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China Mengniu Dairy Company Limited

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)



Yashili International Holdings Ltd

雅士利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1230)

China Mengniu International Company Limited

(Incorporated in the British Virgin Islands with limited liability)

JOINT OFFER ANNOUNCEMENT

**(1) VOLUNTARY GENERAL OFFER BY UBS AG ON BEHALF OF
CHINA MENGNIU INTERNATIONAL COMPANY LIMITED
FOR YASHILI INTERNATIONAL HOLDINGS LTD**

**(2) MAJOR TRANSACTION OF
CHINA MENGNIU DAIRY COMPANY LIMITED**

**(3) RESUMPTION OF TRADING IN THE SHARES OF YASHILI INTERNATIONAL
HOLDINGS LTD AND
CHINA MENGNIU DAIRY COMPANY LIMITED, RESPECTIVELY**

**(4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE OF
YASHILI INTERNATIONAL HOLDINGS LTD**

Lead Financial Adviser to the Offeror Group



**Joint Financial Adviser to the
Offeror Group**



**Joint Financial Adviser to the
Offeror Group**



Independent Financial Adviser to the Independent Board Committee



* For the purpose of identification only

INTRODUCTION

The Offeror Parent, the Offeror and the Target jointly announce that UBS will, on behalf of the Offeror, make a voluntary general offer (i) to acquire all of the outstanding Shares in the issued share capital of the Target; and (ii) to cancel all of the outstanding Options of the Target.

On June 17, 2013, each of Zhang International, the controlling shareholder of the Target, and CA Dairy, a company wholly owned by Carlyle Asia Partners III L.P. and CAP III Co-investment L.P., executed an irrevocable undertaking in favour of the Offeror and the Offeror Parent, pursuant to which Zhang International has irrevocably undertaken to the Offeror and the Offeror Parent to accept the Share Offer in respect of all of the 1,826,808,760 Shares owned by Zhang International and CA Dairy has irrevocably undertaken to the Offeror and the Offeror Parent to accept the Share Offer in respect of all of the 853,631,240 Shares owned by CA Dairy.

THE OFFERS

The Offers will be made by UBS on behalf of the Offeror on the following basis:

The Share Offer:

Under the Share Offer, Shareholders accepting the Share Offer will have a choice of either:

- (a) for each Share, HK\$3.50 in cash (the “**Cash Option**”); or
- (b) for each Share, HK\$2.82 in cash and 0.681 Offeror Share in the Offeror, which is a private company set up by the Offeror Parent for the sole purpose of holding Shares in the Target (the “**Cash and Share Option**”).

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

The Offeror Shares to be issued under the Share Offer will be issued free from all encumbrances, credited as fully-paid, non-assessable, and will rank pari passu with all issued shares in the Offeror, including the Subscriber Share, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of their issue. Fractions of Offeror Shares are to be rounded up to the nearest whole number.

The Share Offer Price of HK\$3.50 per Share under the Cash Option represents a premium of approximately 9.4% over the closing price of HK\$3.20 per Share as quoted on the Stock Exchange on the Last Trading Date.

The Option Offer:

Under the Option Offer, appropriate offers will be made to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options in exchange for cash:

(A) *In respect of Options with an exercise price of RMB0.11:*

For cancellation of each such Option HK\$3.361 in cash

(B) *In respect of Options with an exercise price of HK\$1.50:*

For cancellation of each such Option HK\$2.00 in cash

(C) *In respect of Options with an exercise price of RMB1.84:*

For cancellation of each such Option HK\$1.171 in cash

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Further information on the Option Offer will be set out in the formal document in respect of the Option Offer which will be sent to Optionholders on the Despatch Date.

Value of the Offers

On the assumption that no outstanding Options are exercised prior to the Closing Date and on the assumption that all Shareholders accept the Share Offer and opt for the Cash Option (other than Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it), the Offers are valued at approximately HK\$11,350,410,155 and 1,244,056,766 Offeror Shares in aggregate.

On the assumption that all of the outstanding Options are exercised in full prior to the Closing Date and on the assumption that all Shareholders accept the Share Offer and opt for the Cash Option (other than Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it), the Offers are valued at approximately HK\$11,398,684,966 and 1,244,056,766 Offeror Shares in aggregate on a fully-diluted basis.

CONDITIONS TO THE SHARE OFFER

The Share Offer is subject to the following Conditions:

- (a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Offeror and persons acting in concert with it holding at least 75% of the voting rights in the Target;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading of the Shares as a result of the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror Parent, the Offeror or their respective Concert Parties;
- (c) (i) all Consents as are necessary for the consummation of the transactions contemplated in the Irrevocable Undertakings and the Offers and in connection with, including, without limitation, any change in the direct or indirect shareholder(s) or ultimate controlling shareholder(s) of any member of the Target Group that has been granted the Consents to carry out its operations having been obtained and remaining in full force and effect without material variation from all Relevant Authority(ies) and all conditions (if any) to such Consents having been fulfilled; (ii) each member of the Target Group possessing or having obtained all Consents from the Relevant Authority(ies) that are necessary to carry on its business; and (iii) all mandatory Consents from third parties having been obtained for the acquisition of the Shares under the Offers;
- (d) no event having occurred which would make the Offers or the acquisition of any of the Shares under the Share Offer void, unenforceable or illegal or prohibit implementation of the Offers or the transactions contemplated under the Irrevocable Undertakings;
- (e) no Relevant Authority(ies) in the PRC, Hong Kong, Cayman Islands and the British Virgin Islands having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Shares under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to, the Offers or the transactions contemplated under the Irrevocable Undertakings (other than such items or events above as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers and the transactions contemplated under the Irrevocable Undertakings);

- (f) since the date of the last audited consolidated financial statements of the Target, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Target Group as a whole, whether or not arising in the ordinary course of business;
- (g) no changes having been made to any terms of the Pre-IPO Share Option Scheme or the Share Option Scheme (either formally or as a result of the exercise by the Target's remuneration committee of its discretion) from the date of this announcement;
- (h) other than the final dividend of the Target of RMB11.31 cents per Share declared for the year ended December 31, 2012 and the special dividend of RMB28.25 cents per Share declared for the year ended December 31, 2012 by the Target, no dividends having been declared or paid by the Target and, save in respect of any indebtedness incurred in relation to projects of the Target Group that have been publicly announced prior to the date of this announcement, no indebtedness being incurred by the Target other than in the ordinary course of business consistent with the Target's past practices; and
- (i) with respect to the Offeror Parent, the obtaining of approval at an EGM of the Offeror Parent in relation to the making of the Offers (including the signing and completion of the Irrevocable Undertakings) as a "major transaction" pursuant to the Listing Rules.

