dairy industry in China and many of our competitors are expanding their distribution networks in China. We may not be able to compete successfully against the larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide more favourable arrangements with their distributors. Although we do not believe that we are substantially dependent on any individual distributor, finding replacement distributors could be time-consuming and any resulting delay may be disruptive and costly to our business. In addition, we may not be able to successfully manage our distributors, and the cost of any consolidation or further expansion of our distribution network may exceed the revenue generated from these efforts. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore materially harm our business, financial condition and results of operations.

Delivery delays or poor handling by distributors and transport operators may affect our sales and profitability or damage our reputation.

We generally rely on transport operators and wholesale distributors for the delivery of our products. Delivery disruptions, including weather conditions such as typhoons, earthquake and tsunamis, outbreak of health epidemics such as COVID-19, political turmoil, social unrest, strikes and inadequate transport operator capacity, are beyond our control and could lead to delayed or lost deliveries. Delayed or lost deliveries may lead to a material and adverse loss of revenue, increases in delivery costs and compensation payments to customers and may damage our reputation. In addition, our products are exposed to risks of contamination during transportation as a result of inappropriate acts of the distributors or transport operators or any defect on cold chain facilities which is a very important component to the transportation logistics, which may have a material adverse effect on our business and reputation.

We may not be able to maintain relationships with key retail chains or online sales portals or be successful in strengthening our presence in modern retail formats.

We have developed and maintained relationships with national and regional retails chains, as well as online sales portals. To further capture growth opportunities in the PRC dairy market, we have also recruited an experienced and dedicated sales team to strengthen our presence in these modern retail formats. The success of the sales channel development

strategy will depend on many factors, including the competitiveness of the price of our products, our promotional policy and sales discounts, our ability to form relationships with, and optimise our penetration into, modern retail formats.

We must also be able to anticipate and respond effectively to competition posed by multinational and domestic competitors. If we fail to expand our modern retail channels as planned or if we are unable to compete effectively with other companies, our business, financial condition and results of operations may be materially and adversely affected.

Our marketing activities are critical to the success of our products, and if we fail to grow our marketing capabilities, the market share, brand name and reputation of our products could be materially and adversely affected.

The success of our products depends, to a significant extent, on the effectiveness of our marketing activities. We market our products to distributors and consumers mainly through television advertising, supplemented by advertisements in newspapers and magazines, on billboards, on the Internet and through other electronic media and promotional campaigns at selected retail outlets and online forums. In addition, to complement our nationwide advertising campaigns, we support our distributors to conduct regional marketing activities for our brands and products. These various marketing activities are critical to the success of our products.

However, there is no assurance that our current and planned spending on advertising and marketing activities will be adequate. Any factors adversely affecting our ability to grow our marketing capabilities or our ability to maintain adequate spending for marketing activities, such as the availability of resources or new governmental regulations, will have an adverse effect on the market share, brand name and reputation of our products, which may result in decreased demand for our products and negatively affect our business, financial condition and results of operations.

Furthermore, relevant PRC laws and regulations require advertising content to be legal, appropriate and accurate, not misleading and in full compliance with applicable laws and regulations in general, and require prior approval of advertising content for certain categories of products. Violation of these laws or regulations may result in penalties, including fines, orders to cease dissemination of the advertisements, orders to correct the misleading information in such advertisements and even criminal liabilities. Moreover, government actions and civil claims may be filed against us for misleading or inaccurate advertising. As a result, we may have to spend additional resources in defending ourselves against such actions, and these actions may damage our reputation and brand image, result in reduced revenue, and negatively affect our business, financial condition and results of operations.

Our continuing success depends on our ability to retain our senior management and qualified personnel.

Our success depends on the experience and skills of our current officers, management and key sales employees. In particular, our senior management has significant experience in the sale and production of dairy products.

Our business could be materially and adversely affected if we are unable to retain key employees or recruit qualified personnel in a timely manner, or if we are required to incur unexpected increases in compensation costs to retain key employees or meet our hiring targets. If we are unable to retain and attract the personnel that we require, or if we are not able to do so on a cost-effective basis, it could be difficult for us to sell and develop our products and services and execute our business strategies.

We face exposure to the debts of scaled farms.

As part of our strategy to secure a reliable supply of raw milk from individual scaled farms, we have provided, and may continue to provide loans to selected scaled farms. As at 31 December 2022, we had provided entrusted loans and long term prepayments in the amount of RMB2,840.6 million and RMB591.5 million, respectively, of which we have provided certain portion to scaled farms. Any failure by such scaled farms to perform their obligations under the entrusted loans may impact our profitability.

Unexpected equipment failures or other industrial accidents may lead to production curtailments or shutdowns and subject us to legal claims and liabilities.

We could experience events such as equipment failures or other accidents owing to employee errors, equipment malfunctions, accidents and interruptions in electricity supplies, natural disasters or other causes. There is no assurance that any preventive measures we have taken or may take will be sufficient to prevent any industrial accidents in the future. As a result, we may in the future experience production curtailments or shutdowns or periods of reduced production, which would negatively affect our business, financial condition and results of operations. In addition, potential industrial accidents leading to significant property loss and personal harm may disrupt our operations, subject us to claims and lawsuits, and adversely affect our profitability, relations with customers, suppliers, employees and regulatory authorities.

Our operations are subject to production malfunctions and other risks and routine shutdowns for maintenance and upgrades.

Our operations are subject to production difficulties such as capacity constraints, mechanical and system failures, construction and equipment upgrades and delays in the delivery of machinery, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programmes may also affect our production output. We carry out routine maintenance of our production equipment, annual major maintenance work and periodic equipment upgrades. Any significant manufacturing disruption could adversely affect our ability to manufacture and deliver products, which could have a material adverse effect on our business, financial condition and results of operations.

RISK RELATING TO THE BUSINESS AND OPERATION OF MODERN DAIRY

Modern Dairy relies substantially on a single customer.

Since Modern Dairy began its operations, substantially all of its milk produced has been sold to Mengniu, Modern Dairy's key customer. Sales to the Mengniu accounted for approximately 74.8% of Modern Dairy's total sales in 2022. Modern Dairy expects that sales to Mengniu will continue to represent a significant portion of Modern Dairy's annual

sales of milk produced for the foreseeable future. The agreement between Modern Farming (Group) Co., Ltd. (“**Modern Farming**”), a non-subsidiary of Modern Dairy, and Mengniu allows Modern Farming to sell all of its raw milk produced annually to Mengniu each year through 2028 while providing Modern Dairy with the flexibility of selling up to 30% of its raw milk produced daily to certain other processors or directly to end-customers at its discretion. This arrangement could potentially hinder Modern Dairy’s ability to expand its customer base. In addition, under the terms of Modern Dairy’s contract with Mengniu, Modern Dairy has agreed not to sell its products to two of Mengniu’s competitors, thereby limiting the customers to whom Modern Dairy can sell its products.

If for any reason Mengniu breaches its contractual obligations to purchase raw milk produced by Modern Dairy, Modern Dairy may be unable to find an alternative buyer for its raw milk within a reasonable period of time, which could result in a significant decrease in its sales volume and could materially and adversely affect its results and financial condition. Additionally, if Mengniu were to declare bankruptcy, the agreement would be terminated. If Mengniu were to fail to make timely payments, Modern Dairy may be unable to recover significant amounts of trade receivables and Modern Dairy’s cash flows and financial position could be adversely affected. Therefore, Modern Dairy is indirectly subject to Mengniu’s operating risks to the extent that those risks could cause Mengniu to breach its contract with Modern Dairy or discontinue purchasing raw milk produced by Modern Dairy.

Product contamination could result in reduced sales, product liability, damage to Modern Dairy’s reputation, and subject Modern Dairy to regulatory action.

Modern Dairy’s results and financial condition could be materially and adversely affected by product contamination. There is a risk that contamination could take place during the production and transportation of raw milk produced by Modern Dairy. As part of Modern Dairy’s raw milk sales process, when raw milk is delivered to customers, the raw milk undergoes standard quality and safety inspections. If raw milk produced by Modern Dairy is found to be contaminated during the inspection process, Modern Dairy could be subject to sales returns or delivery of its raw milk could be refused, which could reduce its sales and damage Modern Dairy’s relationships with its customers. Following delivery of raw milk to customers, raw milk produced by Modern Dairy is used in Modern Dairy’s customers’ downstream products. If those downstream products are contaminated, and if the contamination can ultimately be traced back to raw milk produced by Modern Dairy, rather than to raw milk provided to Modern Dairy’s customers by other suppliers, Modern Dairy could be subject to product liability claims by individuals for damages, including, among other things, medical expenses, disability and wrongful death. In addition, under the terms of Modern Dairy’s contract with Mengniu, Modern Dairy has agreed to indemnify Mengniu for losses arising from product contamination, if the product contamination can ultimately be determined to be the result of Modern Dairy’s negligence. Furthermore, adverse publicity about the quality of milk produced by Modern Dairy, whether valid or not, could adversely affect Modern Dairy’s reputation.

In addition to product liability claims, if Modern Dairy’s products are found to be contaminated, Modern Dairy may be subject to regulatory action. If Modern Dairy is found to be in violation of the Food Safety Law of the PRC, Modern Dairy could be subject to penalties including monetary fines, confiscation of equipment and/or the revocation of licences needed to conduct its business, which could materially and adversely affect its results and financial condition.

The outbreak of any major diseases among cows owned by Modern Dairy could materially and adversely affect Modern Dairy's business.

A major outbreak of any illness or disease at any of Modern Dairy's dairy farms could have a significant impact on Modern Dairy's raw milk production capacity and volume. Although Modern Dairy carries insurance policies to cover it against losses related to cow diseases, and Modern Dairy may also be entitled to receive government compensation in the event of an outbreak of a disease, there is no assurance that these will be sufficient to cover all of Modern Dairy's losses in the event of an outbreak. Any major outbreak of disease, such as foot and mouth disease, bovine TB or any other serious disease at Modern Dairy's dairy farms may also lead to significant shortfalls in Modern Dairy's raw milk production which could materially and adversely affect Modern Dairy's results and financial condition.

Increases in feed prices and disturbances to Modern Dairy's feed supply could adversely affect Modern Dairy's business and results.

Modern Dairy requires a substantial amount of feed to supply its dairy farms. Modern Dairy currently purchases the majority of its supplies from third-party farmers and producers, some of which are located outside of China, and is expected to continue to do so in the future. Modern Dairy has purchased concentrates from large national suppliers. The cost and supply of feed are generally subject to market conditions, which may be affected by, among other things, inter-country tariffs, adverse weather conditions, various plant diseases, pests and other acts of nature. Feed prices had significantly increased globally and domestically as a result of the trade war between PRC and the U.S. since 2018. Modern Dairy kept the unit cost of one kilogramme of raw milk by increasing the portion of silage in its dairy cow feed formula so that its operation had not experienced major disturbances. However, in the event of future price increases or disturbances in the feed supply, Modern Dairy may be unable to obtain sufficient quantities of feed on acceptable terms or at all. Any inability to procure sufficient quantities of feed or to pass on increased costs to customers could have a material adverse effect on Modern Dairy's business, financial condition and results.

The future growth of Modern Dairy's business partly depends on the quality and supply of heifers and bull semen.

The quality and quantity of dairy cows are important factors in the production of raw milk. The expansion of Modern Dairy's business by adding new dairy farms depends on Modern Dairy's ability to obtain sufficient numbers of heifers. Any failure to do so, or to find alternative sources of heifers for Modern Dairy's new farms, could adversely affect Modern Dairy's growth prospects. To improve the milk yield of its herd, Modern Dairy inseminates its cows by using bull semen. Should Modern Dairy's supply of bull semen be disrupted, the genetic quality of its herd, and in turn, the quality and yield of milk produced by its dairy cows may not improve at the rate as expected in the long term. In addition to milk yield, Modern Dairy's ability to maintain high-quality dairy cows has an impact on the protein and fat content of its milk, which in turn could impact the price at which it can sell its raw milk.

Modern Dairy may not continue to benefit from favourable government policies.

Modern Dairy's results have been positively affected by government policies which benefit the PRC dairy farming industry. Modern Dairy has received subsidies as a result of PRC government policies which assist the dairy industry in order to promote, among other things, improved industrialization and specialisation levels of the husbandry industry, accelerate the breeding and promotion of fine breeds of livestock and increase milk yield of dairy cows. If these government policies change, Modern Dairy's results could be materially and adversely affected.

Modern Dairy relies substantially on the sale of high-quality raw milk.

Modern Dairy's principal business is the production of high-quality raw milk. The primary source of Modern Dairy's income has been and is anticipated in the near future will continue to be high quality raw milk. Modern Dairy's sales volume is highly dependent on and sensitive to fluctuations in its raw milk production volume and pricing. If for any reason Modern Dairy's production volume, the quality of its raw milk or selling prices are reduced, Modern Dairy's results would be materially and adversely affected.

The quality of milk produced by Modern Dairy and the milk yield are influenced by a number of factors, some of which are beyond Modern Dairy's control.

The quality of milk produced by Modern Dairy and milk yield are influenced by a number of factors that are beyond Modern Dairy's control, including, but not limited to, the following:

- seasonal factors, with dairy cows generally producing more milk in temperate weather as opposed to cold or hot weather, meaning that extended unseasonably cold or hot weather could potentially lead to lower than expected raw milk production. For example, milk yield and quality is typically lower in hotter summer months;
- feed supply factors, with the volume and quality of milk produced by dairy cows being linked closely to the nutritional quality of the feed provided; and
- potential outbreaks of diseases among cows in China.

Adverse developments affecting any of the above factors or other factors which could influence raw milk production could potentially lower Modern Dairy's raw milk production volume, which in turn could materially and adversely affect Modern Dairy's results and financial condition.

Modern Dairy may be unable to adequately manage future growth.

As of 31 December 2022, Modern Dairy operated a total of 41 dairy farming companies in China. Modern Dairy's business growth could place a strain on its managerial, operational and financial resources. Modern Dairy's ability to manage future growth will depend on its ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage its workforce. There is no assurance that Modern Dairy's personnel, systems, procedures and controls will be adequate to support its future growth. Failure to effectively manage Modern Dairy's expansion may lead to increased costs and reduced profitability and may adversely affect Modern Dairy's growth prospects.

In addition, as Modern Dairy expands its business into new regions, it may encounter regulatory, personnel and other difficulties that may increase its expenses or may be unable to find suitable parcels of land for new farms, which could delay its plans or impair its ability to become profitable in these regions. If Modern Dairy is unable to successfully replicate this model and maintain standards across all of its farms, the quality of raw milk it produces, and its efficiency could be reduced.

Establishing new farms requires significant capital. Each time Modern Dairy opens a new farm, it builds production facilities and brings in additional heifers. There is typically a lag time between the investment of capital by Modern Dairy and the production and sale of raw milk. Since the commencement of its business, Modern Dairy has incurred, and expects to incur additional costs in relation to its expansion, and expect that there will continue to be a time lag before it is able to generate sales from its investment in new farms. This time lag has affected, and is expected to continue to affect, Modern Dairy's results, due to the fixed costs associated with new farms, financial condition by contributions to Modern Dairy's net current liabilities position and its cash flows.

Disruption of operations at Modern Dairy's farms and production facilities could adversely affect its business in material respects.

Damage to, or disruption at Modern Dairy's farms and production facilities due to events such as utility supply disturbances, bad weather, fire, natural disasters, terrorism, strikes, various contagious diseases or other reasons could materially affect Modern Dairy's business. Also, Modern Dairy may experience difficulties and delays inherent in the production and sale of its products, such as:

- forced closing or suspension of its dairy farms;
- Modern Dairy's failure, or the failure of any of its suppliers, distributors, or retailers, to comply with applicable regulations and quality assurance guidelines that could lead to temporary product seizure or recalls, production shutdowns or delays and product shortages; and
- other production or distribution problems, including limitations to production capacity due to regulatory requirements, changes in the types of products produced or physical limitations that could impact continuous supply.

Any failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively respond to such events if they occur, could materially and adversely affect Modern Dairy's business, financial condition and results.

If Modern Dairy is unable to deliver its raw milk to customers in a timely manner, its results could be adversely affected.

Due to the perishable nature of raw milk, if Modern Dairy's products are not delivered to its customers in a timely manner and under controlled temperature conditions, such products could spoil. Therefore, any delay in transporting Modern Dairy's products, due to bad weather, technical problems, the failure of Modern Dairy's logistics providers to timely pick up or deliver its products or for any other reason, could affect its sales volume and its relationships with its customers.

Modern Dairy has historically recorded net current liabilities and has experienced substantial fluctuations in certain lines items of its financial statements.

The operation of Modern Dairy's business has been capital intensive. Modern Dairy recorded net current liabilities as at 31 December 2022. Modern Dairy may continue to have net current liabilities in the future as its business expands. In the future, if sufficient funds are unavailable to meet Modern Dairy's needs or refinancing cannot be obtained on commercially acceptable terms, or at all, then Modern Dairy may not be able to repay its borrowings, particularly its short-term borrowings, upon maturity. This could have a material adverse effect on Modern Dairy's expansion plans, financial condition and results. In addition, Modern Dairy has experienced substantial fluctuations in certain lines items of the financial statements from 2020 to 2022, such as in selling and distribution costs, administrative expenses and other expenses, primarily because of increased sales volume and expansion of business scale, among others. No assurance can be made that Modern Dairy will not experience any substantial fluctuations in certain key line items of its financial statements from time to time.

The availability of credit, fluctuations in the interest rates of Modern Dairy's bank and other borrowings and its level of indebtedness could affect its expansion plans and financial performance.

Modern Dairy has obtained bank loans that support its business expansion. The PRC government has adopted a number of measures in relation to monetary policy, including increasing the reserve ratio of commercial banks, which may have the effect of restricting money supply and the availability of credit. If these measures result in PRC banks reducing their volumes of commercial loans, Modern Dairy's access to financing to fund its expansion plans may be adversely affected.

In addition, Modern Dairy has benefited from favourable government policies. If those government policies change, Modern Dairy's access to capital could be reduced, which could negatively affect its working capital levels as well as its growth prospects.

Modern Dairy has substantial debt service obligations and expect to incur additional debt to finance its planned development projects. Modern Dairy's indebtedness could impact its financial condition and operations in a number of ways. Increasing debt could make it more difficult for Modern Dairy to satisfy its debt obligations as they become due, impair Modern Dairy's ability to obtain additional financing in the future for working capital needs, capital expenditures, development projects, acquisitions or general corporate purposes, require Modern Dairy to comply with financial and other covenants that impose significant restrictions on Modern Dairy's existing and future business operations, and subject Modern Dairy to interest rate risk.

Modern Dairy is in the process of applying for environmental permits for some of its farms.

Under PRC law, Modern Dairy is required to go through and pass an environmental completion acceptance inspection for each of its farms from local environmental bureaus prior to starting formal production (the "Inspection"). However, if any of Modern Dairy's other farms are unable to successfully pass Inspection, Modern Dairy may be subject to fines, incur additional costs, and receive government orders to stop production at the relevant farm(s) until re-application for Inspection and approval, and if any of Modern

Dairy's other farms without Inspection cause significant environmental pollution or ecological damage, the production or use may be suspended, or be closed down upon approval by the relevant People's Government.

Modern Dairy is subject to uncertainty with respect to its farms that use leased collectively-owned agricultural or forestry land.

As of 31 December 2022, Modern Dairy operated a total of 41 dairy farming companies in China, in which their farms either obtained state-owned granted land use rights or used leased land including leased state-owned land and collectively owned agricultural or forestry land. Relevant PRC laws and regulations allow large-scale farming operators of livestock, such as Modern Dairy, to lease agriculture or forestry land from rural collective economic organisations. However, long-term leasing of collectively owned rural land is subject to uncertainties such as termination or breach by the local villages or townships, which are not risks associated with granted state-owned land. Modern Dairy may be forced to relocate and incur additional costs if any of its long-term leases is terminated or materially breached.

Modern Dairy's insurance coverage and government compensation may not be sufficient to cover all of its potential losses.

Pursuant to the Law of the PRC on Animal Epidemic Prevention, when animals are slaughtered and animal products and relevant goods are destroyed through mandatory measures taken to prevent, control or eliminate epidemics, or due to stress caused by mandatory vaccinations, governments at or above the county level shall provide compensation. However, the amounts of such compensation would be determined by the government, and may be insufficient to cover all related losses. In addition, even if Modern Dairy does receive compensation, if any, from insurance companies or the government for the replacement of lost dairy cows, there is no assurance that any replacement dairy cows would be of the same genetic quality as the lost dairy cows, which could lower Modern Dairy's milk yield per cow.

Insurance policies for production facilities and equipment may have limits on the total amount of indemnification and may not be able to cover all potential losses. As a result, Modern Dairy may be required to use its own resources to cover financial and other losses, damages and liabilities, including those caused by fire, bad weather, disease, civil strife, strikes, natural disasters, terrorist incidents, industrial accidents or other causes. Also, any defective product claim or business interruption may result in substantial costs to Modern Dairy. Losses incurred or payments Modern Dairy may be required to make may have a material adverse effect on Modern Dairy's business, financial condition and results.

Modern Dairy may be unable to retain or secure key qualified personnel, key senior management or other personnel for its operations.

Modern Dairy depends on certain key qualified personnel, key senior management and other employees in its business. The expertise, industry experience and contributions of Modern Dairy's senior management are crucial to its success. There can be no assurance that such persons will continue to provide services to Modern Dairy or will honour the agreed terms and conditions of their employment contracts. Any loss of key personnel or failure to recruit and retain personnel for Modern Dairy's future operations and development may have a material adverse effect on Modern Dairy's business.

Modern Dairy's results may be adversely affected if there are failures in its information systems.

Modern Dairy relies on an information technology system for the management of its dairy farms. However, there is no assurance that Modern Dairy will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events relating to its information technology system in the future. If serious damage or significant interruption occurs, Modern Dairy's operations may be disrupted and as a result its financial condition may be adversely affected.

Litigation or legal proceedings could expose Modern Dairy to liability, divert its management's attention and negatively impact its reputation.

Modern Dairy may at times be involved in litigation or legal proceedings during the ordinary course of business operations, or related to, among other things, product or other types of liability, labour disputes or contract disputes. If Modern Dairy becomes involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or results which could adversely affect its financial condition. In addition, any litigation or legal proceedings could involve substantial legal expenses as well as significant time and attention of Modern Dairy's management, diverting their attention from Modern Dairy's operations.

Modern Dairy may not have obtained building ownership certificates for certain properties which it occupies.

Modern Dairy may not have obtained building ownership certificates for certain properties which it occupies. According to PRC laws, Modern Dairy may not legally transfer, mortgage or otherwise dispose of the such properties before Modern Dairy obtain the relevant building ownership certificates, and where such buildings are delivered for use without completing practical completion checks, Modern Dairy may be ordered to rectify such non-compliance, and may be imposed a fine of not less than 2% but not exceeding 4% of the total contractual construction cost of the relevant buildings.

The use and occupation of the relevant properties for which Modern Dairy have not obtained title certificates will not be challenged. If the legal right to use or occupy the relevant properties is challenged, Modern Dairy may have to find alternative properties, and there is no assurance that Modern Dairy will be able to secure alternative properties for its business if Modern Dairy is required to relocate. Modern Dairy may also incur additional relocation and other costs, and its business operations may be disrupted.

RISKS RELATING TO THE DAIRY INDUSTRY IN CHINA

Any major outbreak of illness or disease relating to dairy cows could lead to significant shortfalls in the supply of raw milk to us and could cause consumers to avoid dairy products, resulting in us suffering substantial declines in sales and possibly serious losses.

A major outbreak of any illness or disease in dairy cows in the PRC could lead to a serious loss of consumer confidence in, and demand for, dairy products. A major outbreak of mad cow disease (bovine spongiform encephalopathy), bovine tuberculosis or other serious disease in the principal regions supplying raw milk to us could lead to significant shortfalls

in the supply of our raw milk. Limited cases of bovine TB have occurred in several parts of China in the past. Furthermore, adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying dairy products or cause production and delivery disruptions. If consumers generally were to avoid dairy products, or our products, our sales would decline substantially and we could suffer serious losses.

Changes in the existing food safety laws may affect the Company's and Modern Dairy's business operations.

The Company's and Modern Dairy's operations are subject to the food safety laws and regulations of the PRC, which set out hygiene, safety and manufacturing standards with respect to food products as well as hygiene, safety, packaging and other requirements for food production, production facilities and equipment used for the transportation and sale of food products. In particular, according to the Food Safety Law of the PRC (中華人民共和國食品安全法) last amended on 29 April 2021 and became effective on the same date, and its implementation regulation which was amended and became effective on 1 December 2019, the Company and Modern Dairy are required to follow more stringent quality control and food safety standards, including, among others:

- food additives may be used only if they are deemed necessary for food production and they must be tested and proven safe in accordance with the risk assessment principles established by the PRC Government before they can be used;
- chemicals other than specifically permitted additives and any substance that may harm human health are forbidden in food production;
- no food product is exempt from inspection by the relevant food safety supervision authority; and
- all food manufacturers will have to suspend production immediately and recall all products from the market if such products are found to have failed to meet the requisite food safety standards. The manufacturers are also required to notify the relevant food producers and traders, as well as consumers of such recall and keep records in this regard.

There are still some uncertainties as to how the Food Safety Law of the PRC and its implementation regulations will affect our business operations in the long run. On 18 March 2021, the PRC National Health Commission promulgated three national food safety standards on formula for infants and young children, which, among others, have imposed stricter requirements on raw material procurement, supply chain, production techniques, research and development and product stability of milk formula. Any failure to comply with the Food Safety Law of the PRC, its implementation regulations or other food safety and hygiene laws and regulations in the PRC, such as the national food safety standards on formula for infants and young children, may result in fines, suspension of operations, loss of licences, and, in more extreme cases, criminal proceedings may be brought against the Company, Modern Dairy and their management. Any of these events will have a material adverse impact on the Company's and Modern Dairy's production, business, financial condition and results of operations.

There is no assurance that the PRC Government will not change the existing laws or regulations or adopt additional or more stringent laws or regulations applicable to the Company and Modern Dairy and their business operations. Such new laws and regulations may require the reconfiguration of the methods used by Company and Modern Dairy for sourcing raw materials, production, processing and transportation, as the Company and Modern Dairy face more onerous food safety, labelling and packaging requirements, more stringent compliance requirements for waste management, increases in transportation costs and greater uncertainty in production and sourcing estimate. Any failure by Company and Modern Dairy to comply with any applicable laws and regulations could subject it to civil liabilities, including fines, injunctions, product recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, in accordance with PRC laws and regulations, the Company and Modern Dairy are required to maintain various licences and permits in order to operate their business including, without limitation, food operation licences (食品經營許可證). The Company and Modern Dairy are required to comply with applicable hygiene and food safety standards in relation to their production processes.

The industry could face slower potential market growth and substitute products.

Subsequent to the COVID-19 pandemic from 2020, our government has been actively promoting the consumption of dairy products for health benefits, urging citizens to increase their milk intake. This heightened awareness of the importance of milk consumption has the potential to spark a shift in Chinese consumers' dietary habits and result in continuously increased per capita sales of dairy products in China. However, there is no assurance that the industry will continue to grow in the future. In the past, Chinese consumers have traditionally consumed a low per capita volume of dairy products. The PRC dairy industry may experience slower growth in the future because of market saturation and competition from alternative products, such as soy-based beverages and products, which may impact upon the size and growth of the market for dairy products. Growth in the market for dairy products may also be impacted by changes in the purchasing behaviour of Chinese consumers.

Dairy products and company names may be subject to counterfeiting or imitation, which could impact upon our reputation and brand name as well as lead to higher administrative costs.

Counterfeiting and imitation have occurred in the past in the PRC for many products. The Company and Modern Dairy have experienced counterfeiting and imitation of their products, as well as imitation of their company names. As with all operators in the dairy industry in China, the Company and Modern Dairy are unable to guarantee that counterfeiting and imitation will not occur in the future and, if it does occur, whether they will be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could impact negatively upon their reputation and brand names. In addition, counterfeit and imitation products could result in a reduction of the Company's and Modern Dairy's market share, cause a decline in their revenues as well as increase their administrative costs in respect of detection and prosecution.

There have also been widely publicised occurrences of counterfeit, substandard milk products in China. Counterfeiting or imitation of the Company's and Modern Dairy's products may occur in the future, and the Company and Modern Dairy may not be able to

detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could negatively impact the Company's and Modern Dairy's corporate brand and image or consumers' perception of the Company's and Modern Dairy's products or similar nutritional products generally, particularly if the counterfeit or imitation products cause injury or death to consumers.

