CHINA DAIRY GROUP LTD.

(Company Registration No.: 199703080Z)
(Incorporated in the Republic of Singapore)

THE PROPOSED CONSOLIDATION OF EVERY FIVE (5) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

The board of directors (the "**Directors**") of China Dairy Group Ltd. (the "**Company**") wishes to announce that the Company proposes to undertake a share consolidation (the "**Proposed Share Consolidation**") of every five (5) existing issued ordinary shares in the capital of the Company (the "**Shares**") registered in the name of each shareholder of the Company (a "**Shareholder**") as at a books closure date to be determined by the Directors (the "**Books Closure Date**") into one (1) consolidated share (the "**Consolidated Share**"), fractional entitlements to be disregarded.

Following the Proposed Share Consolidation, each Shareholder will receive one (1) Consolidated Share for every five (5) Shares held as at the Books Closure Date, fractional entitlements to be disregarded.

2. RATIONALE FOR THE PROPOSED SHARE CONSOLIDATION

2.1 Compliance with Minimum Trading Price Rule

The Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") have, with effect from 2 March 2015, implemented a minimum trading price rule ("**MTP Rule**") as a continuing listing requirement applicable to issuers listed on the Mainboard of the SGX-ST.

Under the MTP Rule, Mainboard issuers must maintain a 6-month volume weighted average price ("**VWAP**") of S$0.20 or more in order to maintain its listing status on the SGX-ST. Mainboard issuers will be first assessed for compliance with the MTP Rule at the first review date on 1 March 2016 and those which are not able to record a 6-month VWAP of S$0.20 or above at the first review date on 1 March 2016, or any subsequent quarterly reviews will be placed on the SGX-ST watch-list.

Issuers placed on the SGX-ST watch-list on or after 1 March 2016 will have a 36-month cure period to exit from the watch-list by meeting the MTP Rule. If an affected issuer fails to meet the MTP Rule during the cure period of 36 months, such issuer will be subject to delisting from the Mainboard of the SGX-ST in accordance with the Listing Manual.

As at the date of this Announcement, the closing market price of the Shares was S$0.108. The VWAP of the existing Shares for the six (6) months prior and up to the date of this Announcement was S$0.0955. The Board is of the view that the Proposed Share Consolidation should theoretically result in a higher trading price per Consolidated Share as compared to the trading price per existing Share prior to the Proposed Share Consolidation. Based on the consolidation ratio of 5:1, and the 6-month VWAP of the Shares of S$0.0955 as at the date of this Announcement, the theoretical adjusted 6-month VWAP of the Consolidated Shares would be S$0.4775. The Proposed Share Consolidation will therefore facilitate the Company's compliance of the MTP Rule.

2.2 **Low Trading Liquidity and Trading Prices of Shares**

The trading liquidity of the Shares on the Mainboard of the SGX-ST has been generally thin. For the past six (6) calendar months prior and up to the date of this Announcement, the average trading volume for the market days on which the Shares were traded was 3,128,200 Shares, representing approximately 0.71% of the Company's free float of Shares, and the absolute price of the Shares traded had been at a low level in the range of between S$0.0782 and S$0.1080.

As share trading may involve certain minimum fixed expenses (such as minimum brokerage fees), low traded Share prices translate to higher transaction costs, relative to the trading price, for each trading of one (1) board lot of Shares. The Board believes that with the implementation of the MTP Rule, Shareholders should be able to execute trades in larger sizes due to the theoretical higher trading price of each Consolidated Share and this should reduce the transaction costs for Shareholders when dealing in the Consolidated Shares.

In addition, in terms of investment risk, low-priced securities may be more susceptible to speculation and market manipulation and share price volatility. Hence, the theoretical higher trading price of each Consolidated Shares may reduce such risk.

Shareholders should note, however, that there is no assurance that the Proposed Share Consolidation will achieve the desired results set out above nor is there assurance that such results (if achieved) can be sustained in the longer term.

3. DETAILS OF THE PROPOSED SHARE CONSOLIDATION

3.1 Under the Proposed Share Consolidation, every five (5) Shares registered in the name of each Shareholder as at the Books Closure Date will be consolidated into one (1) Consolidated Share.

3.2 **Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the Shares as at the Books Closure Date, will be ROUNDED DOWN TO THE NEAREST WHOLE CONSOLIDATED SHARE AND ANY FRACTIONS OF A CONSOLIDATED SHARE ARISING FROM THE PROPOSED SHARE CONSOLIDATION WILL BE DISREGARDED. All fractional entitlements arising from the implementation of the Proposed Share Consolidation will be dealt with in such manner (including the cancellation thereof) as the Directors may, in their absolute discretion, deem fit in the interests of the Company. Affected Shareholders will not be paid for any fractional Shares cancelled by the Company.**

3.3 Each Consolidated Share will rank *pari passu* in all respects with each other, and will be traded in board lots of one hundred (100) Consolidated Shares. As at the date of this Announcement, the Company has an issued share capital of S$84,378,116 divided into 439,627,300 Shares. On the assumption that there will be no new Shares issued by the Company up to the Books Closure Date and subject to Shareholders' approval being obtained for the Proposed Share Consolidation, following the completion of the Proposed Share Consolidation, the Company will have a theoretical maximum issued share capital of S$84,378,116 divided into 87,925,460 Consolidated Shares.

3.4 The Proposed Share Consolidation will have no impact on the issued and paid-up share capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the shareholders' funds of the Company and its subsidiaries. Shareholders will not be required to make any payment to the Company in respect of the Proposed Share Consolidation. The Proposed Share Consolidation will not result in any change

to the percentage shareholding of each Shareholder, other than non-material changes due to rounding.

3.5 However, Shareholders should note that the Proposed Share Consolidation could result in odd lots and Shareholders holding odd lots of Consolidated Shares could face practical difficulties with the sale of their Consolidated Shares. To mitigate the impact of this problem, the Company will make arrangements for the trading of odd lots of the Consolidated Shares.

4. APPROVALS

4.1 The Proposed Share Consolidation is subject to, *inter alia*:

(a) the SGX-ST's approval for the dealing in, listing of and quotation for the Consolidated Shares on the SGX-ST; and

(b) Shareholders' approval for the Proposed Share Consolidation being obtained at an extraordinary general meeting ("**EGM**") of the Company to be convened.

4.2 An application will be made to the SGX-ST for permission to deal in, and for the listing of and quotation for the Consolidated Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

4.3 Subject to the receipt of the approval in-principle from the SGX-ST in connection with the Proposed Share Consolidation, a circular setting out, *inter alia*, details of the Proposed Share Consolidation and the notice of the EGM will be despatched to Shareholders in due course.

5. CAUTION IN TRADING

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. They should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors if they have any doubt about the action they should take.

By Order of the Board of Directors

Liu Huaguo
Executive Chairman
12 March 2015