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above save that (i) Condition (a) may only be waived if the Offeror receives acceptances in respect of the Share Offer which would result in the Offeror Parent, the Offeror and their respective Concert Parties holding more than 50% of the voting rights in the Target; and (ii) Conditions (d) and (i) cannot be waived. The Offeror and the Offeror Parent understand that they do not require approval from any Relevant Authority as a condition to the making of the Offers.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror and the Offeror Parent in the context of the Offers.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes or is declared unconditional as to acceptances and when the Share Offer becomes or is declared unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional. Shareholders and Optionholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this minimum 14-day period.

WARNING: Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

IRREVOCABLE UNDERTAKINGS

On June 17, 2013, each of Zhang International (owner of 1,826,808,760 Shares, representing approximately 51.3% of the issued share capital of the Target as at the date of the Zhang Irrevocable Undertaking) and CA Dairy (owner of 853,631,240 Shares, representing approximately 24.0% of the issued share capital of the Target as at the date of the CA Dairy Irrevocable Undertaking) executed an irrevocable undertaking in favour of the Offeror and the Offeror Parent (respectively, the Zhang Irrevocable Undertaking and the CA Dairy Irrevocable Undertaking), pursuant to which Zhang International has irrevocably undertaken to the Offeror and the Offeror Parent to accept the Share Offer in respect of all of the 1,826,808,760 Shares owned by Zhang International and CA Dairy has irrevocably undertaken to the Offeror and the Offeror Parent to accept the Share Offer in respect of all of the 853,631,240 Shares owned by CA Dairy, in each case as soon as possible and in any event by 4:00 p.m. on the Business Day after the Despatch Date.

Zhang International has committed to accept the Cash and Share Option in respect of all of the 1,826,808,760 Shares owned by it as at the date of the Zhang Irrevocable Undertaking.

CA Dairy has committed to accept the Cash Option in respect of all of the 853,631,240 Shares owned by it as at the date of the CA Dairy Irrevocable Undertaking.

Accordingly, pursuant to the Share Offer, the Offeror will acquire from Zhang International 1,826,808,760 Shares for a total consideration of approximately HK\$5,151,600,703 and 1,244,056,766 Offeror Shares, and from CA Dairy 853,631,240 Shares for a total consideration of approximately HK\$2,987,709,340.

The Irrevocable Undertakings will be terminated and the respective obligations of Zhang International and CA Dairy under the Irrevocable Undertakings (as applicable) shall lapse and terminate if (i) the Offeror fails to despatch the Composite Document on the date of despatch of the offer document in respect of the Share Offer and the formal document containing the proposal made by the Offeror to the Optionholders in compliance with Rule 13 of the Takeovers Code; or (ii) the Share Offer lapses.

Each of Zhang International and CA Dairy may, in its respective sole decision, terminate its Irrevocable Undertaking with immediate effect if (i) the shareholders of the Offeror Parent fail to approve the making of the Offers (including the signing and completion of the Irrevocable Undertakings) as a “major transaction” pursuant to the Listing Rules; or (ii) the Offers are not declared unconditional in all respects by September 10, 2013.

INTENTIONS OF THE OFFEROR PARENT IN RELATION TO THE TARGET GROUP

The Offeror is set up by the Offeror Parent for the sole purpose of holding Shares in the Target and will not engage in any business other than acting as the holding company of the Target.

After close of the Offers, the Offeror Parent will review the businesses of the Target Group, including among others, the Target Group's relationships with its distributors and suppliers, portfolio of products, assets, corporate and organizational structure, capitalization, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organize and optimize the businesses and operations of the Target Group and to integrate the same within the Offeror Group. The Offeror Parent intends that the Target Group will continue to operate its business in substantially its current state. However, the Offeror Parent reserves the right to make any changes that it deems necessary or appropriate to the Target Group's businesses and operations to better integrate, generate maximum synergy and achieve enhanced economies of scale with the other operations of the Offeror Group.

If the Target continues to maintain its listing status on the Stock Exchange following closing of the Offers, the Offeror Parent expects that the dividend policy of the Target will be substantially consistent with its past practices since its listing on the Stock Exchange.

LOCK-UP PERIOD

Other than through the re-listing of the business of the Target Group as described in the section headed "Compulsory Acquisition and Withdrawal of Listing" and the charging or pledging of shares in the Offeror by the Offeror Parent in connection with the financing of the Offers, for a period of three (3) years following the Unconditional Date (the "**Lock-Up Period**"), the shareholders of the Offeror may not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Offeror Shares issued to it under the Offers or otherwise (together, the "**Lock-Up Restrictions**") unless otherwise approved by the board of directors of the Offeror in writing. In addition, the Shares acquired by shareholders of the Offeror through the repurchase option set out in the section headed "Listing Status of the Target" shall be subject to the same restrictions as the Lock-Up Restrictions during the Lock-Up Period. If either (a) the repurchase of Offeror Shares as set out in the sections headed "Listing Status of the Target", "Compulsory Acquisition and Withdrawal of Listing" and "Right to exit in the Event of Change of Control" is not permitted by the then applicable laws or regulations or (b) there is a Change of Control of the Offeror or the Target, then the Lock-Up Restrictions (including such restrictions applicable to the holders of the Shares who acquired their Shares through the repurchase option set out in the section headed "Listing Status of the Target") shall lapse, and a shareholder of the Offeror or the Target will be at liberty to sell any of its Offeror Shares or Shares to any party or choose to remain a shareholder of the Offeror or the Target (as applicable).

Zhang International has also undertaken in the Zhang Irrevocable Undertaking that from the date of the Zhang Irrevocable Undertaking until a period of three (3) years from the date of Completion, it will not register the transfer of any of its issued share capital or otherwise issue, allot or agree to issue or allot any shares, securities or other interests in its share capital or loan capital or otherwise recognize any economic interests in its equity asserted by a person other than any member of the Zhang's Family (the "**Zhang International Lock-Up**"). If the Lock-Up Restrictions lapse, then the Zhang International Lock-Up shall also lapse. The Zhang International Lock-Up forms part of the Zhang Irrevocable Undertaking and will terminate in the event that the Zhang Irrevocable Undertaking is terminated in accordance with its terms.

LISTING STATUS OF THE TARGET

If the Offeror does not acquire the requisite percentage of the Shares to enable it to compulsorily acquire all the issued Shares under Cayman Islands Companies Law and the Takeovers Code as detailed in the section headed "Compulsory Acquisition and Withdrawal of Listing" within four (4) months after posting of the Composite Document, its intention is to maintain the listing status of the Target on the Stock Exchange. Accordingly, assuming the Share Offer becomes or is declared unconditional in all respects but the Offeror does not effect the compulsory acquisition, the Offeror will undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that such number of Shares as may be required by the Stock Exchange are held by the public within the prescribed time frame. Any future transactions between the Target Group and the Offeror Group will be carried out on an arm's length basis and in compliance with the Listing Rules.