The dairy industry benefits from various forms of government support, the withdrawal of which could affect the Company's and Modern Dairy's operations in various ways.

Dairy industry enterprises in China have received, and may continue to receive, government support, including in the form of subsidies and grants. The PRC Government also provides support to dairy farmers who provide raw milk to such enterprises, including the provision of financial assistance to purchase dairy cows, technology support, training services, tax rebates and other benefits.

The PRC Government also provides subsidies to research institutions involved in developing advanced methods of animal husbandry that indirectly benefits dairy industry enterprises. Without government support, many of the dairy farmers may not be able to raise the money to buy dairy cows, may not have sufficient land to support their dairy cows, and may not receive the training necessary to provide them with the knowledge required to successfully raise productive dairy cows. If the government terminates or withdraws, in whole or in part, the support that they are now providing, the dairy industry could be affected in various ways, including raw milk production growth failing to meet growing demands, increased prices for raw milk, lower raw milk quality and additional costs being incurred to support farmers to make up for the reduced government support.

In addition, with the PRC Government's promotion of dairy products during COVID-19, consumers in China have grown to have a greater awareness of nutrition and health, which has become a driving factor for the increased consumption of dairy products as well as strong recovery and transformation of the dairy industry in China. See "Business — Our Competitive Strengths — We are well-positioned to seize the development opportunities of the PRC dairy industry" for details. However, there is no assurance that the favourable government policy will not be changed and that the demand for dairy products will not be weakened by COVID-19 any further, which may have a material adverse effect on our business, financial conditions and results of operations. See "— We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our production, sales and distribution operations" for details.

The Company and Modern Dairy may be subject to higher compliance costs if environmental protection laws and regulations become more onerous, which may adversely affect their operations and financial performance and lead to costs which they may be unable to pass on to their customers.

The Company and Modern Dairy are subject to environmental laws and regulations in the PRC and other relevant jurisdictions relating to, among other matters, air, water, noise and pollution; generation, storage, handling, use and transportation of hazardous materials; and health and safety of our employees. These laws and regulations require, among other things, enterprises engaged in manufacturing and construction that may cause environmental wastes to adopt effective measures to control and properly dispose of waste gases, wastewater, industrial waste, dust, noise and other waste materials and to pay

certain fees to discharge waste substances. If the Company and Modern Dairy fail to comply with such laws or regulations, we may be subject to sanctions such as fines or the cessation or closure of our operations. There can be no assurance that the Company and Modern Dairy will not become subject to additional or stricter laws or regulations in the future, compliance with which may cause them to incur significant capital or other expenditures, which they may be unable to pass on to their customers through higher prices for their products. The Company and Modern Dairy are also required to obtain permits from governmental authorities for certain operations. The Company and Modern Dairy could also be held liable for any and all consequences arising out of contamination at their facilities or human exposure to hazardous substances or other environmental damage. There is no assurance that the Company's and Modern Dairy's costs of complying with current and future environmental and health and safety laws and regulations, and the Company's and Modern Dairy's liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect their business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The performance of China's economy is affected by various economic factors and policies in and outside of China, among others.

The economy of the PRC experienced rapid growth in the past 30 years and the rate of growth has been slowing down in recent years. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP decreased from 6.8% in 2017 to 6.0% in 2019. Furthermore, the outbreak and global spread of COVID-19 has adversely affected global and China's economy and financial market in general. As a result, the GDP growth of China was 2.2% from 2019 to 2020. In 2021, as the outbreak of COVID-19 became relatively stabilised in China, the GDP growth has shown a trend of recovery reaching 8.4% in 2021. However, the highly contagious Omicron variant of COVID-19 has caused a surge of COVID-19 cases in 2022, as a result, China's GDP decreased to 3.0% in 2022. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth. The relevant ratings has remained at the same level since then.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world. Geopolitical events such as the United Kingdom's withdrawal from the European Union on 31 January 2020, the EU-UK Trade and Cooperation Agreement reached on 24 December 2020, continued tensions in the Middle East and Korean peninsula as well as the disputes between the United States and the PRC over trade policies, political and other issues could significantly affected both diplomatic and economic ties among countries and undermine the stability of the global economies and financial markets. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between the major economies. In particular, the ongoing military conflict between Russia and Ukraine in 2022 has been contributing to further increases in the price of energy, oil and other commodities and to volatility in financial markets globally, as well as to the development of a new landscape in relation to international sanctions. In addition, the U.S. Federal Reserve has increased the

target range for the federal funds rate a number of times. The rate hikes and the continued trade tensions between the United States and the PRC have adversely affected, and may continue to adversely affect, the global economy and financial markets. The existing tensions and any further deterioration in the global financial market may have a negative impact on the economic conditions in China, which may in turn adversely impact our business, financial condition, and results of operations.

The PRC's economic, political and social conditions, as well as government policies, could adversely affect the Company and Modern Dairy's business.

The Company and Modern Dairy derive almost all of their revenues from their operations in the PRC. The Company's and Modern Dairy's business, financial condition, results of operations and prospects will, accordingly, be subject to economic, political and legal developments in the PRC, as well as in the economies of the surrounding region. The following conditions and developments in the PRC may materially and adversely affect the Company's and Modern Dairy's business, financial condition, results of operations and prospects:

- inflation, interest rates and general economic conditions;
- the introduction of economic policies to control inflation or stimulate growth, change the rate or method of taxation or impose additional restrictions on currency conversions and remittances abroad, where the government has periodically taken measures to slow economic growth to a more manageable level, in response to concerns about the PRC's historical high growth rate in industrial production, bank credit, fixed investment and money supply;
- the structure of the economy, where the economy has been transitioning from a planned economy to a market-oriented economy, but where the government still controls a substantial portion of productive assets, continues to play a significant role in regulating industries through industrial policies and exercises significant control over growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies;
- demographic factors in the PRC, which has a rapidly growing population requiring rapid economic growth to assure employment and stability;
- governmental policies, laws and regulations, including, without limitation, those relating to foreign investment or classification of industries, and changes to such policies, laws and regulations and their implementation and interpretation, which could prevent, delay, increase the cost of or otherwise adversely affect the Company's and Modern Dairy's ability to invest in, acquire or divest, develop, operate or manage our facilities;
- certain recent changes in PRC tax law and proposed application and/or interpretation of these laws could increase the Company's and Modern Dairy's PRC tax liability;
- the risk of nationalisation and expropriation of assets;

- currency controls and other regulations, which may affect the Company's and Modern Dairy's ability to receive distributions or other dividends from our subsidiaries or other entities in which we may have any interest, to borrow onshore or offshore where the facility or the relevant subsidiary or entity is located, or to carry out acquisition, divestment and capital expenditure plans;
- political and other conditions; and
- level of disposable income of consumers.

The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources to certain historical uneven growth geographically and among the various sectors of the economy. These measures benefit the overall PRC economy, but some may also have a negative effect on our operations. For example, the Company's and Modern Dairy's business, financial condition and results of operations may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Company and Modern Dairy.

The PRC economy has been transitioning to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, however, a substantial portion of productive assets in the PRC is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The interpretation and enforcement of the PRC laws and regulations involve uncertainties that could limit the legal protections available to you.

The PRC legal system is based on written statutes and may significantly differ from the legal system in your jurisdiction. Since 1979, the PRC Government has promulgated laws and regulations that deal with economic matters, including securities regulations, foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view of developing a comprehensive system of commercial law. However, because these laws and regulations are relatively new and continue to evolve, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations are unpredictable and can affect the legal remedies and protections available to you.

We cannot predict the effect of future legal development in the PRC, including the promulgation of new laws, or changes to existing laws or the interpretation or enforcement thereof, or the preemption of local rules and regulations by national law. Such unpredictability may affect the legal protection available to the Company and Modern Dairy and holders of the Bonds. In addition, the PRC legal system is affected in part on government policies and internal rules that may have retroactive effect. As a result, the Company and Modern Dairy may not be aware of their violation of these policies and rules until sometime after the violation has occurred.

Restrictions by the PRC Government on foreign exchange may limit the Company's and Modern Dairy's liquidity.

Renminbi is currently not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE or its local counterparts, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE or its local counterparts, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under the Company's and Modern Dairy's current corporate structure, the Company's and Modern Dairy's source of funds will primarily consist of dividend payments and repayment of intercompany loans by our subsidiaries in China denominated in Renminbi, bank loans denominated in HK dollars and U.S. dollars, and proceeds from the issuance of bonds denominated in HK dollars and U.S. dollars. There is no assurance that the Company and Modern Dairy will be able to meet all of their foreign currency obligations or to remit profits out of China. If the subsidiaries are unable to obtain SAFE approval to repay loans to the Company and Modern Dairy, or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to the Company and Modern Dairy, the Company's and Modern Dairy's liquidity and ability to satisfy their third-party payment obligations, and their ability to satisfy their obligations under the Bonds, could be materially and adversely affected.

Fluctuation of Renminbi exchange rates could have a material adverse effect on our business, financial condition, results of operations and prospects.

The value of the Renminbi against other foreign currencies is subject to fluctuations resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market.

From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the U.S. dollar was generally stable. Pursuant to reforms of the exchange rate system announced by the PBoC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBoC enlarged the floating band for the trading prices in the interbank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBoC. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBoC further widened the floating band against the U.S. dollar to 2.0%. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33.0% from July 21, 2005 to December 31, 2014. On August 11, 2015, the

PBoC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On December 11, 2015, the China Foreign Exchange Trade System (the “CFETS”), a sub-institutional organisation of the PBoC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, the Renminbi experienced further fluctuation in value against the U.S. dollar which has continued in 2019. On 5 August 2019, the PBoC set the Renminbi’s daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate.

With an increased floating range of the Renminbi’s value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the other foreign currencies in the long-term. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future, which may also result in a significant appreciation or depreciation of the Renminbi against other foreign currencies. If such reforms were implemented and resulted in depreciation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be materially and adversely affected because of our relatively substantial U.S. dollar-denominated indebtedness and other obligations. There are significant uncertainties regarding the long-term value of the Renminbi, and there is no assurance that the Renminbi will not experience significant depreciation or (as the case may be) appreciation against U.S. dollars or against any other currency in the future.

Any appreciation of Renminbi may subject the Company and Modern Dairy to increased competition from imported products. Meanwhile, as Company and Modern Dairy purchase a certain proportion of dairy materials from overseas suppliers, any depreciation of Renminbi could possibly increase the cost of importing these products, and if the Company and Modern Dairy are unable to pass on the increased cost to their distributors by selling their products at higher prices, their business, financial condition and results of operations may be adversely affected. In the event that the appreciation of Renminbi against the U.S. dollar continues, the Company or Modern Dairy may incur foreign exchange losses. Furthermore, since the Company’s or Modern Dairy’s revenue and profit are denominated in Renminbi, any depreciation of Renminbi would materially and adversely affect their financial position, their ability to service their foreign currency obligations, as well as their ability to satisfy their obligations under the Bonds.

We are a holding company that relies heavily on dividend payments from our subsidiaries in China for funding.

We are primarily a holding company and our ability to satisfy our obligations under the Bonds depends to a large extent upon the receipt of dividends, distributions, interest or advances from our wholly or partly owned subsidiaries, our associated companies and jointly controlled entities. The ability of such subsidiaries, associated companies and jointly controlled entities to pay dividends and other amounts to us may be subject to their profitability and to applicable laws and restrictions on the payment of dividends and other amounts contained in financing or other agreements. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions,

including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to satisfy our obligations under the Bonds.

In addition, we are incorporated in the Cayman Islands and hold interests in our subsidiaries in China through our holding company incorporated in Mauritius. Under the existing EIT Law and its implementation rules, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT Law and its implementation rules, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

We may be deemed as a PRC resident enterprise under the EIT Law and be subject to Chinese taxation on our worldwide income and certain withholding taxes may be applicable.

Under the EIT Law, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate as to their global incomes. Under the implementation rules for the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

In April 2009 and January 2014, the SAT specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its “de facto management bodies” located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as is our case. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. However, as substantially all of our management is currently based in China and may remain in China in the future, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes.

If we are deemed as a PRC resident enterprise, we will be subject to PRC enterprise income tax at the rate of 25% on our worldwide income. In that case, however, dividend income we receive from our PRC subsidiaries may be exempt from PRC enterprise income tax because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident

enterprise are exempt from enterprise income tax. Furthermore, the interest the Issuer pays in respect of the Bonds, and the gain any investor may realise from the transfer of the Bonds, may be treated as income derived from sources within the PRC and may be subject to PRC withholding taxes in connection with PRC income tax and VAT. See “Taxation”. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, there is no assurance that we are eligible for such PRC enterprise income tax exemptions or reductions.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders’ loans or capital contributions after completion of this offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, or FIEs, cannot exceed a statutory limit, and must be filed with SAFE or its local counterparts through the online filing system of SAFE after the loan agreement is signed and at least three business days before the borrower withdraws any amount from the foreign loan. In addition, any such loans with a term of at least one year are also subject to filing requirement with the NDRC or its local branches.

Furthermore, if we provide our PRC subsidiaries with capital contributions, such PRC subsidiaries are required to apply for registrations with the State Administration for Market Regulation of the People’s Republic of China (“SAMR”) or its local branches, submit a change report to the Ministry of Commerce or its local counterpart through the online enterprise registration system, and complete the exchange registration with qualified banks. We may not be able to obtain these government registrations or approvals, or complete these government filings on a timely basis, if at all. If we fail to receive such registrations or approvals or complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On 30 March 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19. SAFE Circular 19, however, allows FIEs in China to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of an FIE settled in Renminbi converted from foreign currencies is still not allowed to be used for investment in the security markets, offering entrustment loans, or purchase of any investment properties, unless otherwise regulated by other laws and regulations. On 9 June 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which, among other things, amended certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of an FIE is regulated such that Renminbi capital may not be used for business beyond its business scope, securities investment or other financial investment except for guaranteed financial products issued by banks, providing loans to non-affiliated enterprises unless otherwise permitted under its business scope, or constructing or purchasing real estate not for self-use. On 23 October

2019, SAFE issued the Circular on Further Promoting Cross-Border Trade and Investment Facilitation, or SAFE Circular 28, which expressly allows FIEs that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations. If our consolidated subsidiaries require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our consolidated subsidiaries' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition, and results of operations.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. In addition, on 18 January 2019, the PRC Supreme People's Court (the “**SPC**”) and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (最高人民法院、香港特別行政區政府關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**New Arrangement**”). The New Arrangement extends the scope of judicial assistance, and the effective date shall be announced by the SPC and Hong Kong government, following the promulgation of a judicial interpretation by SPC and the completion of the relevant procedures in Hong Kong. The New Arrangement will, upon its effectiveness date, supersede the Arrangement.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the ability of the holders of the Bonds to initiate a claim outside of Hong Kong will be limited.

RISKS RELATING TO THE BONDS AND THE CMD SHARES

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The permit, filing or other requirements of the CSRC or other PRC government authorities in relation to our proposed issuance of the Bonds or further capital raise activities may be required under PRC laws.

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, indirect overseas offering and listing of domestic companies refers to securities offerings and listings in an overseas market made under the name of an offshore entity but

based on the underlying equity, assets, earnings or other similar rights of a company in mainland China that operates its main business in mainland China. The Overseas Listing Trial Measures states that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, exchangeable bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. In connection with the Overseas Listing Measures, on 17 February 2023 the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (關於境內企業境外發行上市備案管理安排的通知) (the “**Notice on Overseas Listing Measures**”). According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by 31 March 2023, the date the Overseas Listing Measures became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the Overseas Listing Trial Measures when it subsequently seeks to conduct a follow-on offering. We have been advised that we are required to go through filing procedures with the CSRC after the completion of this offering of the Bonds and for our future offerings and listing of our securities in an overseas market under the Overseas Listing Trial Measures for this offering. In order to duly complete the filing procedures, we shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfil their obligations to protect national security, and the domestic companies may be required to rectify, make certain commitment, divest business or assets, or take any other measures as per the competent authorities’ requirements, so as to eliminate or avert any impact of national security resulting from the following-on overseas offering. The Overseas Listing Trial Measures provide that, an overseas offering and listing, including the follow-on offering of exchangeable bonds, is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the “**Forbidden Circumstances**”). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

We will comply with applicable filing requirements as appropriate. However, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. We cannot assure you that we could meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us. If it is determined that we are subject to any approval, filing, other governmental

authorization or requirements from the CSRC or other PRC government authorities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial condition as well as our ability to complete the issuance of the Bonds.

We may be subject to additional regulations and requirements by the PRC governmental authorities.

The NDRC issued the Order 56 on 5 January 2023, which came into effect on 10 February 2023. According to the Order 56, domestic enterprises and their overseas controlled entities shall obtain the Enterprise Foreign Debt Filing Registration Certificate (企業借用外債備案登記證明) (the “**Registration Certificate**”) of any debt securities denominated in Renminbi or a foreign currency, with a maturity term of not less than one year (including, without limitation to issue of senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, finance leases and commercial loans) issued outside of the PRC with the NDRC prior to the issue of such securities and notify the particulars of the relevant issues within 10 working days after the completion of the issuance. Such post-issue filing obligation is applicable even in the event that the relevant Registration Certificate is obtained prior to 10 February 2023 (being the date on which the Order 56 came into effect). In addition to the above-mentioned pre-issuance registration requirements and the post-issue filing obligations which were also stipulated in the NDRC Circular, domestic enterprises are subject to further reporting obligations under the Order 56. According to the Order 56, enterprises are required, among others, to (i) report on the status of the foreign debt within 10 working days after the expiration of the relevant Registration Certificate, (ii) report on use of proceeds, principal and interest repayment status and arrangement and key business indicators within five working days prior to the end of January and July each year, and (iii) promptly report on any material event that may affect the due performance of their debt obligations. Whilst the NDRC Circular is silent on the legal consequences of non-compliance with the post-issuance reporting, the Order 56 sets forth certain legal liabilities and disciplinary measures which would be imposed on enterprises and intermediaries if they fail to comply with the relevant requirements. According to the Order 56, for any enterprise that fails to report relevant information according to the Order 56, the examination and registration authorities shall, depending on the seriousness of the circumstances, impose disciplinary measures such as interviews and public warnings on the enterprise concerned and its principal responsible person. If the enterprise fails to file the particulars of the relevant issues to the NDRC within 10 PRC working days upon completion of the issue, the examination and registration authorities shall order it to make corrections within a prescribed time limit; if the circumstances are serious or corrections are not made within the prescribed time limit, the enterprise concerned and its principal responsible person shall be given warnings. Furthermore, conducts in violation of the Order 56 committed by enterprises will be published on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). Furthermore, the relevant clue of any illegality or criminal offence shall be referred to the judicial authorities pursuant to the law for pursue of legal liability. In the worst case scenario, non-compliance with the NDRC reporting obligations under the Order 56 may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Notes.

Pursuant to the Order 56, we have registered the issuance of the Bonds with the NDRC and obtained the NDRC Certificate on 29 March 2023 evidencing such registration and have undertaken to file with the NDRC the particulars of the issue of the Bonds within the prescribed time period after the Issue Date.

The transfer of the CMD Shares upon exchange are subject to stamp duty in Hong Kong.

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or redemption at maturity (in which the Bonds shall be cancelled and extinguished) of a Bond. Hong Kong stamp duty is payable on any transfer of Hong Kong stock, including the transfer of the CMD Shares to the holder of the Bonds upon exchange. The duty is charged on each of the transferor and the transferee at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the CMD Shares bought and sold. In other words, a total of 0.2 per cent. is currently payable on a typical transfer (i.e. sale and purchase transaction) of CMD Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. For further details, see “Taxation — Hong Kong — Stamp Duty”. A document chargeable to stamp duty which is not duly stamped may not be received in evidence in any proceedings. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Bondholders have no security interest in the Exchange Property and the covenants imposed on the Issuer in connection with the Exchange Property are not a pledge.

There is no security interest in relation to the Exchange Property, and covenants imposed on the Issuer in connection with the Exchange Property are not a pledge. The Trust Deed does not create any security interest in favour of the Bondholders either to secure the payment obligations arising under the Bonds or to secure the performance of the Exchange Rights thereunder. Accordingly, in the event of any insolvency of the Issuer, the Bondholders will rank on a *pari passu* basis with all other unsecured and unsubordinated creditors of the Issuer and will have no preference in respect of the Exchange Property.

Bondholders will bear the risk of fluctuations in the price of the CMD Shares.

The market price of the Bonds at any time will be affected by, among other things, fluctuations in the trading price of the CMD Shares. It is impossible to predict whether the price of the CMD Shares will rise or fall. The trading price of the CMD Shares will be influenced by, among other things, results of operations of Modern Dairy, sales of additional CMD Shares or securities exchangeable for or convertible into CMD Shares, as well as political, economic, financial and other factors in the PRC market, which may be beyond the control of the Issuer. The Bondholders will bear the risk of a decline in the price of the CMD Shares prior to maturity of the Bonds. Subsequent to the delivery of the CMD Shares upon exchange of the Bonds, the holder of the CMD Shares will be exposed to the

risk associated with holding the CMD Shares if such holder chooses not to sell the CMD Shares. None of the Issuer, the Managers and the Trustee can provide any assurance as to the future price level of the CMD Shares or the Bonds.

Bondholders will have no direct rights as holders of CMD Shares before exchange.

Unless and until the Bondholders acquire the CMD Shares deliverable upon exchange, the Bondholders will have no rights with respect to the CMD Shares, including any voting rights. Upon exchange of the Bonds for the CMD Shares, the holders will be entitled to exercise the rights of holders of the CMD Shares only as to actions for which the applicable record date occurs after the relevant Exchange Date.

Modern Dairy may be unable to pay dividends on the CMD Shares.

There is no assurance that Modern Dairy can or will declare dividends on the CMD Shares in the future. Future dividends, if any, will be at the discretion of Modern Dairy's board and will depend upon Modern Dairy's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors its board may deem relevant.

Bondholders have limited anti-dilution protection.

The Exchange Property into which the Bonds may be exchanged on a pro rata basis will be adjusted in the event that there is a subdivision, consolidation or redenomination, a rights issue, bonus issue, reorganisation, or other adjustment, which affects the property comprising the Exchange Property, but only in the situations and only to the extent described in the Terms and Conditions of the Bonds. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Exchange Property. Events in respect of which no adjustment is made may adversely affect the value of the Exchange Property and, therefore, adversely affect the value of the Bonds.

Risks attached to the exercise of exchange rights.

Bondholders should be aware that the Bonds, being exchangeable for the Exchange Property, bear certain risks. Depending upon the performance of the Exchange Property, the value of the Exchange Property may be substantially lower at such time that Bondholders seek to exercise their Exchange Rights, than at the time when the Bonds were initially purchased. In addition, the value of the Exchange Property to be delivered may vary substantially between the date on which the Exchange Rights are exercised and the date on which such Exchange Property is delivered.

The Bonds are subject to optional redemption by the Issuer.

As described in Conditions 10(B) and 10(C) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation". If the Issuer redeems the Bonds prior to its maturity, an investor may not be able to reinvest the

redemption proceeds at a rate of return as high as that on the Bonds being redeemed. It may therefore cause a negative financial impact on the holders of the Bonds. Potential investors should consider reinvestment risks in light of other investments available at that time.

Risks relating to further issues or sales of CMD Shares.

There can be no certainty as to the effect, if any, that future issues or sales of CMD Shares, or the availability of CMD Shares for future issue or sale, would have on the market price of the CMD Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of CMD Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the CMD Shares and, in turn, the Bonds. There can be no assurance that such sales of the CMD Shares will not occur.

Modern Dairy has no obligations with respect to the Bonds.

Modern Dairy has no obligation with respect to the Bonds, including any obligation to consider the needs of the Issuer or holders of the Bonds. As a consequence, there can be no assurance that all events occurring prior to the date hereof that would affect the trading price of the CMD Shares (and therefore the price of the Bonds) are available to prospective investors. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning Modern Dairy could affect the trading price of the CMD Shares deliverable upon exchange of the Bonds and therefore the trading price of the Bonds. Modern Dairy will not receive any of the proceeds from the offering of the Bonds and are not responsible for, and has not participated in, the determination of the timing of, price for, or quantities of, the Bonds.

Bondholders may only be entitled to the Cash Alternative Amount.

Upon the exercise of Exchange Rights (as defined in the Terms and Conditions of the Bonds) by a Bondholder in accordance with the Terms and Conditions of the Bonds, the Issuer may make an election (a “**Cash Election**”) by giving notice to the relevant Bondholders to satisfy the exercise of the Exchange Right in respect of the relevant Bonds, in whole or in part, and where in part, by reference to either (a) the principal amount of the Bonds in respect of which the Cash Election is being exercised (a “**Principal Limit**”), or (b) a maximum amount in Hong Kong dollars to be paid upon exercise of the Cash Election (a “**Cash Limit**”), by making payment, or procuring that payment is made, to the relevant Bondholder of the Cash Alternative Amount instead of delivering the pro rata share of the Exchange Property (as defined in the Terms and Conditions of the Bonds). A Cash Election may be made in respect of the whole or any part of the Exchange Property that would otherwise be deliverable in respect of the relevant exercise of Exchange Rights. In such event, a Bondholder will receive fewer or no CMD Shares (as applicable) upon the exercise of Exchange Rights.

Cash Alternative Amount payable to Bondholders will be subject to market price volatility during the five consecutive trading days calculation period.

Upon the exercise of Exchange Rights by a Bondholder, the Issuer may make a Cash Election by giving notice to the relevant Bondholders to satisfy the exercise of the Exchange Right in respect of the relevant Bonds, in whole or in part, and where in part, by reference to either (a) a Principal Limit, or (b) a Cash Limit, by making payment, or procuring that

payment is made to the relevant Bondholder of the Cash Alternative Amount instead of delivering the pro rata share of the Exchange Property. The Cash Alternative Amount will be calculated using the average of the Value (as defined in the Terms and Conditions of the Bonds) on each Trading Day (as defined in the Terms and Conditions of the Bonds) during the period of five consecutive Trading Days commencing on the second Trading Day immediately following the Cash Election Exercise Date (as defined in the Terms and Conditions of the Bonds) (the “**Cash Alternative Calculation Period**”). As such, a Bondholder will need to wait for the Cash Alternative Calculation Period to be completed before receiving any payment of the Cash Alternative Amount. The calculation of the Cash Alternative Amount will be affected by share price movements and volatility during the Cash Alternative Calculation Period, which can be affected by a wide array of factors including, without limitation, results of operations of Modern Dairy, sales of additional CMD Shares or securities exchangeable for or convertible into CMD Shares, as well as political, economic, financial and other factors in the PRC market and elsewhere in the world or economic downturn locally or globally. See “*Risk Factors — Risks relating to the Bonds and the CMD Shares — Bondholders may only be entitled to the Cash Alternative Amount*” and “*Risk Factors — Risks relating to the Bonds and the CMD Shares — Bondholders will bear the risk of fluctuations in the price of the CMD Shares*”.

The Issuer may not be able to deliver the Exchange Property.

In the event that the Issuer does not have sufficient CMD Shares to deliver to exchanging Bondholders upon the exercise of their Exchange Rights or there are legal or regulatory restrictions on delivery of the Exchange Property, the Issuer may also choose to make purchases of the CMD Shares in the open market to satisfy the exchanging Bondholders, but there can be no assurance that they will be successful in doing so or that they will have sufficient funds to acquire sufficient the CMD Shares.

The Issuer may not be able to meet its outstanding obligations under the Bonds and the Issuer may not have the ability to redeem the Bonds in cash at maturity or if investors exercise their redemption rights upon the occurrence of a change of control.

The Issuer may (and at maturity, will) be required to redeem all of the Bonds. In the event that the Issuer is required to redeem the Bonds, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all, or if investors exercise their redemption rights upon the occurrence of a change of control. In addition, the Issuer’s ability to redeem the Bonds in cash may be limited by law, by the terms of other agreements relating to its senior debt and by indebtedness and agreements that the Issuer may enter into in the future which may replace, supplement or amend its existing or future indebtedness. If the exercise of the redemption right on the dates specified in the Terms and Conditions occurs at a time when the Issuer is restricted from redeeming the Bonds, the Issuer could seek the consent of lenders to redeem the Bonds or could attempt to refinance the indebtedness subject to such restriction. If the Issuer is not able to obtain consent or refinance such indebtedness, it could be restricted from redeeming the Bonds. The Issuer’s failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer’s or the Group’s other indebtedness.