In the event that the Target continues to maintain its listing status on the Stock Exchange following the close of the Offers, in addition to the cash received under the Cash and Share Option for the acceptance of the Share Offer, each shareholder of the Offeror (other than the Offeror Parent) will have an option to, at any time after the close of the Offers, require the Offeror to, and upon exercise of such option by any such shareholder the Offeror shall, repurchase the Offeror Shares held by the such shareholder by exchanging all (but not part only) of the Offeror Shares to be repurchased with such shareholder's proportionate interest in the Target held through the Offeror, subject to the then applicable laws and regulations in relation to the repurchase of its own shares by the Offeror. Fractions of Shares are to be rounded up to the nearest whole number. Such shareholder's proportionate interest in the Target upon exchange will be calculated by multiplying the total number of Shares held by the Offeror by the percentage of such shareholder's shareholding in the issued share capital of the Offeror. As described in the section headed "Lock-Up Period" in this announcement, the Shares as exchanged and to be held by such shareholder shall be subject to the same restrictions as the Lock-Up Restrictions during the Lock-Up Period. Details of the procedures for such exchange will be set out in the Composite Document.

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

To the extent applicable, if the Offeror, within four months of the posting of the Composite Document, acquires not less than 90% of the Shares not being held by it at the time of the posting of the Composite Document, the Offeror may (but is not obliged to) compulsorily acquire those Shares not acquired by the Offeror under the Share Offer in accordance with section 88 of the Cayman Islands Companies Law. As at the date of this announcement, the Offeror has not decided whether or not to exercise any right of compulsory acquisition in respect of the Target. Pursuant to Schedule I to the Takeovers Code, the Offeror will include in the Composite Document a statement whether or not it intends to avail itself of any powers of compulsory acquisition in respect of the Target. If the Offeror decides to exercise such right and completes the compulsory acquisition, the Target will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. The Offeror will comply with Rule 15.6 of the Takeovers Code which requires that the Offers may not remain open for more than four (4) months from the posting of the Composite Document, unless the Offeror has by that time become entitled to exercise the right of compulsory acquisition.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize the Target by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Law, acceptance of the Share Offer and purchases made by the Offeror and its Concert Parties during the four months after posting of the Composite Document total 90% or more of the disinterested Shares (as defined in the Takeovers Code).

The Offeror Parent undertakes (for itself and the Offeror Group) that if the Offeror exercises its right of compulsory acquisition and the Target withdraws its listing status on the Stock Exchange, the Offeror Parent will use its commercially reasonable efforts to effect a re-listing of the business of the Target Group within five (5) years from the date on which the Target withdraws its listing status on the Stock Exchange.

If the Offeror exercises its right of compulsory acquisition and the Target withdraws its listing status on the Stock Exchange, for a period from the expiry of the Lock-Up Period until the earlier of (i) ten (10) years from the date of the expiry of the Lock-up Period; and (ii) the date of the listing of New Listco, each shareholder of the Offeror (the “**Relevant Shareholder**”) shall have the right to, upon the expiry of the Lock-Up Period, at any time require the Offeror to, and the Offeror shall, repurchase all (but not part only) of the Offeror Shares such shareholder holds (the “**Relevant Offeror Shares**”) at a price per Offeror Share which is equivalent to twenty (20) times of the earnings per Offeror Share for the financial year immediately preceding the shareholder’s exercise of such right. Such earnings per Offeror Share shall be calculated by dividing the audited net income of the Offeror during the financial year immediately preceding the shareholder’s exercise of such right by the weighted average number of Offeror Shares in issue during such period, subject to the then applicable laws and regulations in relation to repurchase of its own shares by the Offeror. The Offeror shall make available to all of its shareholders the audited financial statements of the Offeror in respect of every financial year which ends after the Closing Date (in paper or electronic form at the request of the shareholders) at no charge.

If the Target withdraws its listing status on the Stock Exchange and there is to be a re-listing of the Target Group's business (whether alone or together with any other assets or businesses), then prior to the listing of the entity that holds all or a substantial part of the Target Group's business ("New Listco"), the Offeror shall give the Relevant Shareholders the opportunity to exchange all (but not part only) of the Relevant Offeror Shares held by the Relevant Shareholders with such number of shares in New Listco as represent a fair valuation of the Relevant Offeror Shares, subject to the listing rules and guidance in force at that time; provided that, if there is a pre-IPO restructuring in which the Offeror Shares held by the Offeror Parent are exchanged for shares in New Listco, then each Relevant Shareholder shall have the right to exchange all (but not part only) of its Relevant Offeror Shares for shares in New Listco at the same exchange ratio as the Offeror Parent and that shall be deemed to be a fair valuation of the Relevant Offeror Shares, subject to the listing rules and guidance in force at that time.

Accordingly, upon expiry of the Lock-Up Period, in the event that there is a re-listing of the Target Group's business, the Relevant Shareholders may either (1) require the Offeror to repurchase all (but not part only) of the Relevant Offeror Shares held by the Relevant Shareholder at a price per Offeror Share which is equivalent to twenty (20) times of the earnings per Offeror Share for the financial year immediately preceding the Relevant Shareholder's exercise of such right; or (2) exchange all (but not part only) of the Relevant Offeror Shares with such number of shares in New Listco.

WARNING: If the listing status of the Target on the Stock Exchange is withdrawn, there is no assurance that all or a substantial part of the businesses of the Target Group will be re-listed on any stock exchange within five (5) years from the date on which the Target withdraws its listing status on the Stock Exchange, or ten (10) years from the date of the expiry of the Lock-Up Period or at all. Shareholders who accept the Share Offer should therefore exercise full care and caution in determining, and should give careful consideration as to, whether the Cash and Share Option is suitable for them.

The Offeror, the Offeror Parent and the Target understand that (1) the exercise of the options and rights by a shareholder of the Offeror and (2) the Offeror's obligation to repurchase Offeror Shares as described in the sections headed "Lock-Up Period", "Listing Status of the Target" and "Compulsory Acquisition and Withdrawal of Listing" is not prohibited under applicable laws of the Cayman Islands and the British Virgin Islands and all other applicable laws and regulations as at the date of this announcement, subject to the directors of the Offeror being satisfied that the applicable statutory solvency test will be met following completion of the repurchase.

WARNING: It is the intention of the Offeror to pledge shares in the Target which are attributable to the Offeror Parent as part of the financing arrangements in respect of the Offers. The ability of the Offeror to repurchase the Offeror Shares from its shareholders will depend on a number of factors, including the Offeror's financial resources and ability to raise sufficient funds.

WARNING: If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares will be suspended from the Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

FINANCING RESOURCES AVAILABLE TO THE OFFEROR

The Offeror intends to finance the consideration payable by the Offeror under the Offers from external financing to be provided to the Offeror Group. UBS has been appointed as the lead financial adviser, and HSBC and Standard Chartered have been appointed as joint financial advisers, to the Offeror Group in respect of the Offers. UBS, HSBC and Standard Chartered are satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee of the Target, which comprises all of the independent non-executive directors of the Target, has been established by the Target Board to make a recommendation to the Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance and to the Optionholders as to its views on the Option Offer. As at the date of this announcement, the Target's independent non-executive directors are Mr. Yu Shimao, Mr. Chen Yongquan, Mr. Samuel King On Wong and Mr. Liu Jinting, the executive directors are Mr. Zhang Lidian, Mr Zhang Likun, Mr. Zhang Liming, Mr. Zhang Libo and Mr. Zhang Yanpeng (the “**Executive Directors**”) and the non-executive directors are Mr. Chang Herman Hsiu-Guo and Mr. Zhang Chi (the “**Non-Executive Directors**”). The Executive Directors are shareholders of Zhang International or their associates. The Non-Executive Directors are respectively a senior director of Carlyle Asia Investment Advisor Limited and a director at the Asia Buyout Fund of Carlyle Group, affiliates of CA Dairy. The Independent Board Committee excludes all Target directors who are ordinarily not counted as independent directors of the Target and are connected to Zhang International or CA Dairy, Shareholders who are parties to the Irrevocable Undertakings. In forming the Independent Board Committee comprising all of the independent non-executive directors, the Target wishes to ensure that Shareholders will be advised by a committee of independent directors. In addition, as approved by the Independent Board Committee, an independent financial adviser, Somerley Limited, has been appointed to advise the Independent Board Committee in connection with the Share Offer and the Option Offer.

LISTING RULES IMPLICATIONS FOR THE OFFEROR PARENT

Based on the calculation of the relevant percentage ratios under Chapter 14 of Listing Rules, the Offers will constitute a major transaction for the Offeror Parent as at least one of the applicable percentage ratios is 25% or more but less than 100%. Therefore, the making of the Offers are subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules.

The EGM will be held to consider and, if thought fit, pass the requisite resolution(s) to approve the making of the Offers (including the Irrevocable Undertakings and the transactions contemplated thereunder). So far as the Offeror Parent is aware, none of its shareholders will be required to abstain from voting at the EGM.

A circular containing, among other things, details of the Offers (including the Irrevocable Undertakings) and the notice convening the EGM will be despatched to the shareholders of the Offeror Parent on or before June 30, 2013.

RESUMPTION OF TRADING

At the requests of the Target and the Offeror Parent, respectively, trading in the Shares and the shares of the Offeror Parent has been suspended with effect from 1:18 p.m. on June 13, 2013 and 1:00 p.m. on June 13, 2013, respectively, pending the release of this announcement. An application has been made by each of the Target and the Offeror Parent to the Stock Exchange for the resumption of trading in the Shares and the shares of the Offeror Parent, respectively, with effect from 9:00 a.m. on June 19, 2013.

Notice to US holders of Shares:

The Share Offer will be made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure requirements, which are different from those of the United States. In addition, US holders should be aware that this document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share Offer will be extended into the United States pursuant to certain exemptions from the requirements of the US tender offer rules and otherwise in accordance with the requirements of the SFO. Accordingly, the Share Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US tender offer procedures and law.

The receipt of cash pursuant to the Share Offer by a US holder of Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

The financial information of the Target Group has been extracted from the audited financial statements of the Target Group for the years ended December 31, 2012 and December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board. Such financial information may not be wholly comparable to financial information of US companies or companies whose financial statements are solely prepared in accordance with Generally Accepted Accounting Principles in the United States.

It may be difficult for US holders of Shares to enforce their rights and claims arising out of the US federal securities laws, since the Target is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror Group and the Target Group are located outside the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the securities laws of the United States. Further, it may be difficult for US holders of Shares to effect service of process within the United States upon the Offeror Parent, the Offeror or the Target or their respective officers or directors or to enforce against them a judgment of a US Court predicated upon the federal or state securities laws of the United States.

Pursuant to certain exemptions from the requirements of the US Exchange Act, the Offeror or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and will be available on the SFC website at <http://www.sfc.hk/>.

INTRODUCTION

The Offeror Parent, the Offeror and the Target jointly announce that UBS will, on behalf of the Offeror, make a voluntary general offer (i) to acquire all of the outstanding Shares in the issued share capital of the Target; and (ii) to cancel all of the outstanding Options.

As at the Last Trading Date, there are 3,559,170,222 Shares in issue and outstanding Options in respect of 52,519,756 Shares. The respective exercise prices of the outstanding Options and the respective periods in which they are exercisable are set out below:

Pre-IPO Share Option Scheme

Exercise Price <i>(RMB per Share)</i>	Number of Outstanding Options
0.11	26,256,211
1.84	6,308,661

All Options granted under the Pre-IPO Share Option Scheme were vested or will be vested and may only be exercised in the following manner:

- one fifth of the Options were vested on the First Vesting Date;
- one fifth of the Options were vested on the first anniversary of the First Vesting Date;
- one fifth of the Options were vested on the second anniversary of the First Vesting Date;
- one fifth of the Options shall be vested on the third anniversary of the First Vesting Date;
- one fifth of the Options shall be vested on the fourth anniversary of the First Vesting Date; and

each Option granted under the Pre-IPO Share Option Scheme is exercisable within fifteen (15) days from the date on which such Option becomes vested.

Share Option Scheme

Exercise Price <i>(HK\$ per Share)</i>	Number of Outstanding Options
1.50	19,954,884

An Option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Target Board and not exceeding ten (10) years from the date of the grant. There is no minimum period for which an Option must be held before it can be exercised.

Save as disclosed in this section headed “Introduction” in this announcement, the Target has no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Target.

THE OFFERS

The Offers will be made by UBS on behalf of the Offeror on the following basis:

The Share Offer:

Consideration of the Share Offer

Under the Share Offer, Shareholders accepting the Share Offer will have a choice of either:

- (a) for each Share, HK\$3.50 in cash (the “**Cash Option**”); or
- (b) for each Share, HK\$2.82 in cash and 0.681 Offeror Share in the Offeror, which is a private company set up by the Offeror Parent for the sole purpose of holding Shares in the Target (the “**Cash and Share Option**”).

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

The Offeror Shares to be issued under the Share Offer will be issued free from all encumbrances, credited as fully-paid, non-assessable, and will rank pari passu with all issued shares in the Offeror, including the Subscriber Share, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of their issue. Fractions of Offeror Shares are to be rounded up to the nearest whole number.

The Share Offer Price of HK\$3.50 per Share under the Cash Option represents a premium of approximately 9.4% over the closing price of HK\$3.20 per Share as quoted on the Stock Exchange on the Last Trading Date.

The Cash Option

Comparisons of value

The Share Offer Price under the Cash Option attributes to each Share represents:

	Share price of the Target HK\$	Premium/ (Discount) of the offer price to the share price %
Closing price on the Last Trading Date	3.20	9.4
Average closing price for the last 5 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	3.58	(2.2)
Average closing price for the last 10 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	3.66	(4.3)
Average closing price for the last 20 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	3.61	(3.0)
Average closing price for the last 30 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	3.47	0.7
Average closing price for the last 60 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	3.08	13.6

Highest and lowest Share prices

During the six-month period preceding the Last Trading Date and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.78 on May 31, 2013 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.04 on 31 December, 2012.