If the Issuer or any of its subsidiaries is unable to comply with the restrictions and covenants in our debt agreements or the Bonds, there could be a default under the terms of these agreements or the Bonds, which could cause the repayment of our debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the relevant debt could terminate their commitments to lend to the Issuer, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the Bonds, may contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events should occur, there can be no assurance that the Issuer's assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be obtained. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and Modern Dairy and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, the price and volatility of the CMD Shares could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

The ratings assigned to the Issuer may be lowered or withdrawn in the future.

The Issuer received a long-term corporate credit rating of “**BBB+**” with a stable outlook by S&P Global Ratings (“**S&P**”) and “**Baa1**” by Moody's. The ratings address the Issuer's ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. We have no obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Developments in the international financial markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. The economic

effects of the global financial crisis of 2008 and 2009 and the recent European sovereign debt crisis have been widespread and far reaching and the international financial markets have experienced significant volatility. While some of these economic factors have since improved, lasting impacts from the global financial crisis, subsequent volatility in financial markets and the recent European sovereign debt crisis (and potential contagion from it) suggest ongoing vulnerability and adjustment in general business, capital markets and economic conditions. In addition, the outbreak of COVID-19 pandemic has caused volatility in stock markets worldwide to lose significant value since February 2020. If such developments continue or if similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. Application will be made to the Hong Kong Stock Exchange for the Bonds to be admitted for listing on the Hong Kong Stock Exchange, but no assurance can be given as to the liquidity of, or trading market for, the Bonds. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. The Managers are not obligated to make a market in the Bonds, and if the Managers do so, they may discontinue such market making activity at any time at its sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, holders of the Bond should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of our assets. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Agency Agreement and the Trust Deed by the Trustee or less than all of the Bondholders.

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to), without the consent of Bondholders, agree to any modification (except as mentioned in Condition 15(A)) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Trust Deed and the Agency Agreement which is not, in the opinion of the Trustee, materially prejudicial to the interests of Bondholders and to any modification to the Bonds, the Trust Deed and the Agency Agreement which is in its opinion of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders.

The Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer pursuant to Condition 12 of the Terms and Conditions of the Bonds and taking any steps, action and/or proceedings pursuant to Condition 14 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any step, action and/or proceeding on behalf of Bondholders. The Trustee shall not be obliged to take any such steps, actions and/or proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds, or where there is uncertainty or dispute as to the applicable laws or regulations, and in such circumstances and to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Claims by holders of the Bonds are structurally subordinated to the Issuer's subsidiaries.

None of the Issuer's subsidiaries will guarantee the Bonds. Therefore, the Bonds will be structurally subordinated to any indebtedness and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries, whether or not secured. The Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws and the contracts and agreements which they enter into from time to time. The Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefor, whether by dividends, loans or other payments. As a result, all claims of creditors of the existing and future subsidiaries of us, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over claims of us and those of creditors of us, including holders of the Bonds.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consultation of the Bondholders create and issue further securities in accordance with the Terms and Conditions of the Bonds (see "Terms and Conditions of the Bonds — Further Issues"). There can be no assurance that such future issuance will not adversely affect the market price of the Bonds.

Bondholders should rely on publicly available information on Modern Dairy.

Modern Dairy was not involved in the preparation of this Offering Circular and as such, any information on Modern Dairy in this Offering Circular has been derived from publicly available information. Accordingly, the Bondholders should rely on publicly available information on business and results and operations of Modern Dairy and there can be no assurance that such information presents an accurate description of business and results and operations of Modern Dairy and that it addresses any significant business changes of respective companies which could affect the value of the CMD Shares.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the Enterprise Income Tax (EIT) Law and its implementation rules, any gains realised on the transfer of the Bonds by Bondholders who are deemed under the new EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as incomes derived from sources within the PRC. Under the new EIT law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds. If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

Foreign exchange risk and exchange controls may cause Bondholders to receive less on the Bonds than expected.

The Issuer will pay principal and premium (if any) on the Bonds in Hong Kong dollars. This may give rise to certain risks relating to currency conversions if a Bondholder’s activities are denominated principally in a currency or currency unit (the “investor’s currency”) other than Hong Kong dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Hong Kong dollar or revaluation of the investor’s currency) and the risk that authorities with jurisdiction over the investor’s currency may impose or modify exchange controls. An appreciation in the value of the investor’s currency relative to the Hong Kong dollar would decrease (i) the investor’s currency equivalent yield on the Bonds; (ii) the investor’s currency equivalent value of the principal payable on the Bonds; and (iii) the investor’s currency equivalent market value of the Bonds.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

Since the Issuer is incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Issuer would likely involve the Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A change in English law which governs the Bonds may adversely affect the holders of the Bonds.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Bonds will initially be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.

The Bonds will initially be represented by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee of, and shall be deposited with, a common depositary for Euroclear and Clearstream (collectively, the “**Clearing Systems**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of accountholders with entitlements in respect of the Bonds represented by the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for the Clearing Systems for distribution to the account of the holders of the Bonds.

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of the Bonds of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders of the Bonds will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

USE OF PROCEEDS

Mengniu intends to use the proceeds from this offering, after deducting the underwriting commissions and other estimated expenses payable in connection with this offering, to refinance certain of its existing indebtedness.

DESCRIPTION OF THE GLOBAL CERTIFICATE

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds (the “**Conditions**”) have the same meaning in the paragraphs below. The following is a summary of those provisions:*

Promise to Pay

The Issuer, for value received, will promise to pay to the holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from 15 June 2023 in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation will be made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

For the purposes of the Global Certificate, (a) the holder of the Bonds represented by the Global Certificate will be bound by all the provisions of the Trust Deed and those provisions applicable to it of the Agency Agreement, (b) the Issuer will certify that the Registered Holder is, at the date of the Global Certificate, entered in the Register as the holder of the Bonds represented by the Global Certificate, (c) the Global Certificate will be evidence of entitlement only, (d) title to the Bonds represented by the Global Certificate will pass only on due registration on the Register, and (e) only the holder of the Bonds represented by the Global Certificate will be entitled to payments in respect of the Bonds represented by the Global Certificate.

Exchange of Bonds Represented by Global Certificates

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates (“**definitive Certificates**”) if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each HK\$1,000,000 in principal amount of Bonds for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption, exchange or purchase by the Issuer or any Principal Subsidiary or Affiliate will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Exchange Rights

Subject to the procedures and requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Exchange Right attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Exchange Agent of one of more Exchange Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Exchange Agent together with the relevant Exchange Notice(s) shall not be required. The exercise of the Exchange Right shall be notified by the Exchange Agent to the Registrar and the holder of the Global Certificate.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Holder's Redemption

The Holder's redemption option in Condition 10(E) or 10(F) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Condition 10(B) or 10(C) shall be exercised by the Issuer giving notice to the Holders within the time limits set out therein and containing the information required by such Condition.

Transfers

Transfers of beneficial interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions substantially in the form in which they (other than the text in italics) will be endorsed on the Certificate issued in respect of the Bonds and referred to in the global certificate relating to the Bonds.

The issue of HK\$650,000,000 in aggregate principal amount of 4.50 per cent. Exchangeable Bonds due 2026 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 18 and consolidated and forming a single series therewith) of China Mengniu Dairy Company Limited (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer passed on 9 December 2022. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 15 June 2023 (the “**Issue Date**”) between the Issuer and Citicorp International Limited as trustee for itself and the Holders of the Bonds (the “**Trustee**”, which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed). The Issuer will enter into a paying, exchange and transfer agency agreement dated on or about the Issue Date (as amended and/or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal exchange agent and principal transfer agent (in such capacities collectively the “**Principal Agent**”, which expression shall include its successor(s)), Citibank Europe plc as registrar (the “**Registrar**”, which expression shall include its successor(s)) and the other paying agents, exchange agents and transfer agents appointed under it (each a “**Paying Agent**”, an “**Exchange Agent**” or, as the case may be, a “**Transfer Agent**” (which expressions shall, in each case, include their respective successor(s) and any other agent appointed in such capacity in connection with the Bonds) and, together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. References herein to each of the “**Paying Agent**”, the “**Exchange Agent**” and the “**Transfer Agent**” each include the Principal Agent. References to the “**Principal Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, registrar and agents for the time being for the Bonds.

These terms and conditions of the Bonds (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. The “ **Holders**” or “**Bondholders**”, in each case as defined below, are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by the Holders at all reasonable times during normal business hours (9:00 a.m. to 3:00 p.m., Monday to Friday other than public holidays) at the principal office for the time being of the Trustee (being at the date hereof at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee.

All capitalised terms that are not defined in the Conditions will have the meanings given to them in the Trust Deed.

1 STATUS

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(A)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

2 FORM, DENOMINATION AND TITLE

- (A) **Form and Denomination:** The Bonds will be issuable only in registered form and in the denominations of HK\$2,000,000 and integral multiples of HK\$1,000,000 in excess thereof. A certificate (each a “**Certificate**”) will be issued to each Holder in respect of its registered holding of Bonds. Each Certificate will have an identifying number which will be recorded on the relevant Certificate and in the register of Holders which the Issuer will procure to be kept by the Registrar pursuant to the Agency Agreement (the “**Register**”).
- (B) **Title:** The Bonds will be registered instruments, title to which will pass only by registration in the Register. The Holder of any Bond will, except as ordered by a court of competent jurisdiction or as otherwise required by law, be treated as the absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in or any writing (other than the endorsed form of transfer) on, or the theft or loss of, the Certificate issued in respect of it), and none of the Issuer, the Trustee or any Agent thereof shall be affected by notice to the contrary and no person shall be liable for so treating the holder. In these Conditions, “**Bondholder**” and, in relation to a Bond, “**Holder**” mean the person in whose name a Bond is registered on the Register.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. These terms and conditions are modified by certain provisions contained in the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

3 TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

- (A) **Transfers:** Subject to this Condition, Condition 3(D) and the terms of the Agency Agreement, a Bond may be transferred by delivering to the specified office of the Registrar or any Transfer Agent the Certificate issued in respect of that Bond duly endorsed, accompanied by a form of transfer duly completed and signed and any other evidence as the Registrar or such Transfer Agent may require to prove the title and identity of the transferor and the authority of the individuals who have executed such form of transfer. No transfer of a Bond will be valid unless and until entered on the Register. The Registrar and any Transfer Agent may decline to effect any transfer of a Bond (i) during the period of 15 days ending on (and

including) the due date for any payment of the principal of, and the premium (if any) on, such Bonds or (ii) in respect of which an Exchange Notice (as defined in Condition 7(B)) has been delivered in accordance with Condition 7(B) or a Put Exercise Notice (as defined in Condition 10(E)) has been delivered in accordance with Condition 10(E) or (iii) after the Bond has been tendered by the Holder in accordance with Condition 10(F) or (iv) during the period of 15 days ending on (and including) the Record Date (as defined in Condition 9(A)).

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (B) **Delivery of New Certificates:** Each new Certificate to be issued on transfer of a Bond will, within seven business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate and the form of transfer on the back of such Certificate duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer. Where some but not all the Bonds in respect of which a Certificate is issued are to be transferred, exchanged for Shares or redeemed, a new Certificate in respect of the Bonds not so transferred, exchanged or redeemed will, within seven business days of deposit or surrender of the original Certificate with or to the Registrar or the relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder of the Bonds not so transferred, exchanged or redeemed to the address of such Holder appearing on the Register.
- (C) **Formalities Free of Charge:** No service charge shall be made for any registration of transfer of Bonds but the Issuer, the Registrar or any of the Transfer Agents may require payment (or such indemnity and/or security and/or pre-funding as the Issuer or the relevant Agent may require) of a sum sufficient to cover any taxes, duties or other governmental charges that may be imposed in relation to such transfer and such transfer shall not be made unless and until the required payment (or indemnity, security and/or pre-funding, as the case may be) described herein is made.
- (D) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds attached as a schedule to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (or sent via facsimile) by the Registrar to any Holder upon written request and proof of holding and identity satisfactory to the Registrar.

As used in this Condition 3, “**business day**” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are generally open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent with which a Certificate is deposited or surrendered in connection with a transfer or exchange or redemption is located.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

- (A) **Negative Pledge:** For so long as any Bond remains outstanding (as defined in the Trust Deed) and except for any issuance of debt or convertible securities or any other similar transaction by the Issuer for the purpose of providing incentive to the management and/or employees of the Issuer and/or its subsidiaries, the Issuer will not, and the Issuer will ensure that none of its Principal Subsidiaries (other than a Listed Subsidiary) will, create any Encumbrance or permit to exist any Encumbrance to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according the Bonds to either (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
- (B) **Notification to NDRC:** The Issuer undertakes to use its reasonable endeavours to file or cause to be filed with the National Development and Reform Commission (the “NDRC”) within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds in accordance with the Administration Measures for the Examination and Registration of Medium and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令第56號)) (the “Order 56”) issued by the NDRC with effect from 10 February 2023 (the “Post-Issuance Reporting Filings”) and comply with the continuing obligations under Order 56 and any implementation rules as issued by the NDRC from time to time.
- (C) **CSRC Filing(s):** The Issuer undertakes to use its reasonable endeavours to file or cause to be filed with the CSRC (as defined below) within the relevant prescribed period after the Issue Date the CSRC Filing Report (as defined below) and comply with the continuing obligations under and any implementation rules as issued by the CSRC from time to time.
- (D) **Notification of Completion of the Post-Issuance NDRC Filing and the CSRC Filing(s):** The Issuer shall complete (i) the post-issuance filing with NDRC (the “Post-Issuance NDRC Filing”) within ten PRC Business Days after the Issue Date in accordance with Order 56 and (ii) the CSRC Filing(s), and within ten PRC Business Days after the completion of the Post-Issuance NDRC Filing and/or the CSRC Filing(s), provide the Trustee with (A) a certificate (substantially in the form scheduled to the Trust Deed) in English signed by two Authorised Signatories of the Issuer confirming the completion of the Post-Issuance NDRC Filing and/or the CSRC Filing(s); and (B) copies of the relevant documents evidencing the Post-Issuance NDRC Filing (if any) and/or the CSRC Filing(s), each certified in English by two Authorised Signatories of the Issuer as a true and complete copy of the original (the items specified in (A) and (B) together, the “Registration Documents”). In addition, the Issuer shall, within five PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 17) confirming the completion of the Post-Issuance NDRC Filing and/or the CSRC Filing(s).

The Trustee and the Agents shall have no obligation or duty to monitor or ensure that the Post-Issuance Reporting Filings, the Post-Issuance NDRC Filing and/or the CSRC Filing(s) is filed with the NDRC and/or the CSRC or completed within the prescribed timeframe in accordance with these Conditions and/or any other applicable PRC laws and regulations or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Reporting Filings, the Post-Issuance NDRC Filing and/or the CSRC Filing(s) or to give notice to the Bondholders confirming the filing of the Post-Issuance Reporting Filings, the Post-Issuance NDRC Filing and/or the CSRC Filing(s), and shall not be liable to the Issuer, the Bondholders or any other person for not doing so.

- (E) **Other Covenants:** The Issuer has, *inter alia*, undertaken in the Trust Deed that, so long as any Bond remains outstanding:
- (i) it will obtain and/or maintain all applicable consents and approvals which are required for the performance of its obligations under the Bonds and the Trust Deed;
 - (ii) to use all reasonable endeavours to maintain a listing of the Bonds on the Hong Kong Stock Exchange (as defined below); and
 - (iii) it will keep available for the purpose of effecting the exercise of Exchange Rights such amount of Exchange Property required to be delivered upon exercise of all of the Exchange Rights outstanding from time to time, provided that the Issuer may, subject to compliance with these Conditions, lend and deliver initially up to 568,181,818 Shares pursuant to and in accordance with the Securities Lending Agreement (as defined below).

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Exchange Rights.

5 DEFINITIONS

For the purpose of these Conditions, the following words and phrases shall have the following meanings:

“**Additional Exchange Property**” has the meaning set out in Condition 7(B)(iii);

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control of more than 50 per cent. with such specified Person;

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market as shall have been approved by an Extraordinary Resolution and on which the Shares are then listed or quoted or dealt in;

“**Capital Distribution**” means (a) any distribution of assets in specie charged or provided for in the accounts of a Relevant Company for any financial period (whenever paid or made and however described) (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities

credited as fully or partly paid-up (other than Relevant Securities credited as fully paid) by way of capitalisation of reserves); and (b) any cash dividend or distribution of any kind charged or provided for in the accounts of the Relevant Company for any financial period (whenever paid or made and however described);

“**Cash Alternative Amount**” means a sum in Hong Kong dollars equal to the average of the Value on each Trading Day in the Cash Alternative Calculation Period of the relevant *pro rata* share of the Exchange Property which, had a Cash Election not been made, would otherwise fall to be delivered to such Bondholder upon exercise of Exchange Rights in respect of the relevant Bonds;

“**Cash Alternative Calculation Period**” means the period of five consecutive Trading Days commencing on the second Trading Day immediately following the Cash Election Exercise Date;

“**Cash Alternative Payment Date**” has the meaning set out in Condition 7(B)(iv);

“**Cash Election**” has the meaning set out in Condition 7(B)(iv);

“**Cash Election Exercise Date**” has the meaning set out in Condition 7(B)(iv);

“**Cash Election Notice**” has the meaning provided in Condition 7(B)(iv);

“**Cash Limit**” has the meaning provided in Condition 7(B)(iv);

“**CCASS**” means the Central Clearing and Settlement System of Hong Kong;

“**Closing Price**” of any Securities for any Trading Day shall be, (i) in respect of the Shares, the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day; and (ii) in respect of any other Relevant Securities or any other Securities, the price published in the quotation sheet of the stock exchange or other securities market on which such Relevant Securities or any other Securities are principally traded for such day;

“**CSRC**” means the China Securities Regulatory Commission;

“**CSRC Filing Rules**” means the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC on 17 February 2023, as amended, supplemented or otherwise modified from time to time;

“**CSRC Filing Report**” means the filing report of the Issuer in relation to the issuance of the Bonds which will be submitted to the CSRC within the prescribed time period after the Issue Date pursuant to Article 13 of the CSRC Filing Rules;

“**CSRC Filing(s)**” means any letters, filings, correspondences, communications, documents, responses, undertakings and submissions in any form, including any amendments, supplements and/or modifications thereof, made or to be made to the CSRC, relating to or in connection with the issuance of the Bonds pursuant to the CSRC Filing Rules and other applicable rules and requirements of the CSRC (including, without limitation, the CSRC Filing Report);

“**Current Market Price**” of any Securities shall be, in respect of any particular date, (i) in the case of the Shares, the average daily Closing Price for 20 consecutive Trading Days immediately before any particular date as obtained or derived from the Relevant Exchange for one Share on such date; and (ii) in the case of any other Relevant Security, the average daily Closing Price for 20 consecutive Trading Days as obtained or derived from such stock exchange or other securities market on which such Relevant Security is principally traded for one share of such Relevant Security on such date;

“**Effective Date**” means, in relation to a Rights Issue or any Sub-division, Consolidation or Redenomination or Relevant Adjustment Event, the completion date of such event where cash, Securities and/or other property has been received by and/or credited into the relevant accounts of the person(s) entitled to receive the same;

“**Encumbrance**” means, in relation to a person, any mortgage, charge, lien, pledge or other security interest over the whole or any part of the present or future undertaking, assets or revenues (including any uncalled capital) of that person;

“**Exchange Period**” has the meaning set out in Condition 7(A)(ii);

“**Exchange Property**” has the meaning set out in Condition 7(C);

“**Exchange Right**” has the meaning set out in Condition 7(A)(i);

“**Exchange Business Day**” shall mean a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are generally open for business in the city in which the specified office of the relevant Exchange Agent is located;

“**Final Date**” means, in relation to any Offer, the date such Offer becomes or is declared unconditional in all respects;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Hong Kong Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Listed Subsidiary**” means a Subsidiary the common shares of which are listed for trading on any recognised stock exchange;

“**Modern Dairy**” means China Modern Dairy Holdings Ltd., whose Shares are currently listed on the Hong Kong Stock Exchange (stock code: 1117);

“**Offer**” means a publicly announced offer to the holders of any Relevant Securities comprising Exchange Property, whether expressed as a legal offer, an invitation to treat or in any other way, in circumstances where such offer is available to all holders of the applicable Relevant Securities or all or substantially all such holders other than any holder who is, or is connected with, or is deemed to be acting in concert with, the person making such offer or to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any stock exchange in any territory, it is determined not to make such an offer;

“Payment Business Day” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in the city in which the specified office of the Principal Agent is located and on which banks and foreign exchange markets are open for business in Hong Kong and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered;

“Person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect Subsidiaries.

“PRC Business Day” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing, the PRC;

“Prevailing Rate” means, in respect of any two currencies on any day, the spot rate of exchange between such currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined, in each case, as notified in writing by the Issuer to the Trustee and the relevant Agent(s) on the date of determination of the Prevailing Rate;

“Principal Subsidiary” means any Subsidiary of the Issuer:

- (a) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (b) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or
- (c) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profits, as shown by its latest audited income statement are at least 5 per cent. of the consolidated net profits as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or

- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) or (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profits or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets, revenue or net profits (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate signed by two Authorised Signatories of the Issuer that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Bondholders and all parties. The certificate must be accompanied by a report by an internationally recognised firm of accountants addressed to the directors of the Issuer as to proper extraction and basis of the figures used by the Issuer in determining the Principal Subsidiaries of the Issuer and mathematical accuracy of the calculation;

“Relevant Company” means Modern Dairy, and any corporation or company derived from or resulting or surviving from the merger, consolidation, amalgamation, reconstruction or acquisition of Modern Dairy with, into or by such other corporation or company, and any other entity, all or part of the share capital of which is, or all or some of the Securities are, at the relevant time included in the Exchange Property;

“Relevant Exchange” means the Hong Kong Stock Exchange or, if the Shares are no longer admitted to trading on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are traded or dealt in;

“Relevant Indebtedness” means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“Relevant Page” means the relevant page on Bloomberg or, if there is no such page, on Reuters or such other information service provider that displays the relevant information, in each case, as notified in writing by the Issuer to the Trustee and the relevant Agent(s) on the date of determination of the Prevailing Rate;

“Relevant Securities” means Securities included in the Exchange Property from time to time, and **“Relevant Security”** shall be read accordingly;

“Securities” means shares or other securities (including without limitation any options, warrants, convertible bonds, evidence of indebtedness or rights to subscribe or purchase shares or other Securities);

“Securities Lending Agreement” means the securities lending agreement entered into between the Issuer and BOCI Financial Products Limited dated 8 June 2023 to provide stock lending of up to 568,181,818 Shares, as amended and/or supplemented from time to time;

“Settlement Date” means, in the case of the exercise of Exchange Rights (other than where a Cash Election is made), the date falling 15 Exchange Business Days after the relevant Exchange Date provided that in the event that a relevant Bondholder is entitled to receive Additional Exchange Property (defined below), the Settlement Date shall then be the later of (i) 15 Exchange Business Days after the relevant Exchange Date; and (ii) 15 Exchange Business Days after the Effective Date;

“Shares” means ordinary shares of par value HK\$0.10 each in the issued share capital of Modern Dairy or shares of any class or classes resulting from any subdivision, consolidation or reclassification of those shares, which as between themselves have no preference in respect of dividends nor of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of Modern Dairy;

“Specified Date” means, in respect of any Offer, the fifteenth day following that on which such Offer was made, or where such Offer is open for less than 15 days the final date for acceptance of such Offer, which, if such Offer is extended prior to such final date, shall be the final date for acceptance of such extended Offer;

“**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

“**Trading Day**” means (i) in respect of the Shares, a day (other than a Saturday or Sunday) on which the Relevant Exchange is open for business provided that for the purposes of any calculation where a Closing Price is required, if no Closing Price in respect of the Shares is reported for one or more consecutive Trading Days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been Trading Days when ascertaining any period of Trading Days; and (ii) in respect of any other Relevant Securities or any other Securities, a day (other than a Saturday or Sunday) on which the stock exchange or other securities market on which such Relevant Securities or any other Securities are principally traded is open for business provided that for the purposes of any calculation where a Closing Price is required, if no Closing Price in respect of such Relevant Security is reported for one or more consecutive Trading Days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been Trading Days when ascertaining any period of Trading Days; and

“**Value**”, in respect of the Exchange Property on any day, shall be the aggregate of:

- (1) the value of publicly traded Securities included in the Exchange Property, which shall be deemed to be the Current Market Price of such Securities on such day, provided that if such day is not a Trading Day then the value of such publicly traded Securities shall be the Current Market Price on the immediately preceding Trading Day, converted (if necessary) into Hong Kong dollars at the Prevailing Rate on such day; and
- (2) the value of all other assets and of publicly traded Securities for which a value cannot be determined pursuant to (1) above of this definition included in the Exchange Property, which shall be deemed to be the value on such day (converted (if necessary) into Hong Kong dollars as aforesaid) as certified by an independent investment bank (in the case of Securities) or independent appraiser (in the case of other assets (other than cash)) of international repute selected by the Issuer and notified in writing to the Trustee. The Trustee shall not be responsible for or under any obligation to appoint such independent investment bank or independent appraiser and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it; and

(3) the value of cash shall be deemed to be the amount thereof (converted (if necessary) into Hong Kong dollars as aforesaid),

provided that (a) if on any day any such publicly traded Securities are quoted on the Relevant Exchange or, as the case may be, such stock exchange or other Securities market as aforesaid cum any dividend or other entitlement, or any assets or publicly traded Securities the Value of which is to be determined pursuant to (2) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case which a Bondholder would not be entitled to pursuant to these Conditions on exercising Exchange Rights on the last day permitted pursuant to these Conditions (disregarding for this purpose any Cash Election), then the Value of any such assets or publicly traded Securities on such day shall be reduced by an amount equal to the gross amount of any such dividend or other cash entitlement or, as the case may be, the Value (as determined by an independent investment bank as aforesaid) of any entitlement or dividend where that is other than cash, and (b) for the purposes of determining any Cash Alternative Amount, references to Current Market Price in this definition shall be replaced with Closing Price.

6 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.50 per cent. per annum, payable semi-annually in arrear in equal instalments of HK\$22,500 per Calculation Amount (as defined below) on 15 December and 15 June in each year (each an “**Interest Payment Date**”), beginning on 15 December 2023.

Each Bond will cease to bear interest (a) (subject to Condition 7(A) and Condition 7(O)) where the Exchange Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Exchange Date (as defined below), or if none, the Issue Date (subject in any case as provided in Condition 7(A) and Condition 7(O)) or (b) where such Bond is redeemed or repaid pursuant to Condition 10 or Condition 12, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal and premium (if any) is improperly withheld or refused. In such event, such unpaid amount shall bear interest at the rate of 2 per cent. per annum above the rate aforesaid (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

Interest in respect of any Bond shall be calculated per HK\$1,000,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of (A) the rate of interest specified above, (B) the Calculation Amount, and (C) the actual number of days in the Interest Period (as defined below) (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a Hong Kong cent being rounded upwards). Interest payable under this Condition 6 will be paid in accordance with Condition 9(A).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

7 EXCHANGE RIGHT

(A) Exchange Period, Exchange Rights and Cash Election

- (i) Subject to the right of the Issuer to make a Cash Election, each Bondholder has the right, subject to any applicable laws and regulations and in the manner described below, to exchange a Bond at any time during the Exchange Period referred to below for a *pro rata* share of the Exchange Property as at the relevant Exchange Date. The right of a Bondholder to exchange a Bond for Exchange Property (or, as the case may be, exchange a Bond for payment of the Cash Alternative Amount pursuant to Condition 7(B)(iv)) is herein referred to as the “**Exchange Right**”. Upon the exchange of a Bond for Exchange Property (or, as the case may be, the exchange of a Bond for payment of the Cash Alternative Amount), the right of the exchanging Bondholder to repayment of any amount of principal, interest or premium (if any) of the Bond to be exchanged shall be extinguished and released upon such delivery of the relevant *pro rata* share of the Exchange Property (or, as the case may be, pay or procure the payment of the Cash Alternative Amount) as provided in this Condition 7.
- (ii) The period during which Bondholders shall be entitled to exercise Exchange Rights pursuant to these Conditions is referred to as the “**Exchange Period**”. Subject to and upon compliance with these Conditions, the Exchange Right attaching to any Bond may be exercised by the holder thereof at any time on or after 26 July 2023 and up to the close of business (at the place where the Certificate representing such Bond is deposited for exchange) on the date which falls 10 days prior to the Maturity Date (or, if such date shall not be a business day at the place where the Certificate representing the Bond is to be delivered, the immediately preceding business day at such place) or if such Bond shall have been called for redemption prior to the Maturity Date, then up to the close of business (at the place aforesaid) on the date which falls 10 days prior to the date fixed for redemption thereof (or, if such date shall not be a business day at the place where the Certificate representing the Bond is to be delivered, the immediately preceding business day at such place).