Total Consideration

On the basis of the consideration of HK\$3.50 per Share under the Cash Option, the entire issued share capital of Target is valued at approximately HK\$12,457,095,777.

The Cash and Share Option

Nature of Offeror Shares

For the Shareholders who choose the Cash and Share Option, unlike the Shares, the Offeror Shares which they receive will not be readily tradeable and will be shares of an unlisted company incorporated under the laws of the British Virgin Islands. The transfer of such Offeror Shares will be strictly regulated pursuant to the New Articles and the rights of shareholders in the Offeror will primarily be governed by the British Virgin Islands Companies Law and British Virgin Islands law. The transfer of the Offeror Shares will also be subject to the Lock-Up Restrictions.

Comparison of the Cash Option and the Cash and Share Option

Under the Share Offer, a Shareholder holding one board lot of 1,000 Shares will be entitled to the following consideration depending on the choice of such Shareholder:

	Cash Option	Cash and Share Option
Cash	HK\$3,500	HK\$2,820
Offeror Shares	N/A	681

Each Shareholder (except HKSCC Nominees Limited) who accepts the Share Offer may choose either the Cash Option or the Cash and Share Option in respect of his entire holding of Shares. HKSCC Nominees Limited may elect to choose the Cash Option for part of its holding of Shares and the Cash and Share Option for the remainder of its holding of Shares.

The Option Offer:

The Offeror will make (or procure to be made on its behalf) appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options (whether vested or not) in exchange for cash:

(A) *In respect of Options with an exercise price of RMB0.11:*

For cancellation of each such OptionHK\$3.361 in cash

(B) *In respect of Options with an exercise price of HK\$1.50:*

For cancellation of each such OptionHK\$2.00 in cash

(C) *In respect of Options with an exercise price of RMB1.84:*

For cancellation of each such OptionHK\$1.171 in cash

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Further information on the Option Offer will be set out in the formal document containing details of the Option Offer which will be sent to Optionholders on the Despatch Date.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

Holdings of Shares and Options by the Offeror Parent, the Offeror and their Concert Parties

HSBC, being the joint financial adviser of the Offeror Group, together with its affiliates (other than those members having exempt principal trader or exempt fund manager status), (collectively, the “**HSBC Group**”) are presumed to be the Offeror’s Concert Parties. As at the date of this announcement, HSBC does not hold any Shares. Details of holdings or borrowings or lendings of Shares (or options, rights over Shares, warrants or derivatives in respect of them) held by or entered into by other parts of the HSBC Group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Hong Kong Takeovers Code. Therefore, the statements in this announcement as to holdings or borrowings or lendings of, or voting of Shares (or options, rights over Shares, warrants or derivatives in respect of them) by parties presumed to be acting in concert under the Takeovers Code with Offeror and the Offeror Parent are subject to the holdings, borrowings or lendings (if any) of the other parts of the HSBC Group.

Save as disclosed in the sections headed “Introduction” and “Irrevocable Undertakings” of this announcement and as of the date of this announcement, the Offeror Parent, the Offeror and their respective Concert Parties do not hold or have control or direction over any Shares or hold any convertible securities, warrants or options in respect of any Shares, nor have the Offeror Parent, the Offeror and their respective Concert Parties received any other irrevocable commitment to accept the Offers.

Settlement of consideration

Settlement of consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days of the date of receipt of a complete and valid acceptance in respect of the Offers or of the Unconditional Date, whichever is the later.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder or Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as the case may be) will be rounded up to the nearest cent. Fractions of Offeror Shares are to be rounded up to the nearest whole number.

VALUE OF THE OFFERS

As at the Last Trading Date, there are 3,559,170,222 Shares in issue. On the basis of the Share Offer Price of HK\$3.50 per Share under the Cash Option and assuming that no outstanding Options are exercised prior to the Closing Date:

- (a) the Share Offer is valued at approximately HK\$11,214,865,820 and 1,244,056,766 Offeror Shares assuming all Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the 1,826,808,760 Shares held by it); and
- (b) the Share Offer is valued at approximately HK\$10,617,329,269 and 1,842,472,047 Offeror Shares assuming all Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it).

As at the date of this announcement, there are a total of 26,256,211, 6,308,661 and 19,954,884 Options outstanding entitling the Optionholders to subscribe for, pursuant to the Pre-IPO Share Option Scheme or the Share Option Scheme, Shares at an exercise price of RMB0.11, RMB1.84 and HK\$1.50 per Share, respectively.

Assuming none of the outstanding Options are exercised prior to the Closing Date, the total amount required to satisfy the cancellation of all the outstanding Options is HK\$135,544,335.

Based on the above and assuming that no outstanding Options are exercised prior to the Closing Date, the Offers are valued at approximately (i) HK\$11,350,410,155 and 1,244,056,766 Offeror Shares in aggregate assuming all Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it) or (ii) HK\$10,752,873,604 and 1,842,472,047 Offeror Shares in aggregate assuming all Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it).

In the event all of the outstanding Options are exercised in full by the Optionholders prior to the Closing Date, the Target will have to issue 52,519,756 new Shares, representing approximately 1.45% of the enlarged issued share capital of the Target. The maximum value of the Share Offer will be increased to (i) approximately HK\$11,398,684,966 and 1,244,056,766 Offeror Shares assuming all Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it) or (ii) approximately HK\$10,765,434,981 and 1,878,238,001 Offeror Shares assuming all Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it) on a fully diluted basis.

CONFIRMATION OF FINANCIAL RESOURCES

Assuming that all the outstanding Options are exercised before the close of the Offers, (i) under the Cash Option (assuming all Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it)), the financial resources required by the Offeror to satisfy its obligations in respect of the Offers amount to approximately HK\$11,398,684,966 and (ii) under the Cash and Share Option (assuming all the Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it)), the financial resources required by the Offeror to satisfy its obligations in respect of the Offers amount to approximately HK\$10,765,434,981.

Assuming that no Option is exercised before the close of the Offers, the financial resources required by the Offeror to satisfy its obligations in respect of the Offers under (i) the Cash Option (assuming all the Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it), amount to approximately HK\$11,350,410,155 and (ii) the Cash and Share Option (assuming all the Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it), amount to approximately HK\$10,752,873,604.

The Offeror intends to finance the consideration payable by the Offeror under the Offers from external financing to be provided to the Offeror Group. UBS has been appointed as the lead financial adviser, and HSBC and Standard Chartered have been appointed as joint financial advisers, to the Offeror Group in respect of the Offers. UBS, HSBC and Standard Chartered are satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offers.

CONDITIONS TO THE SHARE OFFER

The Share Offer is subject to the following Conditions:

- (a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Offeror and persons acting in concert with it holding at least 75% of the voting rights in the Target;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading of the Shares as a result of the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror Parent, the Offeror or their respective Concert Parties;

- (c) (i) all Consents as are necessary for the consummation of the transactions contemplated in the Irrevocable Undertakings and the Offers and in connection with, including, without limitation, any change in the direct or indirect shareholder(s) or ultimate controlling shareholder(s) of any member of the Target Group that has been granted the Consents to carry out its operations having been obtained and remaining in full force and effect without material variation from all Relevant Authority(ies) and all conditions (if any) to such Consents having been fulfilled; (ii) each member of the Target Group possessing or having obtained all Consents from the Relevant Authority(ies) that are necessary to carry on its business; and (iii) all mandatory Consents from third parties having been obtained for the acquisition of the Shares under the Offers;
- (d) no event having occurred which would make the Offers or the acquisition of any of the Shares under the Share Offer void, unenforceable or illegal or prohibit implementation of the Offers or the transactions contemplated under the Irrevocable Undertakings;
- (e) no Relevant Authority(ies) in the PRC, Hong Kong, Cayman Islands and the British Virgin Islands having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Shares under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to, the Offers or the transactions contemplated under the Irrevocable Undertakings (other than such items or events above as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers and the transactions contemplated under the Irrevocable Undertakings);
- (f) since the date of the last audited consolidated financial statements of the Target, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Target Group as a whole, whether or not arising in the ordinary course of business;
- (g) no changes having been made to any terms of the Pre-IPO Share Option Scheme or the Share Option Scheme (either formally or as a result of the exercise by the Target's remuneration committee of its discretion) from the date of this announcement;

- (h) other than the final dividend of the Target of RMB11.31 cents per Share declared for the year ended December 31, 2012 and the special dividend of RMB28.25 cents per Share declared for the year ended December 31, 2012 by the Target, no dividends having been declared or paid by the Target and, save in respect of any indebtedness incurred in relation to projects of the Target Group that have been publicly announced prior to the date of this announcement, no indebtedness being incurred by the Target other than in the ordinary course of business consistent with the Target's past practices; and
- (i) with respect to the Offeror Parent, the obtaining of approval at an EGM of the Offeror Parent in relation to the making of the Offers (including the signing and completion of the Irrevocable Undertakings) as a "major transaction" pursuant to the Listing Rules.

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above save that (i) Condition (a) may only be waived if the Offeror receives acceptances in respect of the Share Offer which would result in the Offeror Parent, the Offeror and their respective Concert Parties holding more than 50% of the voting rights in the Target; and (ii) Conditions (d) and (i) cannot be waived. The Offeror and the Offeror Parent understand that they do not require approval from any Relevant Authority as a condition to the making of the Offers.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror and the Offeror Parent in the context of the Offers.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes or is declared unconditional as to acceptances and when the Share Offer becomes or is declared unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional. Shareholders and Optionholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this minimum 14-day period.

WARNING: Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

IRREVOCABLE UNDERTAKINGS

Zhang Irrevocable Undertaking

Date: June 17, 2013

Parties: Zhang International, Offeror Parent and Offeror

CA Dairy Irrevocable Undertaking

Date: June 17, 2013

Parties: CA Dairy, Offeror Parent and Offeror

Undertaking to accept the Share Offer

Zhang International and CA Dairy had each executed an irrevocable undertaking (the Zhang Irrevocable Undertaking and the CA Dairy Irrevocable Undertaking respectively) in favour of the Offeror Parent and the Offeror, pursuant to which each of Zhang International and CA Dairy has irrevocably undertaken to the Offeror and the Offeror Parent to accept, or procure the acceptance of, the Share Offer in respect of the Relevant Shares as soon as possible and in any event by 4:00 p.m. on the Business Day after the Despatch Date.

Zhang International has committed to accept the Cash and Share Option for all of the 1,826,808,760 Shares held by it as at the date of the Zhang Irrevocable Undertaking. CA Dairy has committed to accept the Cash Option in respect of all of all of the 853,631,240 Shares owned by it as at the date of the CA Dairy Irrevocable Undertaking.

Accordingly, pursuant to the Share Offer, the Offeror will acquire from Zhang International 1,826,808,760 Shares for a total consideration of approximately HK\$5,151,600,703 and 1,244,056,766 Offeror Shares, and from CA Dairy 853,631,240 Shares for a total consideration of approximately HK\$2,987,709,340.

Prior to the closing, lapsing or withdrawal of the Share Offer, each of Zhang International and CA Dairy has undertaken not to, among other things, (i) sell, transfer, charge, encumber, grant any option over (or cause the same to be done) or otherwise dispose of any interest in the Relevant Shares (other than to the Offeror); (ii) acquire, directly or indirectly, any additional shares, securities or other interests of the Target; or (iii) take any action or enter into any agreement or arrangement, including through its representation on the Target's board of directors (and whether or not legally binding or subject to any condition or which is to take effect after the Share Offer closes or lapses), or permit any agreement or arrangement to be entered into or authorize or incur any obligation which, in relation to the Relevant Shares, would or might restrict or impede its accepting the Offers.

No withdrawal

Each of Zhang International and CA Dairy has irrevocably undertaken that it will not withdraw any acceptance of the Share Offer in respect of the Relevant Shares.

Termination

The Irrevocable Undertakings will be terminated and the respective obligations of Zhang International and CA Dairy under the Irrevocable Undertakings (as applicable) shall lapse and terminate if (i) the Offeror fails to despatch the Composite Document on the date of despatch of the offer document in respect of the Share Offer and the formal document containing the proposal made by the Offeror to the Optionholders in compliance with Rule 13 of the Takeovers Code; or (ii) the Share Offer lapses.

Each of Zhang International and CA Dairy may, in its sole decision, terminate its Irrevocable Undertaking with immediate effect if (i) the shareholders of the Offeror Parent fail to approve the making of the Offers (including the signing and completion of the Irrevocable Undertakings) as a “major transaction” pursuant to the Listing Rules; or (ii) the Offers are not declared unconditional in all respects by September 10, 2013.

Non-Competition and Non-Solicitation

Zhang International has undertaken that, save for any shareholding in the Offeror or any Shares which are swapped in exchange for Offeror Shares, it shall not and shall procure that its Affiliates shall not (whether alone or jointly with another and whether directly or indirectly), during the Restricted Period:

- (a) carry on, operate, develop or be engaged or concerned or interested economically or otherwise in any manner in any Competing Business in the PRC, Hong Kong, Taiwan, Macau and New Zealand; and
- (b) use or display any trademark, business name or mark, domain name or any website containing (i) the word(s) “Yashili (in Chinese: 雅士利)”, “Scient” (in Chinese: 施恩)”, other than in respect of the use of such name by the Zhang’s Family in its investment holding ventures.

Notwithstanding the above, Zhang International and its Affiliates may be interested in, engaged in, acquire or hold interest in, any Competing Business with the written consent of the Offeror Parent or in cooperation with or in conjunction with the Offeror Parent or any of its Affiliates.