Subject to Condition 7(B), the Exchange Right in respect of any Bond in relation to which the conditions required for exchange have not been satisfied by the relevant Bondholder by the end of the fifteenth day (or, if such date shall not be a business day at the place where the Certificate representing such Bond has been delivered in connection with the exercise of the Exchange Right, on the immediately preceding business day at such place) prior to any date for redemption thereof pursuant to Condition 10 below shall, save as provided below, thereupon terminate.

Notwithstanding the provisions of the foregoing paragraphs of this Condition 7(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and repayable prior to the Maturity Date by reason of the occurrence of any of the events referred to in Condition 12 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 10, the Exchange Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for exchange) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of this Condition 7, any Bond in respect of which the Certificate and Exchange Notice are deposited for exchange prior to such date shall be exchanged on the relevant Exchange Date (as defined in Condition 7(B)(i)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Exchange Date or that the Exchange Period may have expired before such Exchange Date.

- (iii) Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, upon a due exercise of Exchange Rights, the relevant Bondholder shall be entitled to receive a *pro rata* share of the Exchange Property calculated and determined by the Issuer as at the relevant Exchange Date.
- (iv) No fraction of a Relevant Security or any other property comprised in the Exchange Property which is not divisible shall be delivered on exercise of the Exchange Rights and the Issuer shall not be under any obligation to make any payment to Bondholders in respect of any such fractions and any such fraction will be rounded down to the nearest whole multiple of a Relevant Security or unit of any such other property. Notwithstanding the foregoing, in the event of a consolidation or re-classification of a Relevant Security by operation of law or otherwise occurring after 8 June 2023 which reduces the number of Relevant Securities outstanding, the Issuer will upon exchange of Bonds pay, or procure that payment is made, to the relevant Bondholder (by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions contained in the relevant Exchange Notice) a sum equal to such portion of the face value of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Exchange Rights as corresponds to any fraction of a Relevant Security not delivered if such sum exceeds HK\$100.

If more than one Bond is to be exchanged by a Bondholder pursuant to any one Exchange Notice, the Exchange Property to be delivered (including, if applicable, any Cash Alternative Amount) and any sum payable to that Bondholder shall be calculated on the basis of the aggregate principal amount of such Bonds so deposited.

(B) Procedure for Exchange

- (i) To exercise the Exchange Right attaching to any Bond, the Holder thereof must complete, execute and deposit at the specified office of any Exchange Agent at the Holder's own expense at reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time), Monday to Friday other than public holidays) during the Exchange Period, a notice of exchange (an "**Exchange Notice**") in the form (for the time being current) obtainable from the specified office of any Exchange Agent, together with the Certificate evidencing such Bond (and any certificates and other documents as may be required by applicable law) and any amount to be paid by the Bondholder pursuant to this Condition 7(B)(i). An Exchange Notice once delivered shall be irrevocable.

Exchange Rights may be exercised in respect of whole Bonds only.

An Exchange Notice once deposited shall not be withdrawn without the consent in writing of the Issuer.

The Exchange Date in respect of a Bond (the "**Exchange Date**") will be the Exchange Business Day in the location of the relevant Exchange Agent immediately following the date of the surrender of the Certificate in respect of such Bond (and any other documents as may be required by applicable law), due delivery of the relevant Exchange Notice and, if applicable, the making of any payment to be made and the giving of any indemnity and/or security to be given under these Conditions in connection with the exercise of such Exchange Right.

A Bondholder exercising Exchange Rights must pay directly to the relevant authorities any taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising on exchange and/or on the transfer, delivery or other disposition of Exchange Property arising on exercise of Exchange Rights ("**Stamp Taxes**") or provide an indemnity and/or security in respect thereof in such form as the Issuer may reasonably require, other than or in respect of any Stamp Taxes payable or imposed in the Cayman Islands, Hong Kong, the PRC or any other jurisdiction in which the register in respect of any securities or other property comprising Exchange Property is located or in which any property comprising Exchange Property is situated ("**Excluded Stamp Taxes**"), which shall be payable by the Issuer directly to the relevant authorities. If the Issuer fails to pay any Excluded Stamp Taxes, the relevant Holder shall be entitled to pay the Excluded Stamp Taxes to the relevant tax authority. The Issuer covenants to reimburse each such Bondholder in respect of the payment of Excluded Stamp Taxes by them and any penalties payable in respect thereof, which shall be payable by the Issuer. Such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with the exercise of Exchange Rights by it.

- (ii) Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, the Issuer shall, as soon as practicable, and in any event not later than the Settlement Date:
 - (a) take all necessary action to procure the transfer of Shares and/or other Relevant Securities to exchanging Bondholders in accordance with prevailing regulations relevant to the transfer of the Shares and/or other Relevant Securities to exchanging Bondholders. The Issuer shall take all necessary action to procure that the Shares and/or Relevant Securities are delivered to an exchanging Bondholder or its nominee as provided for in the Exchange Notice through CCASS (where permitted to do so under the rules, regulations and procedures of CCASS effective from time to time) within 15 Exchange Business Days after the Exchange Date.

References to “**Exchange Business Day**” in the definition of “**Settlement Date**” and this Condition 7(B)(ii) shall mean a day on which both CCASS and the share registrar and transfer office of Modern Dairy in Hong Kong are open for business for trade, settlement of the Shares and for registration of Share transfers; and

- (b) procure that such documents of title and evidence of ownership of any other Exchange Property to be delivered on exercise of Exchange Rights shall be despatched and any payment of any part of the Exchange Property comprising cash to be delivered on exercise of Exchange Rights (converted if necessary into Hong Kong dollars at the Prevailing Rate on the relevant Exchange Date) in accordance with directions given by the relevant Bondholder in the Exchange Notice.

Notwithstanding the above, if the Exchange Property has changed in whole or in part as a result of acceptance of an Offer or as a result of the compulsory acquisition of any Relevant Securities, in each case as provided in Condition 8, then the time for such delivery shall be the longer of such period set out above and the day falling five Payment Business Days after the date on which the consideration is received by the Issuer under the terms of the Offer or, as the case may be, the day falling five Payment Business Days following the date on which the consideration pursuant to such compulsory acquisition is received by the Issuer.

Upon exercise of an Exchange Right, a Holder exchanging Bonds shall be required to represent and agree in the Exchange Notice that, at the time of signing and delivery of the Exchange Notice, it, or the person who has the beneficial interest in such Bonds, is (I) acquiring the Exchange Property (initially comprising the Shares) to be delivered upon exchange of such Bonds in an offshore transaction (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) in accordance with Rule 903 or Rule 904 of Regulation S (“**Regulation S**”), (II) located outside the United States and is not a U.S. person (within the meaning of Regulation S), and (III) understands that the Exchange Property to be delivered upon exchange of such Bonds has not been and will not be registered under the Securities Act and agrees that (x) if it, or such person, should offer, sell,

pledge or otherwise transfer such Exchange Property, it, or such person, will do so only in compliance with the Securities Act and other applicable laws and only in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities law of any State of the United States, and (y) it and such person may not, subject to restrictions under U.S. securities laws, deposit or cause to be deposited any of such Exchange Property in the form of Shares in any unrestricted depositary receipt facility for the Shares which is existing or may be created in the United States. No Exchange Property will be delivered to a Holder or a beneficial interest therein unless such Holder satisfies the foregoing conditions. If such Holder is unable or otherwise fails to satisfy the foregoing conditions, such Holder may transfer its Exchange Property or beneficial interest therein subject to compliance with the transfer restrictions set forth in the Agency Agreement.

- (iii) Unless a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, the relevant Bondholder (or the person designated in the relevant Exchange Notice) will be treated as the owner of the *pro rata* share of the Exchange Property deliverable upon exchange with effect from the Exchange Date and, in respect of such *pro rata* share of the Exchange Property, will be entitled to all rights, distributions or payments in respect of such *pro rata* share of the Exchange Property from the Exchange Date except voting rights.

Accordingly, relevant adjustments to the Exchange Property shall be made in accordance with Conditions 7(C), 7(D), 7(E), 7(F), 7(G) and 7(J), as the case may be, such that further Relevant Securities or other property or assets (including cash) received pursuant to such adjustment shall be added to the Exchange Property (“**Additional Exchange Property**”). All Exchange Property deliverable upon exchange (including the Additional Exchange Property) shall be deliverable by the Issuer only on the Settlement Date.

Exchange Property delivered or to be delivered upon exercise of Exchange Rights shall rank for and be entitled to all dividends, interest and other income, payments and distributions and rights thereon or in respect thereof declared, paid, made or granted by reference to a record date or other due date for the establishment of entitlement falling on or after the relevant Exchange Date.

If the record date or other due date for the establishment of the relevant entitlement for the payment of any dividend, interest or other income, payment or distribution or rights on or in respect of such Exchange Property falls on or after the Exchange Date but before the relevant Settlement Date (or any other date from which the relevant Bondholder is treated as the owner of, or entitled to all rights and entitlement to, such Exchange

Property) with the effect that the relevant Bondholder is not entitled to such dividend, interest or other income, payment or distribution of rights, the Issuer will:

- (a) (in the case of dividends, interest or other income or distributions or rights to be paid in cash) pay, or procure the payment to, the exchanging Bondholder (or the person designated in the relevant Exchange Notice) in lieu of such dividend, interest or other income or distribution or rights, an amount equal to the amount actually received, with respect thereto, converted if necessary into Hong Kong dollars at the Prevailing Rate on the date of receipt thereof by the Issuer (the “**Equivalent Amount**”). The Issuer will pay the Equivalent Amount, or procure that it is paid, to the relevant Bondholder (or the person designated in the relevant Exchange Notice) by whichever is the later of five Payment Business Days after payment is made of the dividend, interest or other income, payment or distribution or rights and the relevant Settlement Date; and
- (b) subject to the last two paragraphs of Condition 7(B)(ii), (in the case of dividends, or other income or distributions or rights satisfied or made otherwise than in cash) deliver, or procure the delivery of, the same to the relevant Bondholder (or the person designated in the relevant Exchange Notice) as soon as practicable by whichever is the later of 10 Payment Business Days after the receipt by the Issuer of such dividend or other income or distribution or rights and the relevant Settlement Date.
- (iv) Upon the exercise of Exchange Rights by a Bondholder on or after 15 June 2025, the Issuer may make an election (a “**Cash Election**”) by giving notice (a “**Cash Election Notice**”) to the relevant Bondholders by not later than the date (the “**Cash Election Exercise Date**”) falling five business days in Hong Kong following the relevant Exchange Date, with a copy to the Trustee, the Principal Agent and the Registrar, to satisfy the exercise of the Exchange Right in respect of the relevant Bonds, in whole or in part, and where in part, by reference to either (a) the principal amount of the Bonds in respect of which the Cash Election is being exercised (a “**Principal Limit**”), or (b) a maximum amount in Hong Kong dollars to be paid upon exercise of the Cash Election (a “**Cash Limit**”), by making payment, or procuring that payment is made, to the relevant Bondholder of the Cash Alternative Amount instead of delivering the *pro rata* share of the Exchange Property, together with any other amounts payable by the Issuer to such Bondholder pursuant to these Conditions in respect of, or relating to, the relevant exercise of Exchange Rights.

A Cash Election may be made in respect of the whole or any part of the Exchange Property that would otherwise be deliverable in respect of the relevant exercise of Exchange Rights. The relevant Cash Election Notice shall specify whether the Cash Election is in respect of the whole of such Exchange Property or any part thereof, and if in respect of part, shall specify the relevant principal amount if a Principal Limit is applicable or the maximum amount payable if a Cash Limit is applicable.

If a Cash Limit is applicable, then the proportion of Exchange Property subject to the Cash Election shall be equal to the number of Shares (or, if not available, any Relevant Security) represented by the Cash Limit divided by the Cash Alternative Amount attributable to a Share (or, if not available, any applicable Relevant Security) rounded down to the nearest whole number. The Cash Alternative Amount payable for the purposes of this Condition 7(B)(iv) where a Cash Limit is applicable shall be equal to Cash Alternative Amount attributable to a Share or a Relevant Security multiplied by the number of Shares or such Relevant Securities indicated in the foregoing sentence, as the case may be. Any remaining Exchange Property shall be delivered pursuant to Condition 7(B)(ii) and Condition 7(B)(iii) as if no Cash Election has been made with respect to such Exchange Property.

A Cash Election shall be irrevocable.

The Issuer will pay the Cash Alternative Amount, together with any other amount as aforesaid, by not later than four Payment Business Days following the last day of the Cash Alternative Calculation Period (the “**Cash Alternative Payment Date**”) by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions contained in the relevant Exchange Notice.

If a Bondholder would otherwise have been entitled to receive, in respect of the exercise of Exchange Rights, any Additional Exchange Property pursuant to Condition 7(B)(iii) in circumstances where a Cash Election is made in respect of the relevant exercise of Exchange Rights, the Issuer shall, in lieu of delivering such Additional Exchange Property, pay to the relevant Bondholder an amount (the “**Further Amount**”) equal to the Value of such Additional Exchange Property as at the date on which the relevant adjustment to the Exchange Property is or would be effective (the “**Change Date**”), and the Issuer shall pay such Further Amount, or procure that such Further Amount is paid, to the Bondholder by transfer to a Hong Kong dollar account maintained by the payee in accordance with the instructions given by such Bondholder in the relevant Exchange Notice by not later than the latest of (a) the date falling five Payment Business Days after the Change Date, and (b) the relevant Cash Alternative Payment Date in accordance with the instructions given by the relevant Bondholder in the relevant Exchange Notice, provided that where a Cash Limit is applicable in respect of any Cash Election then any Additional Exchange Property shall be delivered to the Bondholder pursuant to Condition 7(B)(iii).

(C) The Exchange Property and Adjustments to the Exchange Property

The “**Exchange Property**” shall initially comprise 568,181,818 Shares, deposited in the Deposit Accounts in accordance with Condition 7(L), and shall include all Relevant Securities and other property arising out of or derived or resulting therefrom and such other property, in each case as may be deemed or required to comprise all or part of the Exchange Property pursuant to these Conditions, but excluding any such property as may or may be deemed to have ceased to form part of the Exchange Property.

Subject to the right of the Issuer to make a Cash Election, on the exercise of Exchange Rights, Bondholders will initially be entitled to receive 874,125 Shares for each HK\$1,000,000 principal amount of Bonds (subject to adjustment pursuant to these Conditions).

All Exchange Property delivered upon exercise of Exchange Rights shall be delivered with full title guarantee and free from any and all mortgage, charge, pledge or other security interests or other adverse interests.

Shares forming part of the Exchange Property to be delivered on exercise of the Exchange Rights will be fully paid and will rank *pari passu* with all fully paid Shares of the same class in issue on the relevant Exchange Date.

(D) Income, etc. arising on the Exchange Property

Subject to Condition 7(G), income and other benefits and rights derived from the Exchange Property prior to an Exchange Date in respect of such Exchange Property shall not comprise part of the Exchange Property and shall belong to the Issuer or the registered holder or owner of the Exchange Property. Where a cash dividend is announced by a Relevant Company in respect of Relevant Securities which may, at the election of a holder or holders of such Relevant Securities, be satisfied by the issue or delivery of Relevant Securities or other property or assets, the Issuer shall be entitled to make such election as it may determine in its sole discretion.

(E) Sub-division, Consolidation or Redenomination

If any Relevant Securities comprising the Exchange Property shall be sub-divided or consolidated, re-classified or re-denominated or in any other manner have their par value changed (“**Sub-division, Consolidation or Redenomination**”) then the Securities resulting from such Sub-division, Consolidation or Redenomination so far as attributable to the Exchange Property, shall be included in the Exchange Property.

(F) Rights issues

If further Relevant Securities, or options, warrants or rights to subscribe or purchase further Relevant Securities (or any of them) or other Securities, shall be offered by way of rights to holders of Relevant Securities (or any of them) or other Securities comprising Exchange Property (a “**Rights Issue**”), then the Issuer may, at its option, and by notice in writing to the Trustee not later than the seventh day prior to the latest day for accepting or taking up any such rights, either:

- (i) on an arm’s length basis in good faith, procure the sale of sufficient rights to enable the whole of the balance of such rights to be taken up and procure the application of the net proceeds of sale (after deduction of the amounts referred to below) in the taking up of such rights, with the property acquired upon such exercise of rights and any excess proceeds of sale being added to and forming part of the Exchange Property; or

- (ii) add to the Exchange Property such number of shares of Relevant Securities or other Securities as would have been subscribed or purchased if sufficient rights had been sold on an arm's length basis in good faith to enable the whole of the balance of such rights to be so taken up together with an amount equal to what would have been any such excess proceeds of sale as aforesaid; or
- (iii) if such rights may not be so sold, the Issuer may use any part of the Exchange Property comprising cash to take up such rights and/or on an arm's length basis in good faith, procure the sale of sufficient Relevant Securities to enable (after deduction of the amounts referred to below) the whole of the balance of such rights to be taken up, with, in any such case any excess proceeds of sale being added to and forming part of the Exchange Property.

The Issuer undertakes to take such action as the Trustee may in its absolute discretion require to ensure that the provisions of this Condition 7(F) are complied with.

The timing of any sale of any relevant rights or Exchange Property (as the case may be) shall be at the Issuer's discretion and the Issuer shall not be liable to Bondholders for any loss incurred as a result of such transactions provided that the Issuer executes such sale at the best price reasonably obtainable in the market by the Issuer. There shall be deducted from the proceeds of sale of the relevant rights or Exchange Property (as the case may be) an amount equal to any stamp, transfer, registration or similar duties actually payable by the Issuer or the Trustee (as the case may be) and any expenses incurred by the Issuer or the Trustee (as the case may be) in connection with the sale of the relevant rights or Exchange Property (as the case may be) and such amount (if any) as the Issuer or the Trustee (as the case may be) shall determine to be necessary to indemnify it in respect of any liability to taxation of the Issuer or the Trustee (as the case may be) arising therefrom.

Pending application of the provisions of this Condition 7(F), such rights shall form part of the Exchange Property.

(G) Bonus Issues, Capital Distributions and Reorganisation

If any of the following events occurs (each, a "**Relevant Adjustment Event**"):

- (i) Relevant Securities or other Securities are issued credited as fully paid to holders of Relevant Securities comprising Exchange Property by way of capitalisation of profits or reserves or otherwise by virtue of being holders of Relevant Securities (otherwise than in lieu of the whole or any part of a cash dividend which is not a Capital Distribution and which such holders would or could otherwise have received);
- (ii) any Capital Distribution is paid or made;
- (iii) a Relevant Company purchases or redeems any Relevant Securities comprising Exchange Property; or

- (iv) pursuant to any scheme of arrangement, reorganisation, amalgamation, reconstruction, merger, demerger or any like or similar event of any company or companies (whether or not involving liquidation or dissolution), any further Relevant Securities or other Securities, property or assets (including cash) are issued, distributed or otherwise made available to holders of Relevant Securities,

then the further Relevant Securities, Securities or other property or assets (including cash) actually received in relation to the Relevant Adjustment Event, so far as attributable to the Exchange Property or, as the case may be, the Capital Distribution in respect of the Relevant Securities comprising the Exchange Property, shall be included as part of the Exchange Property.

If the Issuer determines that, notwithstanding sub-paragraphs (i) to (iv) of this Condition 7(G), an adjustment should be made to the Exchange Property as a result of one or more events or circumstances not referred to in this Condition 7(G) or circumstances have arisen which might have an adverse effect on the Exchange Property and no adjustment to the Exchange Property under this Condition 7(G) would otherwise arise, the Issuer shall (at its own expense) instruct an independent investment bank of international repute acting as an expert to determine as soon as practicable what adjustment (if any) to the Exchange Property or terms of this Condition 7(G) is fair and reasonable to take account thereof and the date on which such adjustment should take effect, and upon such determination the Issuer shall procure that such adjustment shall be made (provided it would result in an addition to the Exchange Property and take effect in accordance with such determination), provided that an adjustment shall only be made pursuant to this Condition 7(G) if such investment bank is so requested to make such a determination in writing not more than 21 days after the occurrence of the relevant circumstance or event. The determination by such independent investment bank shall be informed by the Issuer or such independent investment bank to the Trustee in writing and to the Bondholders and shall be conclusive and binding on the Issuer, the Trustee and the Bondholders.

(H) Notice of Change in Exchange Property

The Issuer shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 17 of any change in the nature or composition of the Exchange Property pursuant to this Condition 7 (other than Condition 7(I)) as soon as reasonably practicable following such change, and shall certify such details as the Trustee may require of the Exchange Property to which the Bondholder would be entitled upon exercise of the Exchange Right in respect of such Bond following such change.

(I) Release from the Exchange Property

Upon actual delivery of Exchange Property to the relevant Bondholder or, in the case of a Cash Election, the payment of the Cash Alternative Amount to the relevant Bondholder pursuant to these Conditions on an exercise of Exchange Rights or upon redemption of the Bonds or upon any purchase and cancellation

of the Bonds, the *pro rata* share of the Exchange Property or the relevant part thereof attributable to each relevant Bond shall cease to be part of the Exchange Property and the Exchange Property shall be reduced accordingly.

(J) Purchase or substitution of Relevant Securities etc.

If any cash amount or Securities or other property is received under or pursuant to these Conditions in respect of Exchange Property which is to be added to and is to form part of the Exchange Property (other than (i) any Shares or Relevant Securities of a class already comprised in the Exchange Property; and (ii) as included in the Offer Consideration received under Condition 8 or added to and forming part of the Exchange Property pursuant to Condition 8) before the Exchange Rights lapse, such cash amount may be added directly to the Exchange Property or may (at the Issuer's option) be applied, and such Securities or other property may be added directly to the Exchange Property or may (at the Issuer's option) be sold by the Issuer and the proceeds of such sale (net of any costs and expenses incurred in connection with such sale) be applied, by the Issuer as soon as reasonably practicable and to the extent possible in purchasing additional Shares (not then comprised in the Exchange Property) or, where the Exchange Property comprises Relevant Securities other than Shares, additional units of such Relevant Securities. The timing of such sales and purchases shall be at the Issuer's discretion and the Issuer shall not be liable to the Bondholders for any loss incurred as a result of such transactions provided that the Issuer executes such purchases and sales in good faith at the best price reasonably obtainable in the market by the Issuer. At its option, the Issuer may elect to substitute any cash amount which is otherwise to be added to and form part of the Exchange Property with additional Shares or Relevant Securities of a class already comprised in the Exchange Property (owned by it and not comprised in the Exchange Property) at their Value as at the third Trading Day following the day on which such cash amount was received by the Issuer. Any such additional Shares or other Securities purchased or substituted shall thereafter form part of the Exchange Property.

(K) Voting Rights

Neither the Bondholders nor the Trustee shall have any voting rights in respect of the Shares and any other Relevant Securities comprising Exchange Property prior to the Settlement Date relating to such Exchange Property. The Issuer or the registered holder or owner of the Exchange Property will be entitled to exercise the voting rights attaching to the Relevant Securities.

It is possible that, in exercising such voting rights or making such election, the Issuer or the registered holder or owner of the Exchange Property may act contrary to the best interests of Bondholders.

(L) Deposit of Shares

The Issuer shall deposit in an account with BOCI Financial Products Limited (the "**Agent Bank**") or in one or more designated accounts of the Issuer (together, the "**Deposit Accounts**"), a total of 568,181,818 Shares, which are sufficient to satisfy the Exchange Rights relating to the Bonds as at 15 June 2023. For the avoidance

of doubt, such Deposit Accounts may be changed from time to time without the consent of Bondholders and the Shares deposited in such accounts may be freely transferred between the Deposit Accounts.

The Issuer shall not, and the Issuer shall procure that the registered holder or owner of the Exchange Property shall not, transfer, pledge or otherwise encumber or deliver any of the Exchange Property to, or for the benefit of, any third party (or transfer or deliver or direct or request the transfer or delivery of any of the Exchange Property out of such designated account) or dispose of any interest in the Exchange Property except (i) for the purpose of delivering such Exchange Property to exchanging Bondholders, (ii) for the purpose of the Securities Lending Agreement, (iii) transferring the Exchange Property between the Deposit Accounts; (iv) as may otherwise be required by law or any legal proceedings, and (v) as provided in these Conditions or the Trust Deed. If, due to any event, the amount of the Shares, other Relevant Securities and/or cash deposited in the Deposit Accounts ceases to be sufficient to satisfy the Exchange Rights relating to the Bonds at any time, the Issuer shall (within five Payment Business Days of such adjustment or other event) procure the deposit of additional Securities of a Relevant Company in the Deposit Accounts or deposit share certificate(s) with the Agent Bank with respect to such Securities of a Relevant Company prior to crediting such Securities of a Relevant Company in dematerialised form to the Deposit Accounts, in order to ensure that the total amount deposited in such accounts or with the Agent Bank is sufficient to satisfy the Exchange Rights relating to the Bonds at such time.

(M) Maintenance of Exchange Property

Exchange Rights are not exercisable in respect of any specific Shares or other property comprising Exchange Property from time to time and no Shares or other Exchange Property has been or will be charged to secure or satisfy the Issuer's obligations in respect of the Exchange Rights. The composition of the Exchange Property may also change as a result of the operation of the Conditions.

The Issuer has undertaken to keep available for the purpose of effecting the exercise of Exchange Rights such amount of Exchange Property required to be delivered upon exercise all of the Exchange Rights outstanding from time to time, provided that the Issuer may, subject to compliance with these Conditions, deliver initially up to 568,181,818 Shares pursuant to and in accordance with the Securities Lending Agreement. However, the arrangements described herein in relation to the Exchange Property do not amount to any security interest in favour of Bondholders to secure the debt obligations of the Bonds or to secure performance of the Exchange Rights thereunder.

Accordingly, in the event that the Issuer at any time holds any Shares or other property comprising Exchange Property from time to time with another person and such person is or becomes insolvent, bankrupt or in liquidation, such Exchange Property will form part of the assets of such person available on a pari passu basis to all unsecured creditors of such person.

At any particular time, the Issuer may or may not hold or be the beneficial owner of sufficient Exchange Property required to be delivered on exercise of Exchange Rights or otherwise pursuant to these Conditions in respect of all outstanding Bonds. However, these Conditions shall be read and construed as though at all times the Issuer shall be the holder and beneficial owner of sufficient Exchange Property required to be delivered on exercise of Exchange Rights or otherwise pursuant to these Conditions in respect of all outstanding Bonds. Accordingly, for the purposes of determining whether and to what extent any adjustment should be made to the Exchange Property at any time, for the purposes of these Conditions, the Issuer shall be deemed to be entitled to receive such further or other Shares, Relevant Securities, securities, property or assets including cash and/or consideration on the date the Issuer would have been entitled to receive the same, and to make any relevant elections in respect thereof or relating thereto, as it would have been entitled to receive and or make had it at all relevant times been the holder and beneficial owner of sufficient Exchange Property to satisfy exercise of Exchange Rights or otherwise required to be delivered pursuant to these Conditions in respect of all outstanding Bonds, and references in these Conditions to the Exchange Property being adjusted shall be construed accordingly.

(N) Trustee and Agents not Obligated to Monitor the Exchange Property

None of the Trustee and the Agent shall be under any duty or obligation to (and will not be responsible or liable to any Bondholder or any other person for not so doing) monitor whether any event or circumstance which gives rise or may give rise to an adjustment to the Exchange Property has happened or exists as described in this Condition 7 or Condition 8 and, unless it has express notice in writing from the Issuer to the contrary, may assume that no such event or circumstance has happened or does exist and shall not be liable to any Bondholder or any other person for so doing.

(O) Interest Accrual

If any notice requiring the redemption of any Bonds is given pursuant to Condition 10(B) or Condition 10(C) on or after the fifteenth Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares and/or Relevant Securities, and such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Exchange Rights shall have been exercised and in respect of which the Exchange Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Exchange Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Exchange Date; provided that no such interest shall accrue on any Bond in the event that the Shares and/or Relevant Securities transferred thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive a Cash Alternative Amount. Any

such interest shall be paid not later than 14 days after the relevant Exchange Date by transfer to a Hong Kong dollar account maintained by the payee in accordance with the instructions given by such Bondholder in the relevant Exchange Notice.

8 GENERAL OFFERS

In the event of an Offer for Relevant Securities in a Relevant Company, the Issuer shall have absolute discretion to accept such Offer (and as to any alternative consideration) or reject such Offer, provided that it shall not (provided it is not thereby prejudiced) take any action with respect to any such Offer prior to the Specified Date. If it accepts such Offer (or if the Relevant Securities are subject to compulsory acquisition), then, with effect from the Final Date, the Exchange Property will be deemed to consist, in whole or in part, of the consideration (the “**Offer Consideration**”) received for the Relevant Securities acquired under the Offer or pursuant to such compulsory acquisition and in place of the Exchange Property which it substitutes. The Issuer or the registered holder or owner of the Exchange Property shall not accept any Offer in respect of such part of the Exchange Property which would be deliverable to Bondholders who have exercised Exchange Rights for which the Exchange Date falls prior to the commencement of the Suspension Period (as defined below). The Issuer or the registered holder or owner of the Exchange Property shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 17 forthwith upon receipt of any Offer for the Relevant Securities.

In relation to any scheme of arrangement, reorganisation, amalgamation or reconstruction of any company or companies (whether or not involving liquidation or dissolution), the Issuer or the registered holder or owner of the Exchange Property shall at all times be entitled at its discretion, in relation to any Relevant Securities, to vote on, exercise its rights in respect of, or otherwise participate in, any such scheme of arrangement, reorganisation, amalgamation or reconstruction as it thinks fit up to the Settlement Date relating to such Relevant Securities.

The Exchange Rights shall be suspended during the period (the “**Suspension Period**”) from and including (i) the Specified Date until the acceptance of the relevant Offer is withdrawn or the relevant Offer lapses or becomes or is declared unconditional in all respects; or (ii) the date any vote is cast in relation to any applicable scheme of arrangement, reorganisation, amalgamation or reconstruction which is approved by the required majority until the same is approved or rejected by any relevant judicial or other authorities (both dates inclusive), and if Exchange Rights are exercised such that the Exchange Date would otherwise fall in the Suspension Period, such exercise shall be null and void.

If a tender or other offer is made by or on behalf of a Relevant Company (or any person associated with such Relevant Company) to purchase or otherwise acquire, redeem or exchange such Relevant Securities, the Issuer or the registered holder or owner of the Exchange Property shall not tender or be entitled to be treated as having tendered any such Relevant Securities which are comprised in the Exchange Property or be treated as having accepted any such offer in respect thereof or vote in respect of any such Relevant Securities in relation to any such tender or other offer, nor shall the Issuer or the registered holder or owner of the Exchange Property exercise or be treated as having exercised any option to require the redemption or repayment of such Relevant Securities prior to the final due date for redemption or repayment thereof.

In accepting or rejecting any Offer, the Issuer is not obliged to take account of the interests of the Bondholders and accordingly the Issuer may act in a manner which is contrary to the best interests of the Bondholders.

9 PAYMENTS

- (A) **Payment Methods:** Payment of principal, premium (if any), interest and any other amount due other than on an Interest Payment Date will be in Hong Kong dollars and will be made by transfer to the registered account of the Holder. Such payments will only be made against surrender of the relevant Certificate at the specified office of the Principal Agent or any of the other Paying Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the 15th day before the due date for the payment of interest (such day being the “**Record Date**”). Payments of interest on each Bond will be in Hong Kong dollars and will be made by transfer to the registered account of the Bondholder.

All payments in respect of Bonds represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

- (B) **Payments subject to laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 11 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (C) **Registered Accounts:** A Holder’s “**registered account**” means the Hong Kong dollar account maintained by or on behalf of such Bondholder, details of which appear on the Register at the close of business on the 15th day (as defined below) before the due date for payment and a Holder’s registered address means its address appearing on the Register at that time.
- (D) **Payment Instruction:** Payment instructions (for value on the due date or, if that is not a business day (as defined below in Condition 9(F)), for value on the next succeeding business day) will be initiated on the due date for payment or, in the case of a payment of principal, premium (if any) and interest due other than on an Interest Payment Date, if later, on the business day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

- (E) **Delay in Payment:** Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date at the place of payment (or, in the case of the surrender of a Certificate, the place where the Certificate is surrendered) is not a business day (provided the amount is duly provided for on or before the due date), if the Holder is late in surrendering its Certificate (if required to do so).
- (F) **Business Day:** In this Condition 9, “**business day**” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are generally open for business in (i) Hong Kong and the city in which the specified office of the Principal Agent is located, (ii) such place (if so specified), and (iii) (where surrender of the relevant Bond is required pursuant to these Conditions as a precondition to payment) the city in which the specified office of the relevant Paying Agent to whom the relevant Bond is surrendered is located.
- (G) **Partial Payment:** If the amount of principal, premium (if any) and interest which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) and interest, in fact paid in accordance with its customary practice.
- (H) **Fractions:** When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest such unit.

10 REDEMPTION, PURCHASE AND CANCELLATION

- (A) **Redemption at Maturity:** Unless previously redeemed, exchanged or purchased and cancelled as herein provided, the Issuer will redeem the Bonds on 15 June 2026 (the “**Maturity Date**”) at its principal amount together with interest accrued but unpaid thereon to such date.
- (B) **Redemption at the Option of the Issuer:** The Bonds may be redeemed at the option of the Issuer at their principal amount, together with interest accrued but unpaid thereon to but excluding the relevant date fixed for redemption (the “**Optional Redemption Date**”):
 - (i) in whole but not in part, at any time from and including 29 June 2025 to but excluding the Maturity Date, provided that the Value of the Exchange Property on each of 20 out of 30 consecutive Trading Days the last day of which period occurs no more than five Trading Days immediately prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded 130 per cent. of the aggregate principal amount of the Bonds outstanding on such Trading Day (excluding for this purpose the face value of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the Exchange Property (or any cash payment in respect thereof) has not yet been delivered and excluding from the Exchange Property such undelivered (or unpaid) Exchange Property); or

- (ii) in whole but not in part, at any time, if prior to the date on which the relevant notice of redemption is given by the Issuer less than 10 per cent. in aggregate principal amount of the Bonds originally issued is outstanding.

In order to exercise such option the Issuer shall give not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Principal Agent and to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds at their principal amount, together with interest accrued but unpaid thereon to but excluding the Optional Redemption Date, on the Optional Redemption Date specified in such notice).

- (C) **Redemption for Taxation Reasons:** At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee and the Principal Agent and to the Holders in accordance with Condition 17 (which notice will be irrevocable), redeem the Bonds in whole but not in part at their principal amount, together with interest accrued but unpaid thereon to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 11) as provided or referred to under Condition 11 as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the law or regulations of the PRC, Hong Kong, the Cayman Islands or any political subdivision or any authority thereof or therein or having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 June 2023, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption will be given earlier than 90 days before the earliest date on which the Issuer would be obligated to pay such Additional Amounts (as defined in Condition 11) were a payment in respect of the Bonds then due; provided further, that no such redemption may be made such that the Redemption Date therefor is set during a Suspension Period.

Prior to the delivery or publication of any notice of redemption pursuant to this Condition 10(C), the Issuer will deliver to the Trustee (a) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (b) an opinion of an independent legal counsel or tax advisors to the effect that the Issuer is permitted to effect such redemption pursuant to the terms of the Trust Deed and the Issuer has or will become obligated to pay such amounts as a result of such changes or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively on such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in this Condition 10(C) without further enquiry and without liability to any Bondholder or any other person, in which event the same shall be conclusive and binding on the Bondholders.

If the Issuer issues a notice pursuant to this Condition 10(C), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 11 shall not apply in respect of any payment to be made

in respect of such Bond(s) which falls due after the relevant Redemption Date, whereupon no Additional Amounts shall be payable in respect thereof pursuant to Condition 11 and payment of all amounts shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit during normal office hours (being between 9:00 a.m. and 3:00 p.m. (local time)) at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable at reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time)) from the specified office of any Paying Agent (a “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the relevant Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent.

(D) **Purchases:** The Issuer or any Principal Subsidiary or Affiliate of the Issuer may at any time and from time to time purchase Bonds at any price in the open market or otherwise. Such Bonds will be surrendered to any Paying Agent for cancellation. The Bonds so purchased, while held by or on behalf of the Issuer or any Principal Subsidiary or Affiliate of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 12, Condition 14 and Condition 15(A).

(E) **Redemption at the Option of the Holders:** On 15 June 2025 (the “**Put Option Date**”), the holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at their principal amount, together with interest accrued but unpaid thereon to but excluding the Put Option Date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time)) at the specified office of the Principal Agent or any other Paying Agent a duly completed and signed notice of redemption, in the then current form obtainable at such reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time)) from the specified office of the Principal Agent or any other Paying Agent (a “**Put Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Option Date.

(F) **Repurchase at the Option of Holders for Relevant Events:** Following the occurrence of a Relevant Event (as defined below), each Holder will have the right, at such Holder’s option, to require the Issuer to redeem all or some only of such Holder’s Bonds on the Relevant Event Redemption Date at their principal amount, together with interest accrued but unpaid thereon to but excluding the Relevant Event Redemption Date. To exercise such right, the Holder of the relevant Bond

must deposit at the specified office of the Principal Agent or any other Paying Agent at reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time)) a duly completed and signed notice of redemption, in the form for the time being current, obtainable at such reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (local time)) from the specified office of the Principal Agent or any other Paying Agent (a “**Relevant Event Redemption Notice**”), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which written notice thereof is given by the Issuer to the Trustee and the Principal Agent and to Bondholders in accordance with Condition 17. The “**Relevant Event Redemption Date**” shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent and the Issuer shall redeem the Bonds the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to the Trustee and the Principal Agent and to the Bondholders in accordance with Condition 17 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 10(F) and shall give brief details of the Relevant Event.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred.

For the purpose of this Condition 10(F), a “**Relevant Event**” will be deemed to occur:

- (i) when the Shares cease to be listed or admitted to trading, or are suspended from trading for a period exceeding 30 consecutive Trading Days, on the Hong Kong Stock Exchange (and if applicable, the Alternative Stock Exchange); or
- (ii) when there is a Change of Control.

In this Condition 10(F):

a “**Change of Control**” occurs when:

- (i) COFCO Corporation (“**COFCO**”) ceases to (A) be the single largest shareholder of the Issuer or (B) directly or indirectly be interested in not less than 10 per cent. of the issued share capital of the Issuer;
- (ii) any Person or Persons (other than Permitted Holders) acting together acquires Control of the Issuer;
- (iii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control of the Issuer or the successor entity; or

(iv) the Issuer ceases to be the largest direct or indirect holder or ceases to hold at least 30 per cent. of the issued share capital of Modern Dairy;

“**Control**” means (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the possession, directly or indirectly, of the power to nominate or designate more than 50 per cent. of the members then in office of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

“**Permitted Holders**” means COFCO and any of its Affiliates; and

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

(G) **Cancellation:** All Bonds redeemed by the Issuer or purchased and surrendered to any Paying Agent for cancellation as provided in Conditions 10(B), 10(C), 10(D), 10(E) or 10(F) above will forthwith be cancelled, and all Certificates in respect of cancelled Bonds will be forwarded to or to the order of the Principal Agent and such Bonds may not be reissued or resold.

(H) **Redemption Notices:** All redemption notices to Holders given by or on behalf of the Issuer pursuant to Conditions 10(B) or 10(C) will specify (i) the *pro rata* share of the Exchange Property attributable to each HK\$1,000,000 in principal amount of Bonds as at the date of the notice, (ii) the redemption date (the “**Redemption Date**”), (iii) the outstanding principal amount, (iv) that on the Redemption Date the principal of, and premium (if any) on, any Bonds to be redeemed will become due and payable, (v) the place where Certificates are to be surrendered and (vi) the identifying numbers of the Bonds and/or Certificates to be redeemed. If there is more than one notice of redemption given in respect of any Bond, the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

11 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, Hong Kong, the Cayman Islands or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including the aggregate rate applicable on 8 June 2023 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate, or (ii) by or within Hong Kong or the Cayman Islands, the Issuer shall pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable in respect of any Bond:

- (a) **Other connection:** to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of the Holder having some connection with the PRC, Hong Kong or the Cayman Islands other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

In this Condition 11,

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

References in these Conditions to principal, premium (if any) and interest will be deemed also to refer to any Additional Amounts which may be payable under this Condition 11 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charge, assessment, governmental charge, withholding or other payment referred to in Condition 7(B) and this Condition 11 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any other person to pay such tax, duty, charge, assessment, governmental charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee, any Agent or any other person that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, assessment, governmental charge, withholding or other payment imposed by or in any jurisdiction.

12 EVENTS OF DEFAULT

- (A) If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by Holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided that in either case, the Trustee shall

have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount, together with interest accrued but unpaid thereon to the date of payment:

- (i) **Non-Payment:** there is failure to pay (i) the principal of or any premium (if any) on, any of the Bonds when due or (ii) any interest on any of the Bonds within 21 days of the due date of such interest; or
- (ii) **Exchange Rights:** any failure by the Issuer to perform any of its obligations arising in respect of the exercise of Exchange Rights, including any failure to transfer or deliver any Exchange Property or Additional Exchange Property or to pay any Equivalent Amount or any Cash Alternative Amount by the time required pursuant to these Conditions required to be transferred or delivered or paid in respect of such exercise; or
- (iii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or
- (iv) **Cross-Default:** (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due unless payment is made within the applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due unless payment is made within the applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that no event described in this Condition 12(A)(iv) shall constitute an Event of Default unless the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 12(A)(iv) have occurred at any time equals or exceeds (either individually or in aggregate) U.S.\$70,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 12(A)(iv) operates); or
- (v) **Enforcement Proceedings:** a distress, attachment, execution after final judgment by a court of competent jurisdiction or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer or any of the its Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (vi) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries over a substantial part of the assets of the Issuer or the relevant Principal Subsidiaries, as the case may be, becomes enforceable pursuant to a

final judgment by a court of competent jurisdiction and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such judgment is not discharged within 45 days, provided that no event described in this Condition 12(A)(vi) shall constitute an Event of Default unless the aggregate amount of the relevant assets in respect of which one or more of the events mentioned above in this Condition 12(A)(vi) have occurred at any time equals or exceeds (either individually or in aggregate) U.S.\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 12(A)(vi) operates); or

- (vii) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; or
- (viii) **Winding-up:** an order is made by any court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries on a *pro rata* basis in accordance with such Principal Subsidiary's shareholding; or
- (ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer to lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its material obligations under any of the Bonds, the Trust Deed or the Agency Agreement; or

(xi) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in either of Conditions 12(A)(vii) and 12(A)(viii).

(B) Notwithstanding receipt of any payment after the acceleration of the Bonds, a Holder may exercise its Exchange Right by depositing an Exchange Notice with an Exchange Agent during the period from and including the date of a notice of acceleration with respect to an event specified in Condition 12(A) (at which time the Issuer will notify the Holders of the number of Shares per Bond to be delivered upon exchange, assuming all the then outstanding Bonds are exchanged) to and including the close of business (at the place where the Certificate evidencing the relevant Bond is deposited for exchange) on the date upon which the full amount of moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders.

If any exchanging Holder deposits an Exchange Notice pursuant to this Condition 12(B) on the business day prior to, or during, a Suspension Period, the Holder's Exchange Right shall continue until the business day immediately following the last day of the Suspension Period, which shall be deemed the Exchange Date, for the purposes of such Holder's exercise of its Exchange Right pursuant to this Condition 12(B).

If the Exchange Right attached to any Bond is exercised pursuant to this Condition 12(B), the Issuer will deliver Shares (which number will be disclosed to such Holder as soon as practicable after the Exchange Notice is given) in accordance with these Conditions against repayment of the payment received by the relevant Holder after the acceleration of the Bonds, except that the Issuer shall have five business days before it is required to deliver the number of Shares to be delivered pursuant to this Condition 12(B) and an additional five business days from such delivery to make payment in accordance with the following paragraph.

If the Exchange Right attached to any Bond is exercised pursuant to this Condition 12(B) or if the Bonds have become due and payable pursuant to Condition 12(A)(ii), the Issuer shall, at the request of the exchanging Holder, pay to such Holder an amount in Hong Kong dollars (the "**Default Cure Amount**") equal to the product of (i) (a) the number of Shares that are required to be delivered by the Issuer to satisfy the Exchange Right in relation to such exchanging Holder minus (b) the number of Shares that are actually delivered by the Issuer pursuant to such Holders' Exchange Notice and (ii) the Share Price (as defined below in this Condition 12(B)) on the Exchange Date; provided that if such Holder has received any payment under the Bonds pursuant to this Condition 12, the amount of such payment shall be deducted from the Default Cure Amount.

In this Condition 12(B):

"**business day**" means a day in which banks are open for business in the place where the Certificate evidencing the relevant Bond is deposited for exchange; and

“**Share Price**” means the closing price of the Shares as quoted by the Hong Kong Stock Exchange on the Exchange Date or, if no reported sales take place on such date, the average of the reported closing bid and offered prices, in either case as reported by the Hong Kong Stock Exchange or other applicable securities exchange on which the Shares are listed for such day as furnished by a reputable and independent broker-dealer selected from time to time by an independent investment bank of international repute acting as an expert instructed by, and at the expense of, the Issuer for such purpose and notified to the Trustee.

13 PRESCRIPTION

Claims for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal and premium (if any)) or five years (in the case of interest) from the relevant date for payment in respect thereof first becomes due.

14 ENFORCEMENT

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such steps, action and/or proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such steps, action and/or proceedings unless (a) it shall have been so requested in writing by the Holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Holders and (b) it shall have been pre-funded and/or indemnified and/or secured to its satisfaction. No Holder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

15 MEETINGS OF HOLDERS, MODIFICATION AND WAIVER

(A) **Meetings:** The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Holders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Holders whatever the aggregate principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, interest or premium (if any) payable in respect of the Bonds or changing the method of calculation of any amount payable under the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify or cancel the Exchange Right, (v) to reduce the rate of interest in respect of the

Bonds or to vary the method or basis of calculating the rate of interest or the basis for calculating any other amount payable in respect of the Bonds or (vi) to modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 25 per cent. in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that (A) a written resolution signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Bonds for the time being outstanding or (B) a resolution passed by way of electronic consents through Euroclear and Clearstream (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall each be as valid and effective as a duly passed Extraordinary Resolution.

- (B) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Holders, to (i) any modification (except as mentioned in Condition 15(A)) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Holders and, unless the Trustee agrees otherwise, any such modification, waiver or authorisation will be notified by the Issuer to the Holders in accordance with Condition 17 as soon as practicable thereafter.
- (C) **Interests of Holders:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those in relation to any proposed modification, authorisation or waiver), the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the interests of, or be responsible for, the consequences of such exercise for individual Holders and, in particular but without affecting the generality of the foregoing, the Trustee shall not be entitled to require on behalf of any Holder, nor shall any Holder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders.

16 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar and at the specified office of any Paying Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security and/or

pre-funding as the Issuer and/or the Registrar or such Paying Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

17 NOTICES

Unless otherwise provided in the Trust Deed or the Bonds, as described herein, all notices to all Holders as a group shall be validly given if in writing and mailed to them at their respective addresses in the Register, and published in a leading newspaper having general circulation in Asia (which is expected to be the Wall Street Journal Asia). Any such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or any alternative clearing system(s), notices to the Bondholders shall be given by delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or such alternative clearing system(s), for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or such alternative clearing system(s).

The Issuer shall cause to be filed with the Trustee, and shall cause to be given to all Holders (i) at least 10 days prior to the applicable record date if Modern Dairy shall (A) declare a dividend (or other distribution) on its Shares payable otherwise than in cash out of its retained earnings, or (B) authorize the grant to the holders of its Shares of options, rights or warrants, and (ii) at least 10 days prior to the applicable record date, upon (A) a reclassification of the Shares (other than a subdivision or combination of its outstanding Shares), or of any consolidation, merger or share exchange to which the Issuer or Modern Dairy is a party and for which approval of any shareholders is required, or of any tender or exchange offer by the Issuer, Modern Dairy or any Principal Subsidiary of the Issuer for all or any of the Shares, or of the conveyance, lease, sale or transfer of all or substantially all of the assets of the Issuer, Modern Dairy or any Principal Subsidiary of the Issuer, or (B) the voluntary or involuntary dissolution, liquidation or winding up of the Issuer or any of its Principal Subsidiaries, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights options or warrants, or, if a record is not to be taken, the date as of which the holders of Shares of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Shares of record shall be entitled to exchange their Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up. The foregoing will not require the Issuer to send any notice to the Holders or the Trustee prior to any notice or circular regarding the subject of such notice to the Holders or the Trustee is sent to shareholders of the Issuer.

18 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them, the first date on which Exchange Rights may be exercised and the timing for the making of the Post-Issuance Reporting Filings and/or the Post-Issuance NDRC Filing) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

19 AGENTS

The names of the initial Agents and their initial specified offices are set out below. The Issuer reserves the right, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Principal Agent, and (b) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Holders in accordance with Condition 17.

20 INDEMNIFICATION

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling it to be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Bondholders. The Trustee and the Agents are entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee and the Agents shall be entitled to rely on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or by any other means as provided for in the Trust Deed (including without limitation passed by Written Resolution or by Electronic Consent).

The Trustee and the Agents shall have no obligation to monitor or ascertain (i) compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or (ii) whether an Event of Default or a Potential Event of Default has occurred or (iii) whether a Relevant Event or any event or circumstance which gives rise or may give rise to a Relevant Event or any redemption under Condition 10, and shall, in each case, not be liable to the Issuer, the Bondholders or any other person for not doing so. None of the Trustee or any of the Agents shall be responsible for the

performance (whether financial or otherwise) by the Issuer or any other person appointed by any of them in relation to the Bonds and/or the Exchange Property of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any of the Agents shall be under any duty or obligation to (and will not be responsible or liable to any Bondholder or any other person for not so doing) perform, verify or assist in any calculation or determination in connection with any amount payable under any redemption option under this Condition 10, the number of a *pro rata* share of the Exchange Property or Additional Exchange Property, the Equivalent Amount, the Further Amount, the Cash Alternative Amount, or any other amount with respect to any exercise of the Exchange Right and shall not be responsible for delivery of any Exchange Property, Additional Exchange Property or Cash Election Notice or for payment of any Equivalent Amount, Further Amount, Cash Alternative Amount, or any other amount with respect to any exercise of the Exchange Right.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and to be indemnified and/or secured and/or pre-funded to its satisfaction, and the Trustee is not responsible for any loss or liability incurred by the Issuer, any Bondholder or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received or an indemnity, security or pre-funding is not provided to the Trustee to its satisfaction.

The Trustee may rely without liability to the Issuer, any Bondholder or any other person on any report, confirmation or certificate or any opinion or advice of any legal advisors, accountants, financial advisors, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, any Relevant Company and their respective Subsidiaries, and neither the Trustee nor any Agent shall at any time have any responsibility or liability to any Bondholder for the same and each Bondholder shall not rely on the Trustee or any Agent in respect thereof.

21 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Without prejudice to the rights of the Bondholders pursuant to and as contemplated in Condition 14, no person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent provided for in these Conditions or in the Trust Deed.

22 GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Bonds, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of any of them, are governed by, and shall be construed in accordance with, the English law.

The Issuer irrevocably agrees that the courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Bonds (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Bonds) and that accordingly submits to the jurisdiction of the Hong Kong courts. The Issuer waives any objection to the courts of Hong Kong on the grounds that they are an inconvenient or inappropriate forum.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth, on a consolidated basis, the capitalisation of the Company as at 31 December 2022, (i) on an actual basis and (ii) on as adjusted basis to give effect to the issuance of the aggregate principal amount of the Bonds described in the notes below:

This table should be read in conjunction with “Use of Proceeds”, our consolidated financial statements and the related notes incorporated by reference in this Offering Circular, and other financial information contained elsewhere in this Offering Circular.

	As at 31 December 2022			
	Actual		As adjusted for the gross proceeds from this issuance ⁽¹⁾	
	RMB	USD ⁽²⁾	RMB	USD ⁽²⁾
	(in thousands)			
Cash and bank balances	12,765,829	1,850,871	574,656	83,317
Short-term indebtedness				
Short-term bank loans, secured	135,000	19,573	135,000	19,573
Short-term bank loans, unsecured	4,115,795	596,734	4,115,795	596,734
Current portion of long term bank loans, secured	17,709	2,568	17,709	2,568
Current portion of long term bank loans, unsecured	369,784	53,614	369,784	53,614
Exchangeable bonds ⁽³⁾	615,643	89,260	615,643	89,260
US dollar bonds	3,586,054	519,929	3,586,054	519,929
Lease liabilities	254,734	36,933	254,734	36,933
Total short-term indebtedness	9,094,719	1,318,610	9,094,719	1,318,610
Long-term indebtedness				
Long term bank loans, secured	34,173	4,955	34,173	4,955
Long term bank loans, unsecured	16,138,855	2,339,914	16,138,855	2,339,914
2021 convertible bonds	3,907,631	566,553	3,907,631	566,553
US dollar bonds	9,001,959	1,305,161	9,001,959	1,305,161
Lease liabilities	931,268	135,021	931,268	135,021
The Bonds to be issued ⁽⁴⁾	—	—	574,656	83,317
Total long-term indebtedness	30,013,886	4,351,604	30,588,542	4,434,921
Equity				
Equity attributable to owners of the Company	40,098,540	5,813,742	40,098,540	5,813,742
Non-controlling interests	9,953,258	1,443,087	9,953,258	1,443,087
Total equity	50,051,798	7,256,829	50,051,798	7,256,829
Total Capitalisation ⁽⁵⁾	89,160,403	12,927,043	89,735,059	13,010,360

(1) The “As adjusted” balances shown above do not take into account the application of any of the proceeds from this offering.

(2) Translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8972 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2022.

Translations from Hong Kong dollar amounts to U.S. dollars were made at the rate of HK\$7.8015 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2022.

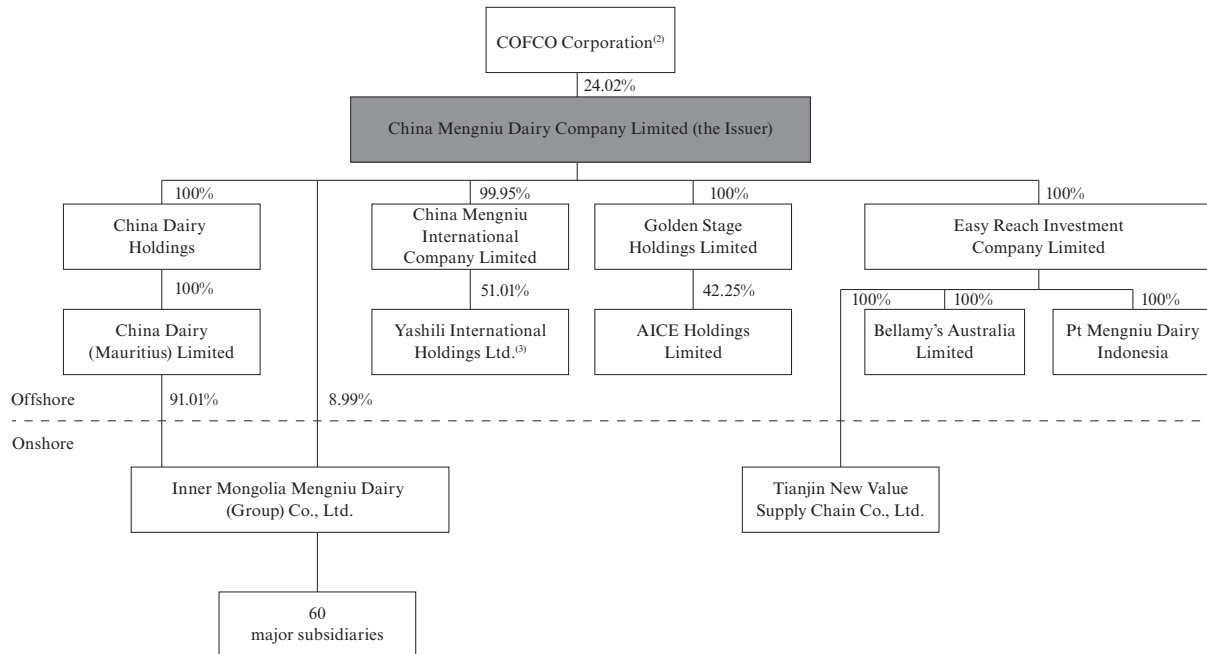
(3) On 24 June 2020, the Company issued US\$100,000,000 1.50 per cent. exchangeable bonds due June 2023, which are exchangeable into 613,877,227 shares of Modern Dairy.