Zhang International has further undertaken that it shall not and shall procure that its Affiliates shall not solicit, hire or encourage or seek to encourage any director, officer, employee or distributor of any member of the Target Group to leave his/her current employment or consultancy or to breach the terms of their contract for services or distributorship or solicit the business of any client or customer of any member of the Target Group in relation to the Competing Business. This undertaking does not affect Zhang International’s or its Affiliates’ ability to hire in the aggregate no more than five employees of the Target Group; provided that only one of such five employees may be a member of the senior management of the Target Group. Zhang International or its Affiliates may also hire any member(s) of Zhang’s Family or enter into any other arrangements with them. In addition, Mr. Zhang Lidian, the chairman of the Target, may consider remaining as a member of the senior management of the Target Group following the Completion.

Revised Offers

The Irrevocable Undertakings will extend to any revised or improved offer or offers by or on behalf of the Offeror. In accordance with Rule 16.1 of the Takeover Code, if the Offeror revises the terms of the Share Offer or the Option Offer, each of Zhang International and CA Dairy, any other Shareholder or Optionholder (as the case may be), whether or not it has already accepted the Share Offer or the Option Offer, will be entitled to the revised or improved terms of the Share Offer or the Option Offer (as the case may be).

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER OF THE TARGET

An Independent Board Committee of the Target, which comprises all of the independent non-executive directors of the Target, has been established by the Target Board to make a recommendation to the Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance and to the Optionholders as to its views on the Option Offer. As at the date of this announcement, the Target's independent non-executive directors are Mr. Yu Shimao, Mr. Chen Yongquan, Mr. Samuel King On Wong and Mr. Liu Jinting, the executive directors are Mr. Zhang Lidian, Mr Zhang Likun, Mr. Zhang Liming, Mr. Zhang Libo and Mr. Zhang Yanpeng (the "**Executive Directors**") and the non-executive directors are Mr. Chang Herman Hsiu-Guo and Mr. Zhang Chi (the "**Non-Executive Directors**"). The Executive Directors are shareholders of Zhang International or their associates. The Non-Executive Directors are respectively a senior director of Carlyle Asia Investment Advisor Limited and a director at the Asia Buyout Fund of Carlyle Group, affiliates of CA Dairy.

The Independent Board Committee excludes all Target directors who are ordinarily not counted as independent directors of the Target and are connected to Zhang International or CA Dairy, Shareholders who are parties to the Irrevocable Undertakings.

In forming the Independent Board Committee comprising all of the independent non-executive directors, the Target wishes to ensure that Shareholders will be advised by a committee of independent directors. In addition, as approved by the Independent Board Committee, an independent financial adviser, Somerley Limited, has been appointed to advise the Independent Board Committee in connection with the Share Offer and the Option Offer.

The members of the Independent Board Committee will make a recommendation to the Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance, and to the Optionholders as to its views on the Option Offer after considering the advice of the Independent Financial Adviser.

INFORMATION ON THE OFFEROR PARENT

The Offeror Parent was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 2319). The Offeror Group is a leading dairy product manufacturer in China, principally engaged in manufacturing and distribution of quality dairy products.

The Offeror Group's diversified products range includes liquid milk products, such as UHT milk, milk beverages and yogurt, ice cream and other dairy products such as milk powder. In December 2012, the Offeror Group's annual production capacity of dairy products reached 7.58 million tons.

Further information in relation to the Offeror Parent and the Offeror Group will be contained in the Composite Document.

INFORMATION ON THE OFFEROR

Incorporation

The Offeror was incorporated in the British Virgin Islands by the Offeror Parent for the sole purpose of making the Offers and holding Shares. Assuming the Share Offer becomes unconditional in all respects, the Offeror will be the new holding company of the Target upon close of the Offers.

The Offeror was incorporated on June 4, 2013. As of the date of this announcement, there is one (1) Offeror Share in issue, which was the Subscriber Share, and the Offeror is a wholly-owned subsidiary of the Offeror Parent. In order to facilitate acceptance of the Share Offer, the sole shareholder of the Offeror, being the Offeror Parent, has resolved to increase the maximum number of shares the Offeror is authorized to issue to 200,000,000,000 Offeror Shares of HK\$1.00 par value each.

The Offeror has not carried on any business since incorporation, other than matters in connection with the Offers.

The Offeror will not engage in any business other than acting as the holding company of the Target.

Share Capital

As part of the Offers, the Offeror will issue such number of Offeror Shares to the Offeror Parent for a consideration which is equivalent to the aggregate sum of the consideration payable (being the cash payable under the Cash Option and the Cash and Share Option) by the Offeror to the Accepting Shareholders and the consideration payable by the Offeror to the Optionholders who accept the Option Offer. The Offeror will use such cash consideration and issue Offeror Shares to Shareholders who opt for the Cash and Share Option to finance the acquisition of the Shares from the Accepting Shareholders and the cancellation of the Options.

A Shareholder who chooses the Cash and Share Option will receive 0.681 Offeror Share in respect of each Share, which represents an indirect interest in approximately 0.19 Shares in the Target held through the Offeror. Zhang International, which pursuant to the Zhang Irrevocable Undertaking will accept the Cash and Share Option, will upon close of the Offers hold 1,244,056,766 Offeror Shares, representing an indirect 10% interest in the entire issued share capital of the Target held through the Offeror. This percentage of indirect interest in the Target to be held by Zhang International will be unaffected by the Subscriber Share, the number of Offeror Shares to be issued to the Offeror Parent to finance the Offers as described in this section or the level of elections for the Cash and Share Option by other Shareholders, as any Shareholder (including Zhang International) who elects the Cash and Share Option will receive 0.681 Offeror Share and HK\$2.82 in cash and the Offeror Share portion represents approximately 19.5% of the aggregate consideration of HK\$3.50. Such percentage is determined by Zhang International's 10% interest in the Target divided by Zhang International's current 51.3% total shareholding in the Target.

On the above basis, and assuming that (i) no outstanding Options are exercised prior to the close of the Offers, and (ii) all Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it), a Maximum Interest of approximately 1,842,472,047 Offeror Shares representing 14.8% of the Offeror's enlarged issued share capital may be held by the Accepting Shareholders. The Subscriber Share is excluded for the purpose of that calculation as the intention is for the Subscriber Share to be repurchased by the Offeror at US\$1.00 as and when appropriate prior to the Closing Date.

WARNING: The Offeror Shares upon their issue will not be listed on the Stock Exchange or any other recognized stock exchange. Further, the transfer of the Offeror Shares will be subject to the Lock-Up Restrictions. Therefore, Shareholders who accept the Cash and Share Option should expect that they will not be able to sell, transfer or otherwise disposal of their Offeror Shares at least during the Lock-Up Period. In the event that the Offeror does exercise the right of compulsory acquisition and withdraw the listing status of the Target on the Stock Exchange, there is no assurance that all or a substantial part of the businesses of the Target will be re-listed on any stock exchange. Shareholders who accept the Share Offer should therefore exercise care and caution in determining, and should give careful consideration as to, whether the Cash and Share Option is suitable for them.