- (4) Representing HK\$650,000,000 (equivalent to RMB574,656,000) in gross proceeds from the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering.
- (5) Total capitalisation equals the sum of total short-term and long-term indebtedness plus total equity.

From time to time, the Group may incur additional indebtedness, including debt securities and other financing to improve its capital structure. As compared with the total indebtedness as of 31 December 2022, the Group's total indebtedness as of 30 April 2023 increased by approximately 64%, and the Group believes that the default risks associated with the increased indebtedness is remote. Save as disclosed in this Offering Circular, since 31 December 2022, there has been no material adverse change in the capitalisation and indebtedness of the Group.

CORPORATE STRUCTURE OF THE GROUP

The chart below illustrates the simplified corporate structure⁽¹⁾ of the Group comprising of major subsidiaries as at 31 December 2022.



- (1) All shareholdings denote aggregate holdings including directly and/or indirectly via subsidiaries.
- (2) COFCO Corporation is deemed interested in an aggregate of 950,014,304 shares in the Company through its controlled corporations, being COFCO (Hong Kong) Limited (which is wholly-owned by COFCO Corporation), China Foods (Holdings) Limited (which is wholly-owned by COFCO (Hong Kong) Limited), Farwill Limited (which is wholly-owned by China Foods (Holdings) Limited), COFCO Dairy Holdings Limited (which is owned by Farwill Limited as to 70%), COFCO Dairy Investments Limited (which is owned by COFCO Dairy Holdings Limited as to 82.16%), Prominent Achiever Limited (which is wholly-owned by COFCO Dairy Investments Limited) and WDF Investment Co., Ltd. (which is wholly-owned by COFCO Corporation).
- (3) Listed on the Hong Kong Stock Exchange (Stock Code: 1230). The Company completed the 25% Yashili Acquisition on 9 March 2023. As a result, as of the date of this Offering Circular, the Company holds an approximately 76.04% interest in Yashili. The Company (through its subsidiary) has put forward a proposal to the holders of shares of Yashili in issue (other than those held by the Company directly or indirectly) for the privatisation of Yashili by way of the Scheme.

PRINCIPAL BUSINESS OF THE COMPANY

Overview

We are a leading dairy product manufacturer in China. We ranked among the “Global Dairy Top 20” list published by Rabobank for the fourteenth consecutive year. We offer a wide range of dairy products including liquid milk products (such as UHT milk, milk beverages and yoghurt), ice cream, milk formula and other products (such as cheese). As at 31 December 2022, we had developed 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand respectively, with an aggregate annual production capacity of 12.91 million tonnes.

We are listed on the Main Board of the Hong Kong Stock Exchange since June 2004 (Stock Code: 2319). We became a Hang Seng Index constituent in March 2014, making us the first blue chip Chinese dairy product manufacturer. As at 31 December 2022, our market capitalisation was HK\$140,014 million.

We are committed to sustainable development. We were included as a constituent stock in major sustainable development indexes such as the Hang Seng Corporate Sustainability Index Series for the third consecutive year. In 2022, our MSCI ESG rating improved to an A grade, the highest rating in the Chinese food industry, and we ranked first in the “ESG Vanguard 50 Index” (央企ESG • 先鋒50指數).

We have developed an advantageous market position at each major component of the dairy products value chain:

- Upstream. We source 100% of our raw milk from standardised ranches and scaled farms. We have a long-term raw milk procurement arrangement with Modern Dairy, in which we held a 56.36% equity interest but controlled less than 50% of the voting rights as at 31 December 2022, to secure a stable supply of high quality raw milk. In addition, we entered a raw fresh milk supply framework agreement with China Shengmu in December 2019 and held a 29.99% equity interest in China Shengmu as of 31 December 2022 to secure a stable supply of organic raw milk. Meanwhile, we have expanded our raw milk supply globally into overseas countries with quality milk sources. We have secured stable source of high quality raw milk through strategic investment in various raw milk suppliers and maintaining stable relationship with third party raw milk suppliers;
- Midstream. We possess advanced automated manufacturing processes and facilities. As of 31 December 2022, we had 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand, respectively. As of the same date, we had a total annual production capacity of 12.91 million tonnes. Leveraging our rich resources and international-leading technologies, we continued to innovate around product differentiation and premiumization, leading the industry with superior and diversified products; and
- Downstream. We had approximately thousands of dealers and millions of retail outlets throughout China as at 31 December 2022, covering all provinces, municipalities and autonomous regions. The majority of these dealers are exclusive dealers and all of our UHT milk dealers are exclusive dealers. We have developed long-term relationships with most of our dealers. In addition, we conduct online sales through multiple

contracted online sales channels, including all major e-commerce platforms in China such as Tmall, JD and Pinduoduo. We have also taken steps to expand our omni-channel operations and accelerated the development of new retail channels such as O2O delivery and community group purchases.

We offer our products primarily under the umbrella brand “蒙牛” (MENGNIU) and its related brands, including Bellamy’s, Aice and Milkground which we acquired in recent years. “蒙牛” (MENGNIU) is among the most widely recognised brands in China which was listed as one of the most valuable global brands by BrandZ™ in 2022. In addition, we won the “Quality Brand Award” at the People’s Daily Online 19th People’s Quality Awards and the Most Influential Sports Marketing Brand Award of the Year of ECO SPORTS (ECO氣體年度最具影響力體育營銷品牌獎).

We have established comprehensive partnerships with our strategic shareholders, including COFCO, and together we have achieved significant synergies in business development and operations. COFCO is a key state-owned enterprise under the purview of SASAC and the largest agri-food enterprise in China. We benefit from COFCO’s support in quality management and control, development of logistics capabilities and sales channels as well as feed and packaging supply.

We have been actively expanding our overseas business with a focus on the Southeast Asia markets, which are emerging with great market potential. By the end of 2022, we have launched a range of room-temperature and chilled probiotics drinks, chilled yoghurt and ice cream products in overseas markets. We have established our first overseas liquid milk factory in Indonesia, which has been put into operation in November 2018. In July 2019, the Group held approximately 9.99% equity interest in Aice, a leading ice cream brand in Southeast Asia with an extensive sales network in Indonesia. In addition, the Group also held interest in Aice through certain convertible promissory notes. In March 2021, we acquired the control of Aice, as part of our strategy to expand our market share of ice-cream products in Southeast Asia. As of 31 December 2022, we held 42.25% equity interest in Aice and had the right to appoint a majority of members of Aice’s board of directors. The coverage of our distribution and sales network has also been expanded into, among others, Hong Kong, Malaysia, Indonesia, Myanmar, the Philippines and Cambodia. In 2022, Inner Mongolia Mengniu, a major subsidiary of the Company, acquired additional 5.00% equity interest in Milkground, which mainly engages in the manufacture and distribution of cheese products of Milkground brand. After the acquisition, Inner Mongolia Mengniu held 35.01% equity interest in Milkground. The acquisition was made as part of our strategy to expand market share of cheese products. Milkground was included in the consolidated statements of the Group from 30 November 2022 onwards.

We have benefited from the full support from local governments in the PRC as a result of our commitment to local economic development. Support provided to us by local governments took the form of tax support (including preferential tax rates and tax relief), favourable support for establishment of business, and favourable industry policies.

We have introduced the business division system with our business being divided into several major business divisions primarily based on our product categories, including room temperature, chilled, fresh milk, milk powder, ice cream and cheese. Implementation of the new organisational structure has integrated the management of key aspects of our

operation, including production, procurement, sales and quality control into different business divisions, and also enhanced synergies in our operations, and improved our utilisation of resources, operational and management efficiency, as well as product quality.

Our Competitive Strengths

We are well-positioned to seize the development opportunities of the PRC dairy industry.

Although China is amongst the largest dairy consumption countries in the world, its per capita consumption of dairy products was 22 kilogrammes per annum in 2021, still significantly lower than developed countries and neighbouring Asian countries, and falls significantly below the recommended daily intake of dairy products (300–500 grammes per day) outlined in the Chinese Dietary Guidelines by Chinese Nutrition Society. In addition, our government has been actively promoting the consumption of dairy products for health benefits, urging citizens to increase their milk intake. This heightened awareness of the importance of milk consumption has the potential to spark a shift in Chinese consumers' dietary habits and result in continuously increased per capita sales of dairy products in China. In addition, the PRC dairy industry is expected to enjoy further growth with the support of the population growth and the demographic migration of consumer growth from first and second-tier cities to lower-tier cities and rural areas in China. The income growth of residents, the transformation of consumers' diet structure and the growing public awareness on importance of good nutrition in China is expected to spur the dairy product upgrade and innovation, which is in turn expected to boost the Chinese dairy industry to maintain a relatively fast growth rate in the next five to ten years.

In 2022, Yashili remained committed to developing its two major product categories: infant milk formula and nutritional products, and each category is well-positioned to capture the industry growth drivers. In terms of the infant milk formula, the new national standards issued by the National Health Commission on 22 February 2021 (the “**New National Standards**”) were officially implemented on 22 February 2023. Under the recipe re-registration system, the first batch of infant milk formula products that passed the formula registration in 2017 were required to submit new applications in 2022. *Reeborne Enzhi* (恩至) and *Reeborne Jingzhi* (菁至), two products under a high-end infant formula brand of Yashili, *Reeborne*, were among the first batch of products in the Chinese dairy industry to pass the New National Standards in 2022. Specially, *Reeborne Enzhi* (恩至) infant milk formula is the world's first product using MLCT and new OPO structural lipids, and *Reeborne Jingzhi* (菁至) infant milk formula is the world's first product using desert organic raw milk. With respect to the nutritional products, the transformation from the production of infant milk formula to the production of full-life-cycle professional nutrition has notably become the general trend of the future development of the milk formula industry. Catering to the growing awareness of nutrition and local parents' increasing concerns about the nutrition and health of children over 3 years old, major brands have launched milk formula products for children over 3 years old in order to capture the extensive consumption demand and extend the product life cycle. Additionally, in line with the trend of ageing population, milk formula for the middle-aged and the elderly is expected to become the major driving force for the development of the adult formula industry. To ride on this trend, Yashili has and would continue to offer Yourui, M8 children's milk formula, 1.88M children's growth formula milk powder (一米八八兒童成長配方奶粉), Huicongming (慧聰明) and other products, catering to the nutritional needs of the middle-aged and the elderly, children and students. In addition to Yalshili, Bellamy's has also actively expanded its portfolio of high-end organic products. In 2022, Bellamy's

launched three milk powder products and the Chinese labelled and the English labelled version of organic kids milk powder, with a focus on improving immunity and promoting bone growth of children over 3 years old. In addition, Bellamy's launched the new GOLD + high-end infant formula, formulated with the unique Di-GeniX symbiotic blend which can help improve the intestinal immunity of infants, further promoting the high-end transformation of the brand. In response to evolving industry trends, we continue to adjust our channel deployment, product structure and branding strategies, which we believe have and will continue to lay a solid foundation for us to meet the consumers' needs.

Leveraging our leading market position, diversified product offerings, well-recognised brand, strong support from our strategic shareholders, and synergies with our strategically invested business, we believe that we are well-positioned to continue benefiting from the strong growth potential of the market in the foreseeable future, and will be able to seize the opportunities arising from the development of, and consolidation within, China's dairy industry and further expand our market presence.

We maintain a leading market position and possess a well-recognised brand.

We maintain a leading market position in China's dairy industry. We ranked among the "Global Dairy Top 20" list published by Rabobank for the fourteenth consecutive year.

We offer our products primarily under the umbrella brand "蒙牛" (MENGNIU) and its related brands, including Bellamy's, Aice and Milkground which we acquired in recent years. "蒙牛" (MENGNIU) is among the most widely recognised brands in China which was listed as one of the most valuable global brands by BrandZ™ in 2022. In addition, we won the "Quality Brand Award" at the People's Daily Online 19th People's Quality Awards and the Most Influential Sports Marketing Brand Award of the Year of ECO SPORTS (ECO氣體年度最具影響力體育營銷品牌獎).

In addition to "蒙牛" (MENGNIU), we have developed a number of premium brands, including "特侖蘇" (Milk Deluxe), "純甄" (Just Yoghurt), "真果粒" (Fruit Milk Drink), "冠益乳" (Champion), "優益C" (Yoyi C), "每日鮮語" (Shiny Meadow), "現代牧場" (Modern Meadow). These brands also enjoy wide market recognition and contribute to our rapid business growth.

We offer a diversified mix of products and we continuously innovate and upgrade our product offerings.

Our leading market position is largely attributable to our diversified and comprehensive product offerings. We are committed to keeping pace with evolving consumer needs and changing market trends and offering innovative products. We provide room temperature liquid milk and chilled liquid milk products under our core business segment, and we have also developed our new business segment which provides dairy products including ice cream and cheese products. We have also developed various new products and expanded our product offerings through strategic investment in Modern Dairy and partnership with our strategic shareholders.

We have a dedicated research and development team with a market-orientated focus to collect and analyse market information and innovate and upgrade our products. As at 31 December 2022, our research and development team consists of approximately 194 members, nearly 74% of whom have received master's or higher academic degrees. We have

been continuously investing in our research and development capabilities to maintain our competitiveness and marketing leading position. In 2022, our research and development cost was RMB412 million. Our market-oriented and solid in-house research and development capabilities enable us to continuously improve our product offerings and launch new products receiving widespread recognition.

We have a strong distribution network across the PRC.

As at 31 December 2022, we had thousands of dealers and millions of retail outlets throughout China, covering all provinces, municipalities and autonomous regions in China. Our dealers have entered into distribution agreements with us. We are committed to optimising our sales teams and the sales structure of dealers. We provide comprehensive training, IT management solutions and marketing resources support to our distributors to improve their profitability and enhance their loyalty to our brands. In an effort to facilitate the digital operation of our business, we also introduced an e-commerce enterprise resource planning system and digital tools to strengthen terminal sales business management and execution, supporting refined operation management of different channels and sales growth.

We also conduct sales through our own sales forces. As at 31 December 2022, we had approximately 12,547 employees as our own sales force, who were responsible for managing our distributors. By deploying direct sales forces in strategic cities, we are able to serve our sales terminal directly through our own subsidiaries. We have achieved an outstanding performance in sales through our own sales force in 2022. By establishing our direct sales teams and strengthening their capacities in serving point-of-sale directly, we have enhanced our direct control in the point-of-sale and strengthened our core competitiveness. The establishment of direct sales channels also serves as a solid foundation for the development of our omni-channel delicacy management system.

With an appreciation of the power of the Internet, we have also expanded our e-commerce sales channels to grasp the opportunity in the Big Data era. Our products are now sold through multiple contracted online sales channels, including all major e-commerce platforms in China such as Tmall, JD and Pinduoduo,. Our online sales has achieved strong sales performance. We also expanded our sales by cooperating with O2O home delivery and fresh food e-commerce platforms and have been exploring new sales model and channels including the new retail model, un-manned convenience stores and vending machines.

We have strong capabilities with respect to key aspects across the value chain.

We have strong capabilities with respect to key aspects across the value chain, including procurement of raw milk, production, warehousing, transportation and sales of products. In respect of the procurement of raw milk, we have secured stable and reliable sources of quality raw milk to support our business and future expansion. We entered into a ten-year supply framework agreement with Modern Dairy in 2008 which sets forth our commitment to purchase raw milk produced by Modern Dairy. This supply framework agreement has been automatically extended upon expiration of its original term. Our strategic investment in Modern Dairy is expected to facilitate the further development of our high-end product line. In order to ensure the quality of our products, we aim to continue to increase the proportion of raw milk we source from scaled farms such as Modern Dairy. We are also committed to ensuring the stability of our sources of quality raw milk through building

ranches as well as investment in and control of scaled farms. For the year ended 31 December 2022, the proportion of our milk sources provided by standardised ranches and scaled farms reached 100%, including about 40% attributable to ranches we have an equity interest in.

We deploy our production capacity with reference to market potential and our product strategies. As at 31 December 2022, we had 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand respectively, with an aggregate annual production capacity of 12.91 million tonnes. Our production bases in China enable our production capacity to effectively cover all major markets in the PRC. We possess advanced automated production processes and equipment, and we have realised automated and digitalised control and management throughout the entire process of production, packaging, warehousing and products and ingredients tracking.

We have an experienced management team and a strong board of directors.

Our senior management team has extensive experience in China's dairy industry. They possess diverse skill sets that support our operating strategies, including driving organic growth through efficient marketing, reducing operating costs, enhancing distribution efficiencies, aligning production, distribution and expansion objectives and maintaining strong relationships both within the industry and with our major customers.

Mr. Jeffrey, Minfang Lu, our CEO and one of our three executive directors, has over 18 years of experience in sales and marketing and has been serving in general manager or senior executive level roles for over 10 years. Mr. Lu is also the chairman and a non-executive director of Yashili and the chairman and was the chairman and a non-executive director of Modern Dairy. Before he joined us, Mr. Lu accumulated extensive management and industry experience by working with Yashili, the Danone Group, Dumex Baby Food Co. Ltd., Johnson & Johnson (China) Company Limited and General Electric Company (China). Mr. Lu has extensive experience in the management of fast moving consumer products and dairy companies and has an excellent grasp and the in-depth knowledge of the PRC market.

Many members of our senior management have extensive operational expertise and an in-depth knowledge of, and experience in, China's food, beverages and retail industry. These senior management personnel include but without limitation, Ms. Wang Yan, one of our three executive directors, who held various management positions in COFCO Corporation before she joined us; Mr. Zhang Ping, one of our three executive directors, a Vice President and Chief Financial Officer of the Group, was the CEO of Coca-Cola Bottlers Manufacturing Holdings Ltd before he joined us; Mr. Gao Fei, a Senior Vice President of the Group and the head of UHT business unit, who joined us at our establishment in 1999 and has abundant practical experience in sales, marketing and promotion of dairy products; Mr. Wen Yongping, a Vice President of the Group and the head of research and development and innovation; Mr. Luo Yan, our Vice President and the head of chilled product business unit and fresh milk business unit; Mr. Yang Zhigang, our Vice President and an officer-in-charge of safety and quality; and Mr. Han Jianjun, our Vice President and the head of the ice product business unit.

We believe our senior management team and board of directors have helped us to achieve steady growth and will continue to strategically position us to capture the significant opportunities present in China's dairy market.

We have prudent financial management and financial policy.

We adopt and implement prudent financial policies to ensure that we have sufficient liquidity to support our business development. We have established a comprehensive budget control system and sound internal control mechanism with professional capital operation capabilities. We have also implemented delicacy cost management and systematic raw milk cost management and established a multi-dimensional financial analysis system. In addition, we have established a system of financial sharing and capital sharing within our Group and implemented the principle of “centralised management and settlement”.

Along with our rapid business development, we have maintained abundant cash flows. As at 31 December 2020, 2021 and 2022, our cash balance, which include cash and bank balances, short term investment deposits and long term time deposits, amounted to RMB24,334 million, RMB25,426 million and RMB36,228 million, respectively.

We will continue to adhere to prudent financial policies and aim to maintain strong liquidity positions in order to provide sustainable driving forces for our business development.

We have a well-established ESG management system.

Through the efforts of recent years, we have gradually established an ESG management system, clarified the ESG strategic path, continuously improved ESG key issues, and formed a cross-organisational and departmental force for sustainable development. We have achieved outstanding results and been recognised by domestic and international authorities for several times. In 2022, Mengniu MSCI ESG rating was upgraded to A level. In addition, Mengniu was included as the constituent of Hang Seng Sustainability Corporate Index, ranked first in the SASAC Central Enterprise ESG “Pioneer 50” Index and won the “CDP 2022 Environmental Leap Forward Progress Award.”

In 2022, in alignment with the United Nations sustainable development goals and the “Creating a new Mengniu by 2025” strategy, we unveiled our “GREEN Sustainable Development Strategy,” focusing on five directions: Governance-Sustainability, Responsibility-Common Prosperity, Environment-Carbon Net-Zero, Ecosystem-Collaborative & Accountable, and Nutrition-Supreme & Inclusive. We are committed to “reaching carbon peak in 2030 and carbon neutrality in 2050”, and has put forward specific and industry-leading stage-by-stage goals for reducing the carbon emissions intensity per tonne of dairy products. We have built a responsible supply chain that meets international standards and became the first dairy company to join the responsible business platform Sedex in 2022. In addition, in 2022, we made efforts to obtain sustainability certifications, with three factories obtaining the German TÜV Rheinland landfill-free waste management system certification and two factories applying for the AWS international sustainable water management standard certification. One factory has passed the group standards of “Evaluation Standards for Zero Carbon Factory” (《「零碳工廠評價規範」團體標準》), and the packaging of two products has obtained the certification for easy-to-collect and easy-to-recycle plastic product designs.

Our Strategies

We plan to solidify our leading market position in China, achieve sustainable growth and further improve our profitability through implementing the following strategies going forward:

- We will focus on nutrition of our dairy products and health needs of the consumers and develop our world-leading research and development capabilities.
- We will focus on brand building by continuously investing in premium brands and conducting high-profile marketing campaigns.
- We will build a sales team with omni-channel management capability and industry leading efficiency.
- We will continuously improve our product quality and operation efficiency across the entire supply chain.
- We aim for breakthroughs in new business to build up new growth drivers.
- We will align our company culture with our 2025 strategic target.
- We will drive future growth with innovation and digitalisation.

Recent Development

On 13 May 2021, Danone announced that as of May 2021, Danone had disposed all of its interests in Mengniu (the “**Danone Mengniu Disposal**”). Following the Danone Mengniu Disposal, Mengniu and Danone continued to have the following relationships:

- (a) **Chilled Business JVs.** Danone (Shanghai) Holding Co., Ltd. (“**Danone Shanghai**”), a wholly owned subsidiary of Danone, held a 20% equity interest in each of the Chilled Business JVs, with the remaining 80% equity interests owned by Mengniu and/or Inner Mongolia Mengniu;
- (b) **25% beneficial ownership in Yashili.** Danone Asia Baby Nutrition Pte. Ltd. (“**Danone Nutrition**”), a wholly owned subsidiary of Danone, was the beneficial owner of 25% of the issued share capital of Yashili. Mengniu, through its 99.95%-owned subsidiary, China Mengniu International Company Limited, was the beneficial owner of approximately 51% of the issued share capital of Yashili; and
- (c) **Dumex China.** Yashili International Group Co. Ltd. (“**Yashili Guangdong**”), a subsidiary of Yashili, was the 100% beneficial owner of Dumex Baby Food Co., Ltd. (“**Dumex China**”), a baby infant formula company in the PRC that was sold in May 2016 to Yashili Guangdong by Danone Asia Pacific Holdings Pte. Ltd. (“**Danone APAC**”), a wholly-owned subsidiary of Danone,

(together, the “**Mengniu-Danone Relationships**”).

Following the Danone Mengniu Disposal, Mengniu and Danone agreed to proceed to unwind the Mengniu-Danone Relationships. To unwind the Mengniu-Danone Relationship, on 6 May 2022, the Group entered into a series of agreements with certain subsidiaries of Danone, pursuant to which Danone would dispose 20% equity interest in each of the Chilled Business JVs (the “**Chilled Business Sale Shares**”) to the Group (the “**Chilled Business JVs Acquisition**”), the Group would dispose 100% equity interest in Dumex China to Danone (the “**Dumex China Disposal**”), and Danone would dispose 25% equity interest in Yashili to the Company (the “**25% Yashili Acquisition**”).

On 26 August 2022, the Chilled Business JVs Acquisition was completed, upon which the Chilled Business JVs became wholly-owned by the Company and/or Inner Mongolia Mengniu. The consideration of RMB1,400 million was paid by Danone to Mengniu upon completion, and the remaining balance of RMB200 million was paid after completion of the Dumex China Disposal.

The Dumex China Disposal was completed on 2 March 2023 for a total consideration of RMB870 million on a cash free and debt free basis, subject to the closing accounts adjustments. RMB850 million was paid by Danone APAC to Yashili Guangdong upon completion, and any remaining balance of the consideration would be paid by Danone APAC to Yashili Guangdong after completion of the closing accounts adjustments. Upon the completion of the Dumex China Disposal, the Company and Yashili ceased to hold any interest in Dumex China and Dumex China ceased to be a subsidiary of the Company and Yashili. Accordingly, the financial results of Dumex China are no longer consolidated into the consolidated financial statements of the Group.

The completion of the 25% Yashili Acquisition took place on 9 March 2023 for which the Company paid a total consideration of HK\$1,423,688,089 to Danone. As a result, as of the date of this Offering Circular, the Company holds an approximately 76.04% interest in Yashili and Danone ceased to be a shareholder of Yashili.

As further disclosed in the announcement dated 6 May 2022 (the “**3.5 Announcement**”), the Company has proposed that, subject to the satisfaction of certain pre-conditions as set out in the 3.5 Announcement, it will, through Star Future Investment Company Limited, a wholly-owned subsidiary of the Company, put forward a proposal to the holders of shares of Yashili in issue (other than those held by the Company directly or indirectly) for the privatisation of Yashili (the “**Yashili Privatisation Proposal**”) by way of a scheme of arrangement under section 86 of the Companies Act of the Cayman Islands (the “**Scheme**”), on the terms and subject to the conditions as described in the 3.5 Announcement and as amended in the announcement of the Company, Yashili and Star Future Investment Company Limited dated 16 August 2022.

As disclosed in the announcement dated 9 March 2023, all pre-conditions to the making of the Yashili Privatisation Proposal and implementation of the Scheme had become fulfilled on 9 March 2023. With all the pre-conditions having been fulfilled, the implementation of the Yashili Privatisation Proposal is subject only to the satisfaction (or where applicable, waiver) of the conditions to the Yashili Privatisation Proposal.

For further information on the Yashili Privatisation Proposal and the Scheme, please refer to the public disclosure of Yashili and/or the Company on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk>, our website at <http://www.mengniu.com.cn> or the website of Yashili at <http://www.yashili.hk>.

Products

Overview

We produce a broad range of dairy products, including a wide variety of liquid milk products (including UHT milk, milk beverages, yoghurt and fresh milk), ice cream, milk formula and other products (such as cheese). Liquid milk products, ice cream, milk formula and other products accounted for 84.5%, 6.1%, 4.2% and 5.2%, respectively, of our revenue in the year ended 31 December 2022. Within the liquid milk segment, UHT milk constituted the largest single item in terms of revenue for the year ended 31 December 2022.

The table below sets forth our revenue by product segment for the periods indicated:

	For the year ended 31 December					
	2020		2021		2022	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(in millions of RMB, except percentage)					
Liquid Milk	67,751.0	89.1	76,514.4	86.8	78,269.3	84.5
Ice Cream	2,633.7	3.5	4,240.2	4.8	5,652.4	6.1
Milk Formula	4,573.0	6.0	4,949.1	5.6	3,862.0	4.2
Other Products	1,077.1	1.4	2,437.8	2.8	4,809.6	5.2
Total	76,035	100.0	88,141	100.0	92,593	100.0

Liquid Milk Products

The liquid milk segment is our main revenue contributor. It comprises UHT milk, room temperature yoghurt, room temperature milk beverage, chilled yoghurt, chilled milk beverage and fresh milk. The table below sets forth details our major liquid milk products:

Product Category	Key Products	Highlights
UHT Milk	Milk Deluxe (特侖蘇)	<ul style="list-style-type: none"> • In 2019, Milk Deluxe 3.0 era began following the launch of its products in upgraded “DreamCap™” packaging; and • In 2022, Milk Deluxe launched 4.0g desert organic pure milk with a new nutrition upgrade.
	Mengniu Pure Milk (蒙牛純牛奶)	<ul style="list-style-type: none"> • In 2020, Mengniu’s Nutritious and Mellow Enjoyment pure milk series was introduced.
	Student’s Milk (蒙牛學生奶)	<ul style="list-style-type: none"> • Products designed for students.
	Future Star (未來星)	<ul style="list-style-type: none"> • Products designed for children and teenagers, which aims to raise the quality of children’s milk products.
Room Temperature Yoghurt	Just Yoghurt light flavour yoghurt (純甄輕酪乳酸奶)	<ul style="list-style-type: none"> • In 2022, Just Yoghurt focused on breakthroughs in differentiation and meeting the growing demand of consumers for “pure” and “additive-free” products.
	Just Yoghurt fruit pulp flavour yoghurt (純甄果粒風味酸奶)	
	Just Yoghurt Yummy Yoghurt (純甄饞酸奶)	<ul style="list-style-type: none"> • In 2022, Yummy Yoghurt offered a new generation of spoon-eating yoghurt with a range of fun and delicious flavours in new packaging.
	Just Yoghurt Just Yoghurt (純甄甄酸奶)	<ul style="list-style-type: none"> • In 2022, the Group launched the PET bottled Just Yoghurt with blueberry flavour.

<u>Product Category</u>	<u>Key Products</u>	<u>Highlights</u>
Room Temperature Milk Beverage . . .	<p>Fruit Milk Drink high-end colourful fruit pulp series (真果粒 高端繽紛果粒牛奶飲品系列)</p> <p>Fruit flower flavoured yoghurt drink (真果粒花果奶昔酸奶飲品)</p> <p>Suan Suan Ru yoghurt-flavoured drink (酸酸乳乳味飲品系列)</p>	<ul style="list-style-type: none"> ● In 2022, Fruit Milk Drink focused on the launch of red grapefruit Sijichun (四季春) with smiley packaging. ● Launched in 2022. ● Launched in 2022.
Chilled Yoghurt . . .	<p>Champion (冠益乳)</p> <p>Mengniu Zero Sucrose Yoghurt (蒙牛0蔗糖酸奶)</p>	<ul style="list-style-type: none"> ● In 2022, Champion launched Jianzihao advanced immunity bottle products, leveraging the functions of “regulating intestinal flora and enhancing immunity”. ● In 2022, the Group launched xylitol yoghurt with zero sucrose, made with 100% raw milk source, and containing high quality protein, high calcium and 10 million probiotics per 100 grammes.
Chilled Milk Beverage	<p>Yoyi C (優益C)</p> <p>Yoyi C LC-37 (優益C LC-37)</p>	<ul style="list-style-type: none"> ● In 2022, the Group launched a new series of Yoyi C zero sucrose products, including a product with eco-friendly packaging.
Fresh Milk	<p>Shiny Meadow fresh milk (每日鮮語鮮牛奶)</p> <p>Xiaoxianyu fresh milk (小鮮語鮮牛奶)</p> <p>Modern Meadow fresh milk (現代牧場鮮牛奶)</p>	<ul style="list-style-type: none"> ● In 2022, Shiny Meadow launched a line of 4.0 low-fat products to meet the growing demand for health and wellness-oriented products among female customers. ● In 2022, Shiny Meadow established a sub-brand called Xiaoxianyu (小鮮語) to fulfil the needs of teenage customers looking for “affordable nutrition”. ● Fresh milk targeted at mass market

UHT Milk

UHT milk is raw milk processed under UHT conditions to achieve commercial sterilisation. We package all of our UHT milk products in aseptic containers, which protect the milk from air and light and extend its shelf life. Depending on the choice of packaging, our UHT milk products retain their freshness at room temperature for a period of 45 days to six months.

UHT milk under the *Mengniu* brand and *Milk Deluxe* are our primary milk products under the room temperature product business. From 2020 to 2022, the *Milk Deluxe* and *Mengniu* pure milk products maintained their leading positions in the industry in terms of growth. Their innovative high-end products, including *Milk Deluxe*'s “better organic” desert organic pure milk and CBP high-calcium pure milk, as well as *Mengniu*'s Nutritious and Mellow Enjoyment pure milk series both recorded continued increases.

Yoghurt

Yoghurt is a fermented milk product produced by cultivating the live lactic acid bacteria in raw milk. We produce flavoured yoghurt and other yoghurt products, such as “additive-free” yoghurt products as well as sucrose and low-sugar yoghurt products, which are packaged in various containers including plastic bottles and single serving plastic cups. We offer room temperature yoghurt products, such as *Just Yoghurt* series products, and chilled yoghurt products, such as *Champion* and *Mengniu Zero Sucrose Yoghurt products*.

Milk Beverages

Milk beverages are liquid milk products using milk (either fermented or not) as a primary ingredient. In addition to milk, other ingredients in milk beverages include water, sugar, fruits, food flavourings, stabilisers and other components. We use aseptic containers and other packaging materials for milk beverages. We offer room temperature milk beverages such as Fruit Drink products, and chilled milk beverage such as Yoyi C products.

Fresh Milk

Fresh milk is raw milk processed by pasteurisation. Our fresh milk products require refrigeration and has a relatively short shelf life of five to 15 days. Catering to consumers' growing demand for the freshness, flavour and quality of milk, we have rolled out two fresh milk brands Shiny Meadow (每日鮮語) and Modern Meadow (現代牧場) which target at the medium-to high-end consumer markets. In addition, Shiny Meadow established a sub-brand called Xiaoxianyu (小鮮語) to fulfil the needs of teenage customers looking for “affordable nutrition”, and enrich the “lite” milk product offering in convenience stores. In addition, the Group explored “Fresh Milk+” opportunities by developing new beverage products. In particular, the Group collaborated with Ovaltine to successfully launch a cocoa malt milk beverage.

Ice Cream

We produce a wide variety of ice cream products. We intend to expand our ice cream product offerings by introducing a wide range of new flavours in the future through continuous innovation. Currently, our brands such as Suibian (隨變), Mood for Green (綠色心情), Deluxe (蒂蘭聖雪) and Ice+ (冰+) provide full coverage of the mid-to low-end and high-end consumer markets and feature natural and imported raw materials and/or international production techniques. We plan to further expand our product offerings to include more medium-to high-end ice cream product lines in the future.

Milk Formula

We offer a wide variety of milk formula products through Yashili, one of our subsidiaries in which we own approximately 76.04% stake, and Bellamy's, our wholly-owned subsidiary. Our milk formula products mainly include Reeborne, Yourui, M8 children's milk formula, 1.88M children's growth formula milk powder and Bellamy's organic milk powder. Reeborne Enzhi (恩至) infant milk formula, the world's first product using MLCT and new OPO structural lipids, and Reeborne Jingzhi (菁至) infant milk formula, the world's first product using desert organic raw milk, have both obtained the approval for formula registration. In 2022, Yashili continued to strengthen its sales channels for infant milk formula and nutrition products. It advanced channel development by enhancing the channel coverage and extending channels in lower-tier markets, and collaborated with renowned domestic mother-and-baby chain stores and regional chain stores. Bellamy's also vigorously expanded its portfolio of high-end organic milk formulas and complementary food products for long-term development.

Other Products

As cheese products have become increasingly popular among Chinese consumers in recent years, the cheese products have tremendous market potential in China. In 2022, based on the new brand positioning of "Mengniu Cheese — Excellent Cheese made with Excellent Milk" (蒙牛奶酪 — 好牛奶 • 好奶酪), we upgraded the packaging of all product lines to provide consumers with more professional and valuable cheese products. We enriched our selection of innovative cheese products by introducing additive-free children's cheese sticks with no artificial flavours and targeted young consumers with the casual cheese series "Zhishifenzi (芝士分子)".

At the end of November 2022, Inner Mongolia Mengniu, a major subsidiary of the Company, acquired additional 5.00% equity interest in Milkground, which is a leading cheese company in China and its cheese products and children's cheese stick ranked first in terms of market share in China. Together with Milkground, we aim to expand the business into the domestic and global cheese market, which has enormous potential.

Quality Management

In 2021, we implemented a three-year strategic plan for quality management under the core concept of “consumers are at the heart of all our decisions” to give consumers a perfect product experience. Our quality management is in compliance with the PRC Food Safety Law as well as various advanced international standards. In 2022, we successfully secured seven system certifications, including ISO9001, HACCP, GMP, FSSC22000, BRC, IFS and SQF, for 60 factories with a 100% passing rate. We also obtained post-sales service system certification for the room temperature business and basic system certification for two factories, and continued to push forward the certification process for student milk products and organic products.

At the group level, the extensive application and synergistic operation of “Laboratory Information Management System” or “LIMS”, and SAP system, together with the implementation of our systematic quality management and laboratory management, have provided comprehensive quality assurance in various aspects of our operation. The integrated and collaborative operation of LIMS and SAP systems enables the tracking of data forward and backward at all quality control stages of the industry chain. Employing the tools such as Business Intelligence system, we have also established the Quality Cloud management platform for real-time management and monitoring of product quality at crucial stages of our operation.

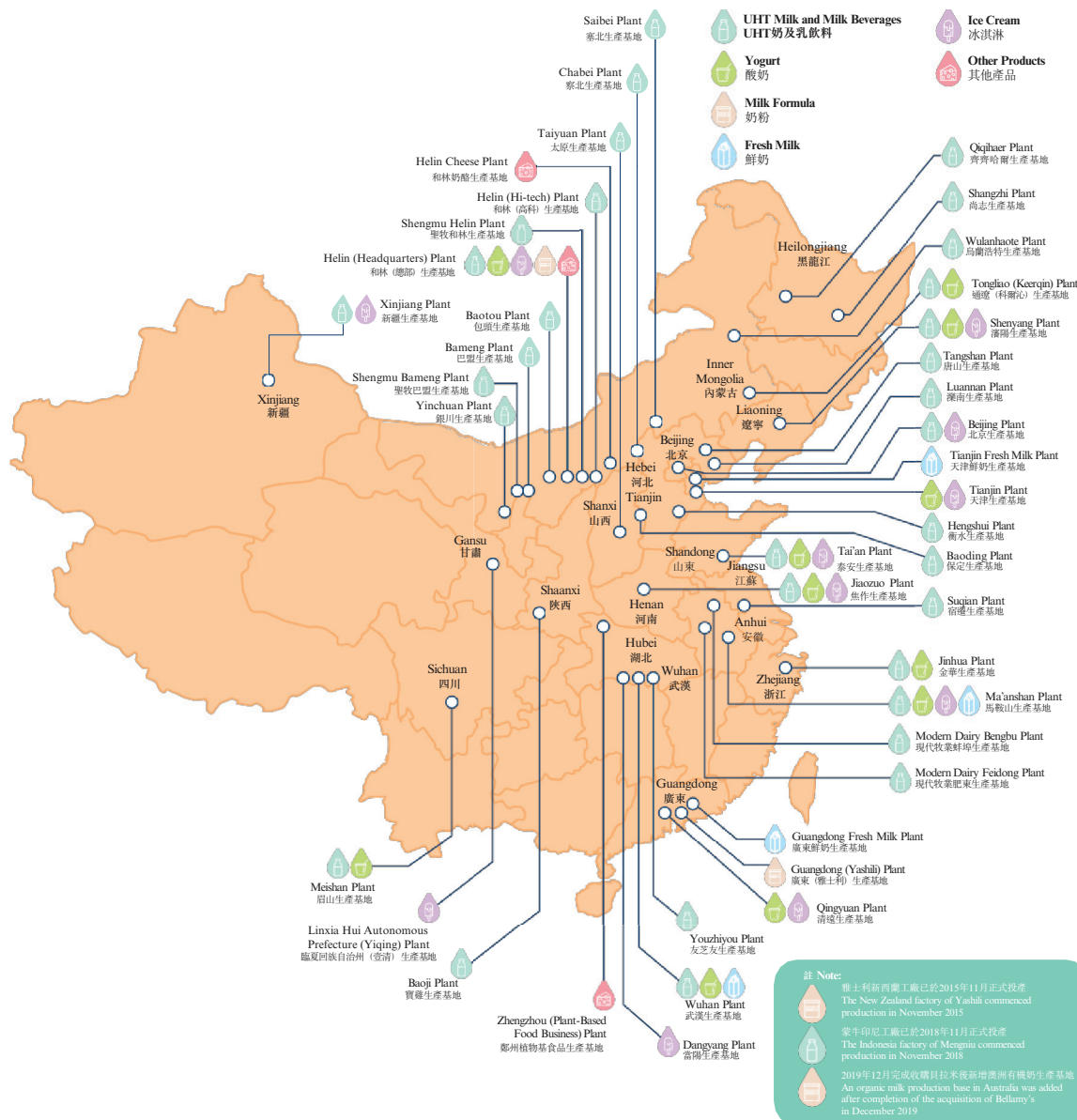
With the introduction of the business division system in 2017, we have divided the responsibility of quality management into our five business divisions and established the new quality management departments by product categories, including room temperature, chilled products, fresh milk, ice cream and cheese products quality management departments, which has facilitated the implementation of quality management standards and measures specifically tailored for different categories of products and further strengthened the efficiency of our quality management.

As the most significant part of our quality control, we attach great importance to quality control of raw milk sources. We strategically invested in Modern Dairy in order to secure a stable source of high quality raw milk. As at 31 December 2022, the proportion of our milk sources provided by standardised ranches and scaled farms reached 100%, far above industry average. In 2022, we introduced the Arla Garden advanced dairy farm management system, which established a professional quality and safety management system for dairy farms that adheres to international and local laws, regulations and standards for livestock breeding. We also developed an admission system for dairy farms consisting of a multi-layered and multi-dimensional management mechanism to standardise milk source management through stringent requirements for legal regulations, dairy farm construction and dairy cow breeding. In 2022, raw milk suppliers of all of our business divisions attained a 100% pass rate in the tests conducted by inspection organisations on raw milk samples.

Production

Production Facilities and Production Capacity

We deploy our production capacity with reference to market potential and our product strategies. As at 31 December 2022, we had 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand respectively, with an aggregate annual production capacity of 12.91 million tonnes. Our production bases in China enable our production capacity to effectively cover all major markets in the PRC. The location and products of each of our production bases as at 31 December 2022 are as indicated below:



We produce UHT milk, yoghurt and other milk products at factories located near our milk supply sources. We complete in-depth raw milk supply surveys for each location prior to deciding where to build new production facilities in order to ensure that we have a steady supply of quality raw milk. We manufacture our ice cream throughout the country and select manufacturing locations in close proximity to our customers in order to reduce

transportation costs. Our fresh milk products are produced in local factories in close proximity to markets so as to ensure fast cold chain delivery to customers under uninterrupted temperature control.

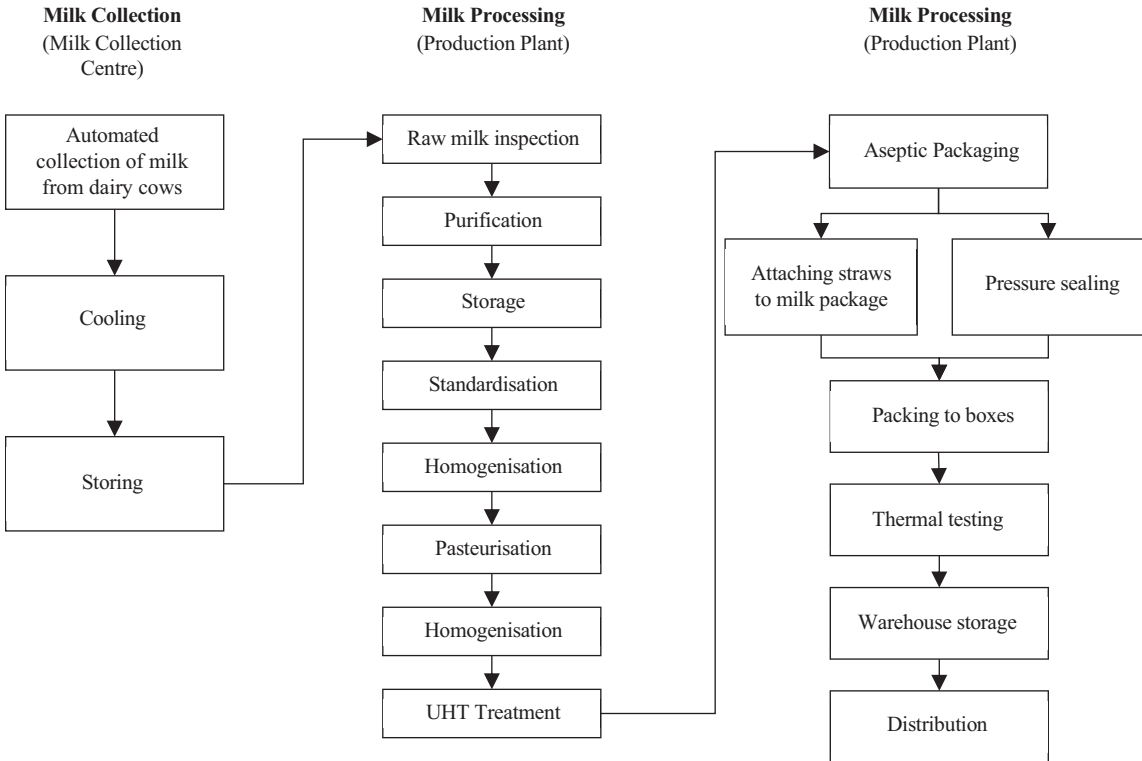
The majority of the equipment used by us in our production of UHT milk and milk beverages is supplied by leading international equipment manufacturers such as Tetra Pak. We have entered into long-term agreements with repetitive suppliers such as Tetra Pak for packaging materials and equipment to support our production needs. Since our establishment and as at 31 December 2022, we had not experienced any shortage in equipment or technology provided by these suppliers that has a material adverse impact on our business. Alternative products are available that may partially replace products from our existing suppliers such as Tetra Pak should a need for such substitution arise in the future.

Contract Manufacturers

In addition to our own manufacturing facilities, we have also outsourced a small portion of production of certain products for the purpose of promoting operation efficiency. For the year ended December 31, 2022, our contract manufacturers produce dairy products in accordance with our specifications in return for an outsourcing fee, which amounted to RMB178.8 million.

Production Process

The diagram below illustrates the production processes for our UHT milk products.



We possess advanced automated manufacturing processes and equipment:

- the production cycles of our plant equipment vary based on the product type, production processes, and equipment types involved. Generally speaking, dairy tanks, pre-processing vessels and pipes, and standalone equipment have production periods ranging from 12 to 24 hours. Ultra-high temperature sterilisation machines require six to 30 hours. Aseptic tanks take 24 to 48 hours, while aseptic filling machines require six to 48 hours;
- we treat the raw milk at an ultra-high-temperature of 137°C for four seconds in order to extend the milk’s storage period without compromising its trace elements and flavour;
- we utilise the internationally leading aseptic filling and packaging equipment provided by Tetra Pak and SIG Combibloc; and
- the boxing, weighing and stacking processes for our products are fully automated.

Maintenance

We have implemented an effective maintenance system for our equipment and facilities in order to consistently run our production facilities at full capacity. We have not experienced any material or prolonged stoppages at our facilities due to equipment or facility failure.

Branding and Marketing

By keeping our finger on the pulse of the market and with the support of big data, we made full use of the Internet and social media, integrated online and offline marketing, and forged strategic partnership with leading global brands as guided by our strategy for developing into an international brand. We are able to enhance our brand value and influence for achieving the goal of building Mengniu into a world-class Chinese brand and continued to bring care and happiness to consumers.

Our brand building efforts are based on a consistent, long-term brand strategy. Over the past two decades, we have developed and expanded our presence in the field of sports. In 2022, we promoted our brand awareness, reputation and global influence through major international sporting events such as the Winter Olympics, the Women’s Asian Cup and the FIFA World Cup, as well as by making use of digitization, diverse and creative content and resource integration in our innovative brand communication and marketing activities. In 2022, we were listed as one of the “Most Valuable Global Brands” by Kantar BrandZ™ and our brand value grew by 15% year-on-year, ranking first in China’s dairy industry in terms of brand value growth. In the Global Dairy Top 20 published by Rabobank, we rose two places and ranked 7th, distinguishing ourselves as the only Chinese dairy enterprise to achieve an improved ranking.

Our major business divisions also introduced brand promotion programmes based on the characteristics of different sub-brand products and their respective target consumer groups. For example, for our chilled product business division, Yoyi C launched the brand promotion theme of “China is red” and the documentary “A Journey of Probiotics Discovery” to promote its brand value and further enhance its brand awareness and popularity. We also launched a World Cup-themed ice cream series under the Suibian brand during the 2022 FIFA World Cup in Qatar, which were the only ice cream products sold at

World Cup venues, significantly enhancing the brand image and product sales. Moreover, by collaborating with the famous game IP “Genshin Impact”, Suibian provided an innovative, immersive and cross-dimensional experience to deliver delicious taste and fun, thereby driving sales growth.

Sales and Distribution Network

We sell our products primarily through third-party dealers, who distribute our products to the end customers. As at 31 December 2022, we had approximately thousands of dealers and millions of retail outlets throughout China, covering all provinces, municipalities and autonomous regions. For the year ended 31 December 2022, a majority of our sales was realised through sales forces employed by third-parties such as our dealers and the remainder was realised through our own sales forces who were our employees. As at 31 December 2022, approximately 12,547 persons of our sales force were our employees, who were responsible for managing our distributors.

Our dealers have entered into distribution agreements with us. We manage our dealers through distribution agreements, which set forth the distribution market area, product and sales channel requirements applicable to each dealer, prohibitions against sales outside of the prescribed market area and prohibitions against sales of unauthorised products manufactured by us. We also evaluate our dealers based on pre-determined and agreed-upon sales targets. In 2022, most of our dealers have fulfilled their sales target and our dealer team had remained stable. Typically, we only ship the goods to our dealers after we receive their up-front payment. We grant sales on credit up to certain limits to some of our long-term dealers, and cease to ship goods if they exceed their prescribed credits.

Under our business division system, our major business divisions are responsible for managing their own marketing efforts and sales, with the aim of enhancing synergies for business development, operational efficiency and management. In implementation of our Route to Market (RTM) strategy, the room temperature product business division promoted cooperation with distributors leveraging the “Penetration into Towns and Villages” platform to develop village-level markets and seize opportunities for business development in lower-tier markets. During 2022, the room temperature business unit developed business with over 780,000 outlets through the “Penetration into Towns and Villages” platform. As for the chilled product business division, in addition to the traditional sales channels, it has also been exploring the emerging new channels and enhancing both online and offline cooperation with such new channels. The fresh milk division accelerated expansion and development of omni-channel operations, ranking first in China in terms of sales share in the systems of Sam’s Club, Hema, Yonghui Superstores and Aeon. Sales on leading e-commerce platforms such as JD.com, as well as new retail channels such as Pinduoduo and Meituan, also achieved rapid growth year-on-year and maintained a leading market share. As for the milk formula business division, Yashili advanced channel development by enhancing the channel coverage and extending channels in lower-tier markets, and collaborated with renowned domestic mother-and-baby chain stores and regional chain stores, with a focus on the key provinces of Anhui and Henan. In addition, Yashili implemented community marketing, pop-up events and livestream e-commerce at stores to enhance digitization and innovative marketing. For the ice cream business division, it continued to strengthen the development and expansion of both online and offline channels, with a focus on enhancing market coverage and channel efficiency. Rapid sales growth was recorded on e-commerce platforms. Efforts were also made to

expand into corporate group buying, catering, scenic spots and other scenarios. In addition, the instant home delivery business was further developed to boost sales and raise market share on O2O platforms. The cheese business division actively expanded into new retail channels such as O2O home delivery, community group marketing and live streaming during 2022. It leveraged on our channel advantage in room temperature business to develop sales channels for cheese in lower-tier markets and expand the coverage of terminal point of sales.

With an appreciation of the power of the Internet, we have forged ahead with expanding e-commerce sales channels and connecting with consumers through all possible means. Our products are now sold through multiple contracted online sales channels, including all major e-commerce platforms in China such as Tmall, JD and Pinduoduo. We launched a number of joint marketing initiatives in cooperation with these e-commerce platforms, such as the Super Brand Day, '618' shopping festival and Singles' Day. We also introduced an e-commerce enterprise resource planning system and digital tools to strengthen terminal sales business management and execution, supporting refined operation management of different channels and sales growth.

To take advantage of the development of our Big Data capabilities, we have also developed our marketing BI analytical platform, which consolidates and visualises sales and financial data, and provides precise and timely information to different sales units to help us enhance our offline sales performance. Moreover, our e-commerce division has built a consumer Data Management Platform and optimised our Database Intelligence, which enables us to consolidate our sales data, build up our customised labelling system, gain a deeper understanding of consumers and conduct precise marketing.

Raw Materials and Packaging Materials

Raw Milk

In order to ensure the quality of our products, we continuously increase the proportion of raw milk we source from standardised ranches and scaled farms. We are also committed to solidifying our capability to control and ensure the stability of our sources of quality raw milk through the construction of ranches as well as investment in and control of scaled farms. For the year ended 31 December 2022, the proportion of our milk sources provided by standardised ranches and scaled farms reached 100%, including about 40% attributable to ranches we have an equity interest in.

We entered into a ten-year supply framework agreement with Modern Dairy in 2008 which sets forth our commitment to purchase raw milk produced by Modern Dairy. This supply framework agreement has been automatically extended in 2019. Modern Dairy provides us with high quality raw milk. In the year ended 31 December 2022, approximately 30% of our total raw milk was provided by Modern Dairy. Our strategic investment in Modern Dairy will facilitate the further development of our high-end product line.

We effectively manage our raw milk providers through the use of various measures designed for the contracting process, quality examination and pricing. In particular:

- the terms of the contracts with raw milk providers typically range from one to five years and ten years for large providers (such as Modern Dairy); such contracts usually set forth minimum purchase commitments in order to secure a stable and sufficient supply of raw milk;
- we strictly adopt national standards of quality examination for raw fresh milk procurement and reject all raw fresh milk not in compliance with both these standards as well as our internal procurement standards; and
- depending on the quality of the raw milk, the pricing mechanisms consist of (i) basic price, which varies based on the scale of the suppliers and the number of milk collection centres, breeding areas and ranches, (ii) indicator price, which is primarily determined pursuant to certain key indicators, and (iii) evaluation price, which is assessed based on inspection results and daily evaluation results.

Packaging Materials

In addition to raw milk, packaging materials account for one part of our procurement costs. We procure substantially all of our packaging materials from three leading international food packaging companies, namely Tetra Pak, Sig Combibloc and Greatview, with whom we started business cooperation since 1999, 2005 and 2005, respectively.

Research and Development

We possess strong research and development capabilities. As at 31 December 2022, our research and development team consists of 194 members, nearly 74% of whom have received master's or higher academic degrees. We are committed to keeping pace with evolving consumption habits and consumer philosophies and offering innovative products, such as products with low calories, in response to customers' preferences for healthy foods. Many of our new products have received widespread recognition. We also provide various products tailored to different customers in the segmented market.

Employees

As at 31 December 2022, we had a total of 47,329 employees in China, Hong Kong, Oceania and Southeast Asia, including about 5,598 employees of Yashili, Bellamy's and Milkground.

We invest in continued education and training programmes for our management staff and other employees with an aim towards constantly upgrading their skills and knowledge. Our global dairy industry talent training centre provided high-quality training covering the entire industrial chain of the Chinese dairy industry, focusing on popular topics such as digitalization and application of smart technologies, the dual-carbon strategy and the development trend of the dairy industry.

We enter into individual employment contracts with our employees covering matters such as wages, employee benefits, training programmes, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets and grounds for termination.

Regulatory Compliance

We have obtained all relevant and valid approvals, permits, licences and certificates for our operations and have complied in all material respects with the laws and regulations applicable to our business and operations.

Environmental Matters

We are subject to applicable environmental laws and regulations in the PRC and other relevant jurisdictions relating to, among other matters, air, water, waste, noise and pollution; the generation, storage, handling, use and transportation of hazardous materials; and the health and safety of our employees. Wastewater, exhaust gas and solid waste are the primary types of waste resulting from our operations. Wastewater arises mainly from the cleaning of storage tanks, pipe lines and workshop equipment; exhaust gas arises mainly from steam generated by the boiler; and solid waste mainly includes waste packaging materials and a small amount of laboratory waste.

We have taken the following measures to treat these three primary types of waste and to ensure our emissions comply with applicable environmental protection standards:

- Wastewater treatment. We have installed sewage treatment plants at our factories and instituted on-line monitoring to evaluate our compliance with national emission standards for wastewater discharges. Following such treatment, the wastewater generated by us is recycled and reused in a variety of ways, including factory greening, road cleaning and toilet flushing. In accordance with relevant regulations, since 30 September 2013, we have published the waste water monitoring information of our production facilities in Beijing and four other cities on a real-time basis through our website at <http://www.mengniu.com.cn>;
- Exhaust gas treatment. We use gas-fired boilers or purchased steam in our newly-built factories and encourage our older factories to gradually eliminate their use of fuel-fired boilers through technical transformation and gradual adoption of gas-fired boilers to reduce the emission of air pollutants;
- Solid waste treatment. We have entered into agreements with waste recovery centres to recycle our waste packaging materials. Hazardous solid waste generated at our laboratories is treated and stored in accordance with applicable treatment and storage requirements.

In 2022, we have invested more than RMB200 million in ecological and environmental protection, completed 21 key environmental protection renovation projects, and supervised the discharge of pollutants in 38 sewage treatment plants of the Group to meet the sewage discharge standards. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. Accordingly, there is no guarantee that environmental laws and regulations will not change or become more stringent in the future in a manner that could have a material adverse effect on our business.

In addition, some of our properties may be contaminated. Some environmental laws may hold current or previous owners or operators of real property liable for the costs of cleaning up contamination, even if these owners or operators did not know of and were not responsible for such contamination. Third parties may also make claims against owners or

operators of properties for personal injuries and property damage associated with releases of hazardous or toxic substances. In accordance with these environmental laws, we may be required to spend significant expenditures for environmental remediation in the future. We are currently not subject to any material environmental proceedings or litigation.

Legal Proceedings

As at the date of this Offering Circular, we were not involved in any litigation or arbitration proceedings which may have a material and adverse effect on our business, financial condition and results of operations, and there is no such litigation or claim known to be pending or threatened by or against us which may have a material adverse effect on our overall business, financial condition or results of operations.

GENERAL INFORMATION OF MODERN DAIRY

The information contained in this section is extracted from, qualified in its entirety by, and should be read in conjunction with, information that has been made publicly available by Modern Dairy. The Issuer was not involved in the preparation of such information and is not in the position to verify such information. The Issuer does not make any representations or warranties as to the accuracy, completeness or sufficiency of such information and nothing contained herein is, or shall be relied upon as, a representation or warranty on such information. In particular, certain information given below in relation to Modern Dairy may have been superseded by subsequent events.

Modern Dairy, whose shares are listed on the SEHK (Stock Code: 1117), is a leading dairy farming operator and raw milk producer in China in terms of herd size and volume of annual production. Modern Dairy initiated the production model of “Zero-distance Integration of Forage Grass Planting, Cow Breeding and Milk Processing within Two Hours”, which is the first enterprise in the PRC that applies integrated production model with SGS certification. Modern Dairy was primarily engaged in dairy farming business, under which it produces and sells raw milk to customers for further processing, primarily into high-end dairy products, and the processing and sales of feeds business. Modern Dairy’s products have been consecutively awarded with the gold prize of Monde Selection for the past nine consecutive years.

For further information of Modern Dairy, please refer to its public disclosure on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk>.

DIRECTORS AND MANAGEMENT OF THE COMPANY

As at the date of this Offering Circular, the board of directors of the Company comprised the following:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Jeffrey, Minfang LU.	54	Executive director and chief executive officer of the Company
Ms. WANG Yan	44	Executive director of the Company and vice president of the Group
Mr. ZHANG Ping	58	Executive director of the Company and vice president and chief financial officer of the Group
Mr. CHEN Lang	57	Non-executive director and chairman of the board of directors of the Company
Mr. WANG Xi.	39	Non-executive director of the Company
Mr. Simon Dominic STEVENS.	57	Non-executive director of the Company
Mr. YIH Dieter (alias YIH Lai Tak, Dieter).	60	Independent non-executive director of the Company
Mr. LI Michael Hankin.	58	Independent non-executive director of the Company
Mr. GE Jun	50	Independent non-executive director of the Company

The board of directors of the Company currently consists of 9 members. A description of the relevant business experience and present position of each of these directors are set forth below.

Mr. Jeffrey, Minfang LU, aged 54, was appointed as an executive director and chief executive officer of the Company in September 2016. Mr. Lu is the chairman and a non-executive director of Yashili, a subsidiary of the Company listed in Hong Kong. Mr. Lu is also a non-executive director and the chairman of the board of directors of China Shengmu Organic Milk Limited, an associate of the Company listed in Hong Kong, and a non-independent director and the chairman of the board of directors of Shanghai Milkground Food Tech Co., Ltd., an associate of the Company listed on the Shanghai stock exchange. Mr. Lu is a director of International Dairy Federation. He was the chief executive officer and an executive director of Yashili before his appointment as chairman of the board of directors of Yashili. Mr. Lu was also a director of the following subsidiaries of Yashili, namely Yashili International Ltd., Yashili International Group Limited, Newou Hong Kong International Co., Limited and Mengya International Group Limited (formerly known as Scient International Group Limited). He was also the chairman and a non-executive director of China Modern Dairy Holdings Ltd. (“**China Modern Dairy**”), an associate of the Company listed in Hong Kong until February 2023. Mr. Lu was the Vice President (Greater China) of Danone Early Life Nutrition Greater China and had been with Danone Group and Dumex Baby Food Co. Ltd. for over 10 years. During his tenure at Danone Group, he demonstrated strong strategic business and market planning capabilities. With strong leadership, management skills and in-depth market knowledge, Mr. Lu had contributed significantly to the success of Danone Group’s baby nutrition business in China. Prior to joining Danone Group, Mr. Lu spent 9 years with Johnson & Johnson (China) Company Limited and almost 4 years with General Electric Company (China). Prior to joining Mengniu Group, Mr. Lu has over 18 years of experience in sales and marketing and has been in general manager or senior executive roles for over 10 years.

Mr. Lu has extensive experience in the management of fast moving consumer products and dairy companies and has an excellent grasp and in-depth knowledge of the PRC market. Mr. Lu obtained his Bachelor's degree from Fudan University in Shanghai.

Ms. WANG Yan, aged 44, was appointed as an executive director of the Company in December 2021. Ms. Wang Yan, who joined the Group in November 2021, is currently a vice president of the Group. Ms. Wang has previously served various roles including general manager of talent development at the human resources department and deputy director of the human resources department at COFCO Corporation. Ms. Wang holds a master of management degree from the Renmin University of China specialising in human resources management.

Mr. ZHANG Ping, aged 58, was appointed as an executive director of the Company in December 2021. Mr. Zhang Ping, who joined the Group in 2014, is currently a vice president and the chief financial officer of the Group. Mr. Zhang Ping is also a director of a number of the Group's subsidiaries, including the Group's major subsidiaries Inner Mongolia Mengniu Dairy (Group) Company Limited and Inner Mongolia Tegaoxin Dairy Co., Ltd. (內蒙古特高新乳製品有限公司). He has over 33 years of experience in the fast-moving consumer goods industry, specialising in management of operation, finance and audit, as well as risk control. Mr. Zhang Ping worked in Swire Beverages group companies as manager responsible for internal audit and system development, finance director, general manager of bottler manufacturing company and chief executive officer of Coca-Cola Bottlers Manufacturing Holdings Limited. Mr. Zhang Ping is also a non-executive director of Yashili International Holdings Ltd, China Modern Dairy Holdings Ltd. and China Shengmu Organic Milk Limited respectively, all being companies listed in Hong Kong, and a director of Shanghai Milkground Food Tech Company Limited (listed on the Shanghai Stock Exchange). Mr. Zhang Ping graduated from the Beijing Information Science and Technology University with a Master's Degree in Management Engineering.

Mr. CHEN Lang, aged 57, was appointed as a non-executive director and the chairman of the board of directors of the Company in April 2019. Mr. Chen joined COFCO Corporation in April 2019 and is currently an executive vice president of COFCO Corporation, and a non-executive director and the chairman of the board of directors of Joy City Property Limited (a company listed in Hong Kong). In the past, Mr. Chen had served as a director and the chairman of the board of directors of China Resources Enterprise, Limited, an executive vice president of China Resources (Holdings) Company Limited, a director of CRH (Beer) Limited, the chairman of China Resources Snow Breweries (China) Investment Co., Ltd., a director of China Resources Company Limited (formerly known as China Resources National Corporation), the chief executive officer of China Resources Vanguard Co., Ltd., the chairman of each of China Resources Ng Fung Limited and China Resources C'estbon Beverage (China) Investment Co., Ltd. and a vice chairman and the chief executive officer of China Resources Logic Limited (now renamed as China Resources Gas Group Limited). Mr. Chen was a vice chairman of the board of directors and a member of strategy committee of Shanxi Xinghuacun Fen Wine Factory Co., Limited (山西杏花村汾酒廠股份有限公司) (a company listed in Shanghai) until June 2019, an executive director and the chairman of the board of directors of China Resources Beer (Holdings) Company Limited (a company listed in Hong Kong) until July 2019, and a non-executive director and the chairman of the board of directors of China Foods Limited (a company listed in Hong

Kong) until September 2022. Mr. Chen holds a Bachelor of Economics degree from Anhui University, China and a Master of Business Administration degree from the University of San Francisco, USA.

Mr. WANG Xi, aged 39, was appointed as a non-executive director of the Company in December 2021. Mr. Wang joined COFCO Corporation in July 2015, currently serves as the assistant to the director of the Strategy Department and the general manager of the Direct Investment Division of COFCO Corporation, and is a director of COFCO WOMAI.COM Investment Limited (中糧我買網投資有限公司). At COFCO Strategy Department, Mr. Wang previously served as assistant general manager of M&A Division, deputy general manager and general manager of Equity Management Division. Prior to joining COFCO, Mr. Wang served as assistant general manager of Direct Investment Division IV at China Development Bank Capital Co., Ltd., and before that an associate at the investment banking division at Deutsche Bank AG, Hong Kong Branch. Mr. Wang holds a bachelor's degree in economics and a dual bachelor's degree in laws from Peking University, and a degree of master of public administration from Columbia University, New York.

Mr. Simon Dominic STEVENS, aged 57, was appointed as a non-executive director of the Company in January 2021. Mr. Stevens graduated from Loughborough University in 1988 with a Bsc honours degree in Management Sciences. He started his career in Unilever for 14 years in sales and marketing roles based in U.K., Netherlands and Italy. He joined Arla Foods in 2002, as a Sales Director in the UK business as part of the UK leadership team and then became SVP of Sales and Marketing where Mr. Stevens spearheaded the development of major customer partnerships and built a fast-growing branded portfolio helping grow the UK business from £500 million to £2.5 Billion and from No. 4 in dairy to No.1 supplier in FMCG. In 2016, Mr. Stevens moved to the newly set-up Europe Zone as Senior Vice President for Commercial Operations, overseeing the Sales and Marketing functions and working closely with Arla's Supply Chain organisation. During this time Mr. Stevens' focus was on creating regional growth engines across the brand portfolio and driving a digitalisation agenda across the sales and marketing functions. In 2020 he moved to Dubai to lead the MENA business, Arla's largest region within its International Zone as a Senior Vice President. In a short space of time Mr. Stevens has applied his considerable leadership capabilities to work with his country heads and Arla's joint venture partners to navigate the business through COVID-19, delivering exceptionally high levels of growth for Arla's key brands and customers and maintaining a safe working environment for Arla's workforce of around 3,000 colleagues. On 1 January 2021 Mr. Stevens joined Arla's Executive Management team as EVP International responsible for all Arla's International business and the International supply chain.

Mr. YIH Dieter (alias YIH Lai Tak, Dieter), aged 60, was appointed as an independent non-executive director of the Company in December 2021. Mr. Yih received his Bachelor of Laws degree from King's College London and he is a Fellow of King's College London. Mr. Yih is admitted to practise law in Hong Kong. He is a partner of the Hong Kong law firm Kwok Yih & Chan, where his practice focuses on corporate finance, capital markets, securities and regulatory compliance. Mr. Yih currently is an independent non-executive director of the Sinochem Energy Co., Ltd. and independent non-executive director of Sun Art Retail Group Limited, a company listed in Hong Kong (stock code: 6808). Mr. Yih was the president of the Law Society of Hong Kong between 2012 and 2013, and holds various public offices and community appointments in Hong Kong. He is currently a member of the Guangdong Province Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace appointed by the Hong Kong Government, chairman of the Financial Dispute Resolution Centre, a member of the Steering Committee of the Quality Education Fund, a member of the Standing Committee on Legal Education and Training, a non-executive director of the Securities and Futures Commission, a non-executive director of eMPF Platform Company Limited and a member of University Grants Committee.

Mr. LI Michael Hankin, aged 58, was appointed as an independent non-executive director of the Company in December 2021. Mr. Li has more than 30 years of experience in financial and accounting, fundraising, mergers and acquisitions, restructuring and international business development. Mr. Li has since May 2016 served as an independent non-executive director of COFCO Joycome Foods Limited, a company listed in Hong Kong (stock code: 1610) and is currently the chairman of its audit committee. COFCO Corporation has an interest of 29.10% in COFCO Joycome Foods Limited based on its public filings. Mr. Li has also served as an independent non-executive director and the chairman of the audit committee of Clarity Medical Group Holding Limited, a company listed in Hong Kong (stock code: 1406) since March 2019. Mr. Li worked at several Hong Kong listed companies as head of corporate finance, general manager of investor relations and mergers and acquisitions, including as head of corporate finance of GCL-Poly Energy Holdings Limited (stock code: 3800) during January 2014 to June 2015 and as general manager of investor relations & mergers and acquisitions of Newton Resources Limited (stock code: 1231) in 2013. Mr. Li also worked at several international banks where he had led numerous fund raising exercises in Hong Kong and the United States. During the period from March 1994 to June 2004, Mr. Li was the executive director (corporate finance) at BNP Paribas Capital (Asia Pacific) Limited. During the period from July 2004 to December 2005, Mr. Li was employed at GoldBond Capital (Asia) Limited and was a managing director (investment banking) of Rothschild (Hong Kong) Limited during the period from March 2007 to May 2011. From November 2017 to August 2019, he was the deputy general manager of Shougang Concord Grand (Group) Limited, a company listed in Hong Kong (stock code: 730). Mr. Li obtained a bachelor's degree in accountancy from California State University, Los Angeles in June 1985, and a master's degree in business administration from Columbia University, New York in May 1992. Mr. Li is a member of the American Institute of Certified Public Accountants.

Mr. GE Jun, aged 50, was appointed as an independent non-executive director of the Company in December 2021. Mr. Ge had previously served as the assistant engineer of Shanghai Research Institute of Building Research, administrative manager, deputy director of the corporation and public affairs department, director of the President office, secretary general of the foundation and assistant president of the China Europe International Business School, President of the Pudong Innovation Institute, and associate dean of the

Shanghai Institute of Advanced Finance at Shanghai Jiaotong University. Mr. Ge is currently an executive director of the National Innovation and Development Strategy Research Association.

Mr. Ge has been an independent director of Huize Holding Ltd. (NASDAQ, stock code: HUIZ) since February 2020. Mr. Ge has also been an independent director of Shenzhen Aisidi Co., Ltd., (Shenzhen Stock Exchange, stock code: 002416) since October 2022. Mr. Ge was an independent director of Focus Media Information Technology Co Ltd. (Shenzhen Stock Exchange, stock code: 002027) from February 2019 to November 2021. Mr. Ge was also an independent director of Meinian Onehealth Healthcare Holdings Co., Ltd. (Shenzhen Stock Exchange, stock code: 002044) from October 2018 to October 2021.

Mr. Ge's areas of academic expertise include corporate governance, corporate stakeholder relations, evaluation of innovation mechanism, responsible business and sustainable development.

DESCRIPTION OF THE CMD SHARES

The following statements are summaries of certain provisions of the memorandum and articles of association of Modern Dairy, and the Companies Act (as consolidated and amended) of the Cayman Islands (the “**Cayman Companies Act**”). The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Cayman Islands company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

Modern Dairy was incorporated as an exempted company with limited liability under the Cayman Companies Act on 30 July 2008.

Memorandum of association

The memorandum of association of Modern Dairy states, *inter alia*, that the liability of its members is limited to the amount from time to time unpaid on such members’ shares, that the objects for which it is established are unrestricted and it shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The share capital of Modern Dairy consists of ordinary shares. The authorised share capital of Modern Dairy at the date of this Offering Circular is HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.10 each.

Annual general meetings

Modern Dairy shall in each financial year hold a general meeting as its annual general meeting, within 6 months after the end of Modern Dairy’s financial year (or such longer period as the Hong Kong Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares in Modern Dairy, at any general meeting every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each CMD Share registered in his name in the register of members of Modern Dairy.

Where any member of Modern Dairy is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any CMD Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such CMD Share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint

holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on Modern Dairy's register of members in respect of the relevant joint holding.

A member of Modern Dairy in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in Modern Dairy's articles of association or as otherwise determined by its directors, no person other than a member of Modern Dairy duly registered and who shall have paid all sums for the time being due from him payable to Modern Dairy in respect of his CMD Shares shall be entitled to be present or to vote (save as proxy for another member of Modern Dairy), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.

If a recognised clearing house (or its nominee(s)) is a member of Modern Dairy it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of Modern Dairy or at any general meeting of any class of members of Modern Dairy provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in Modern Dairy in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of Modern Dairy holding the number and class of shares in Modern Dairy specified in such authorisation.

Variation of rights of existing CMD Shares or classes of shares

If at any time the share capital of Modern Dairy is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the articles of association of Modern Dairy relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

Alteration of capital

Modern Dairy may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Modern Dairy may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the directors of Modern Dairy may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to Modern Dairy for its benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by its memorandum of association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as Modern Dairy has power to attach to unissued or new shares.

Modern Dairy may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Act.

Special resolution — majority required

A “special resolution” is defined in the articles of association of Modern Dairy to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three — fourths of the votes of such members of Modern Dairy as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of Modern Dairy entitled to vote at a general meeting of Modern Dairy in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

Transfer of CMD Shares

Transfers of CMD Shares may be effected by an instrument of transfer in the usual common form or in such other form as the directors of Modern Dairy may approve which is consistent with the standard form of transfer as prescribed by the Hong Kong Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the directors of Modern Dairy otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the CMD Share until the name of the transferee is entered in the register of members of Modern Dairy in respect thereof. All instruments of transfer shall be retained by Modern Dairy.

The directors of Modern Dairy may refuse to register any transfer of any CMD Share which is not fully paid up or on which Modern Dairy has a lien. The directors of Modern Dairy may also decline to register any transfer of any CMD Share unless:

- (a) the instrument of transfer is lodged with Modern Dairy accompanied by the certificate for the CMD Shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the directors of Modern Dairy may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the CMD Share is to be transferred does not exceed four;
- (e) the CMD Shares concerned are free of any lien in favour of Modern Dairy; and
- (f) a fee of such maximum as the Hong Kong Stock Exchange may from time to time determine to be payable (or such lesser sum as the directors of Modern Dairy may from time to time require) is paid to Modern Dairy in respect thereof.

If the directors of Modern Dairy refuse to register a transfer of any CMD Share they shall, within two months after the date on which the transfer was lodged with Modern Dairy, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by Modern Dairy by electronic means as provided in its articles of association or by advertisement published in the newspapers, be suspended and the register of members of Modern Dairy closed at such times for such periods as the directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of Modern Dairy may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Power of Modern Dairy to purchase its own shares

Subject to the provisions of the Cayman Companies Act and the memorandum of association of Modern Dairy, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares in Modern Dairy may be issued on the terms that they may be, or at the option of Modern Dairy or the holders are, liable to be redeemed on such terms and in such manner, including out of capital, as the directors of Modern Dairy may deem fit.

Modern Dairy shall have the power to purchase or otherwise acquire all or any of its own shares (which includes redeemable shares) provided that the manner of purchase has first been authorised by a resolution of its members. The purchase or redemption of any share shall not be deemed to give rise to the purchase or redemption of any other share.

The holder of the shares being purchased, surrendered or redeemed shall be bound to deliver up to Modern Dairy at its principal place of business in Hong Kong or such other place as the directors of Modern Dairy shall specify the certificate(s) thereof for cancellation and thereupon Modern Dairy shall pay to him the purchase or redemption monies in respect thereof.

Dividends and other methods of distributions

Subject to the Cayman Companies Act and Modern Dairy's articles of association, Modern Dairy may declare dividends in any currency but no dividends shall exceed the amount recommended by its directors. No dividend may be declared or paid other than out of profits and reserves of Modern Dairy lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any CMD Share or the terms of issue thereof otherwise provide, all dividends shall (as regards any CMD Share not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid up on the CMD Share during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a CMD Share in advance of calls shall be treated as paid up on the share.

Modern Dairy's directors may from time to time pay to its members such interim dividends as appear to the directors to be justified by the profits of Modern Dairy. Modern Dairy's directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The directors of Modern Dairy may retain any dividends or other monies payable on or in respect of a CMD Share upon which Modern Dairy has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The directors of Modern Dairy may also deduct from any dividend or other monies payable to any member of Modern Dairy all sums of money (if any) presently payable by him to Modern Dairy on account of calls, instalments or otherwise.

No dividend shall carry interest against Modern Dairy.

Whenever Modern Dairy's directors or members have resolved that a dividend be paid or declared on the share capital of Modern Dairy, its directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members of Modern Dairy entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of Modern Dairy entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the directors of Modern Dairy may think fit. Modern Dairy's members may upon the recommendation of its directors by ordinary resolution resolve in respect of any one particular dividend that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to such members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of CMD Shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of Modern Dairy entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of Modern Dairy in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of Modern Dairy in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to Modern Dairy in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or rights or property distributable in respect of the shares held by such joint holders.

Modern Dairy may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, Modern Dairy may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the directors of Modern Dairy and shall revert to Modern Dairy.

Modern Dairy's directors may, with the sanction of its members in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the directors of Modern Dairy may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of Modern Dairy, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of Modern Dairy upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the directors of Modern Dairy.

Procedure on liquidation

If Modern Dairy shall be wound up, and the assets available for distribution amongst its members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by its members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the CMD Shares held by them respectively. If in a winding up the assets available for distribution amongst the members of Modern Dairy shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of Modern Dairy in proportion to the capital paid up at the commencement of the winding up on the CMD Shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If Modern Dairy shall be wound up, the liquidator may with the authority of a special resolution of the members of Modern Dairy and any other sanction required by the Cayman Companies Act, divide amongst the members of Modern Dairy in specie or kind the whole or any part of the assets of Modern Dairy (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of Modern Dairy. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of Modern Dairy as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of Modern Dairy shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

PRC Taxation

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Bonds in this “PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Income Tax

The Enterprise Income Tax Law of the PRC (the “**EIT Law**”) which was amended on 29 December 2018 and effective from the same day, and their implementation regulations which were revised on 23 April 2019 impose a withholding tax at the rate of 10% (subject to any applicable tax treaty) on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within China and be subject to 10% PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which was revised on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which were revised on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to a 20% individual income tax, which may be withheld at source. However, the tax so charged on interests paid on the Bonds to non-PRC resident holders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7% of the gross amount of the interest pursuant to the arrangement between mainland China and Hong Kong and relevant interpretation of the arrangement formulated by SAT. The Company has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in Condition 11 of the Terms and Conditions of the Bonds.

Under the EIT Law and its implementation rules, if the Issuer is determined to be a PRC resident enterprise, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-PRC resident enterprises may be subject to the EIT Law if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-PRC resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. There remains uncertainty as to whether the gains realised from the transfer of the Bonds would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules.

In addition, under the Individual Income Tax Law of the PRC, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days shall pay individual income tax for any income obtained within the PRC. There remains uncertainty as to whether the gains realised from the transfer of the Bonds would be treated as income obtained within the PRC and be subject to PRC tax.

If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate, respectively, will apply unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, holders of the Bonds who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

VAT

On 23 March 2016, the MOF and the SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within the PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by the MOF and the SAT. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent.

Circular 36 further clarified that “loan services” refer to the activities of lending capital for another’s use and receiving the interest income thereon. Based on such an interpretation, the issuance of Bonds may be treated as the holders of the Bonds providing loans to the Company, which thus shall be regarded as the provision of financial services. Accordingly, if the Company is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest

component of the amount payable by the Company to the holders of the Bonds is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Bonds. Given that the Company pays interest income to the holders of the Bonds who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold the value-added tax and local levies from the payment of interest income to holders of the Bonds who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the value-added tax. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC holders either upon the issuance of the Bonds or upon a subsequent transfer of the Bonds to the extent that the register of holders of the Bonds is maintained outside of the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

Hong Kong Taxation

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source, unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Certain foreign-sourced interest on the Bonds and gains from the sale, disposal or redemption of Bonds accrued to an MNE entity (as defined in the IRO) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The IRO also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

European Union

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of the Bonds should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, “established” in a participating member state in a broad range of

circumstances, including (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the dealings is issued in a participating member state.

It was announced in December 2015 that Estonia had withdrawn. Also in December 2015, a joint statement was issued by several participating member states, indicating an intention to make decisions on the remaining open issues by the end of June 2016. The Council of the European Union (the “**European Council**”) discussed the progress of work on these open issues on 6 December 2016. At its meeting on December 5, 2019, the Economic and Financial Affairs Council (“**ECOFIN**”) endorsed a report to the European Council in which it was noted that informal agreement among the participating member states on a FTT would only represent a preliminary step in the legislative process and that an inclusive and substantial debate between all member states should precede any formal agreement at the level of ECOFIN. In December 2019, Germany issued a revised proposal for the FTT to the remaining participating member states. In February 2021, the Portuguese Presidency of the European Council relaunched an inclusive (non-public) discussion among all member states on the tax design of the FTT, but no further progress has been reported publicly.

Certain member states have taken measures to put in place FTT legislation similar to the Commission’s proposal. However, the Commission’s Proposal remains subject to negotiation between the participating member states and the legality and scope of the tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or certain of the participating member states may decide to withdraw.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

Cayman Islands

Under Existing Cayman Islands Laws, payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporate tax. The Cayman Islands currently has no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds. The Bonds themselves will be stampable if they are executed in or brought into the Cayman Islands.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 8 June 2023 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

	Principal amount of the Bonds to be subscribed
	(HK\$)
BOCI Asia Limited	<u>325,000,000</u>
BNP Paribas Securities (Asia) Limited	<u>325,000,000</u>
Total	<u><u>650,000,000</u></u>

The Subscription Agreement provides that the Issuer will indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer has agreed in the Subscription Agreement that neither of the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers between the date hereof and the date which is 60 days after the Issue Date (both dates inclusive); except for (i) the Bonds and the Shares delivered on exchange of the Bonds; (ii) the securities lending agreement entered into between the Issuer and BOCI Financial Products Limited dated 17 June 2020 (as amended, modified or supplemented from time to time) and the Securities Lending Agreement; and (iii) any issuance and/or disposal of equity or debt securities or any other similar transaction by the Issuer for the purposes of providing incentive to the management and/or employees of the Issuer and/or its subsidiaries which are not convertible, exchangeable or referable to the Shares or securities of the same class as the Shares or other instruments representing interests in the Shares or other securities of the same class as the Shares.

The Managers and/or their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging,

financing and brokerage activities (“**Banking Services or Transactions**”). The Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer, for which they have received or will receive customary fees and expenses.

The Managers and their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being ‘offered’ should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds.

If this is the case, liquidity of trading in the Bonds may be constrained (see “*Risk Factors — Risks Relating to the Bonds and the CMD Shares — A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds*”). The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds. The Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Managers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Company or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected).

Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: debt.syndicate@bocigroup.com and dl.eql.syndicate@asia.bnpparibas.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds, the CMD Shares deliverable upon exchange of the Bonds, are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

None of the Issuer and the Managers make any representation that any action will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Bonds or the CMD Shares deliverable upon exchange of the Bonds, or possession or distribution of the Offering Circular (in preliminary, proof or final form) or any amendment or supplement thereto or any other offering or publicity material relating to

the Bonds or the CMD Shares deliverable upon exchange of the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

United States

The Bonds and the CMD Shares to be delivered upon exchange of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the CMD Shares to be delivered upon exchange of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA and UK Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bond which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

Hong Kong

Each of the Managers has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

The People’s Republic of China

Each of the Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People’s Republic of China.

Singapore

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275 (1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Cayman Islands

No offer of the Bonds will be made directly or indirectly to the public in the Cayman Islands.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear Bank SA/NV and Clearstream Banking S.A. under Common Code Number 263064828 and the International Securities Identification Number for the Bonds is XS2630648280.
2. **Legal Entity Identifier:** The Legal Entity Identifier (LEI) of the Company is 2549005Q343BSJ8RSS21.
3. **Authorisations:** The Company has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of their obligations under the Bonds. The issue of the Bonds was authorised by a resolution of the board of directors of the Company passed on 9 December 2022.
4. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2022 in the financial or trading position, prospects or results of operations of the Company or the Group.
5. **Litigation:** None of the Company or any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which are material in the context of the issue of the Bonds. The Company is not aware of any such litigation, disputes or arbitration proceedings that are currently pending or threatened.
6. **Listing of the Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 16 June 2023.
7. **Available Documents:** Copies of the annual reports of the Company as at and for the years ended 31 December 2020, 2021 and 2022, as well as the Trust Deed will be available for inspection during normal business hours from the Issue Date at the Company's office at 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong, so long as any of the Bonds is outstanding.
8. **Auditors:** The audited consolidated financial statements of the Company as at and for each of the years ended 31 December 2020 and 2021, and 2022, incorporated by reference in this Offering Circular, have been audited by Ernst & Young and KPMG, Certified Public Accountants, respectively as stated in their report appearing therein.

THE COMPANY

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TRUSTEE

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