Corporate Structure

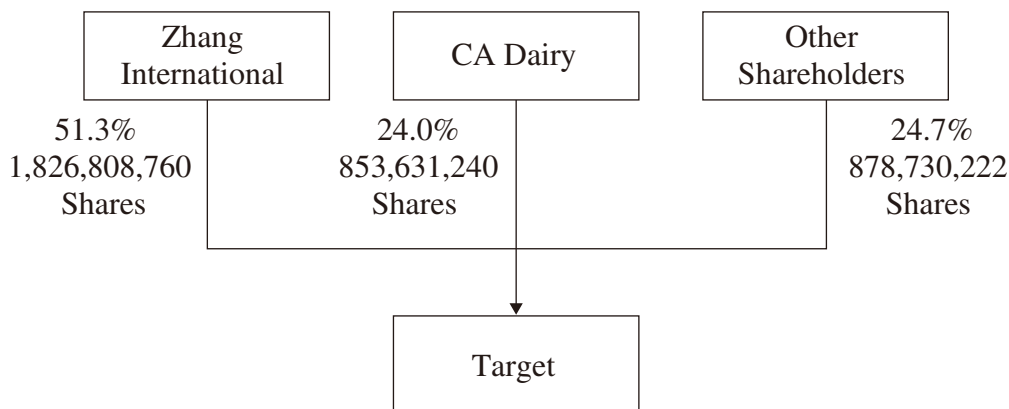
If the Share Offer becomes unconditional in all respects, the Offeror will become the new holding company of the Target upon close of the Offers. The shareholding interest of the Offeror in the Target upon close of the Offers will depend on the level of acceptances in respect of the Share Offer and the level of exercise of Options before the Closing Date.

The corporate chart below indicates the levels of possible shareholding interest in the Offeror and the Target following the Share Offer if it becomes unconditional in all respects.

Post Offers Shareholding Structure

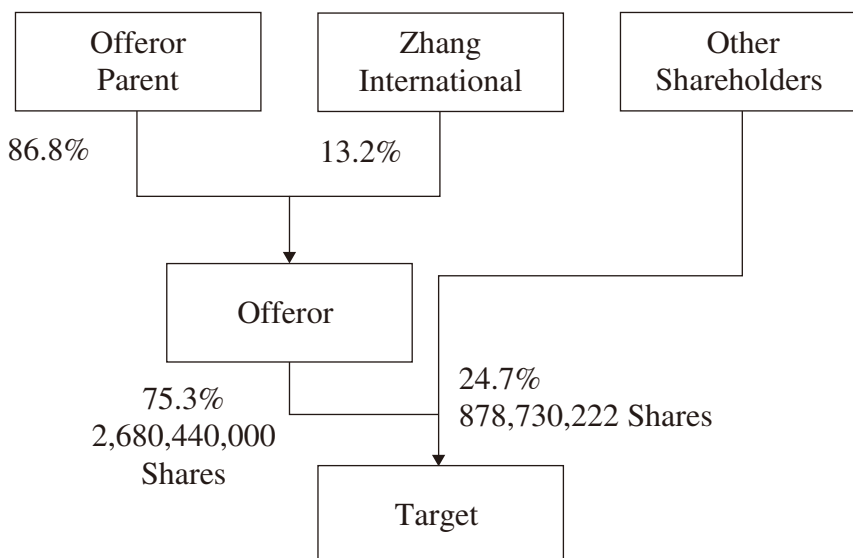
Set out below are charts showing the shareholding structure of the Target as at the Last Trading Date and the Unconditional Date.

As at the Last Trading Date:

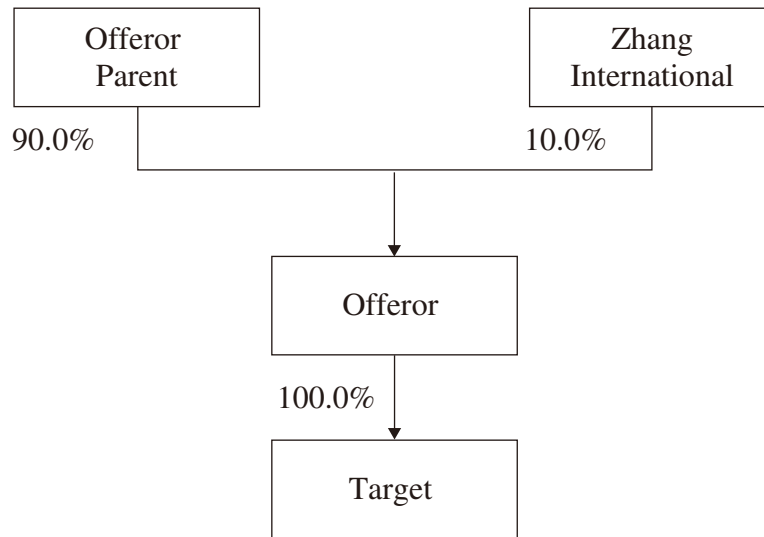


As at the Closing Date:

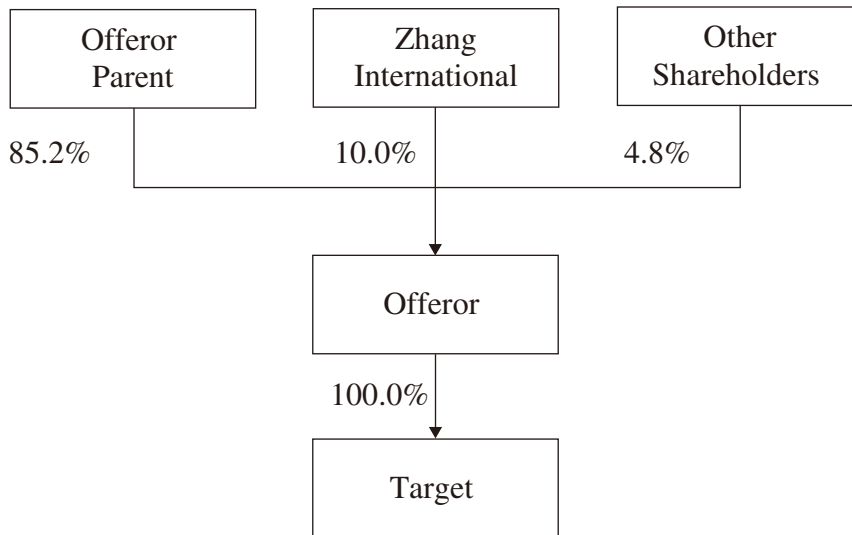
Assuming the listing status of the Target on the Stock Exchange is maintained and only Zhang International and CA Dairy accept the Share Offer (where Zhang International opts for the Cash and Share Option and CA Dairy opts for the Cash Option)



Assuming the Target does not maintain its listing status on the Stock Exchange and only Zhang International opts for the Cash and Share Option



Assuming the Target does not maintain its listing status on the Stock Exchange and all Shareholders (other than CA Dairy) opt for the Cash and Share Option



Note: The above shareholding structure assumes none of the outstanding Options is exercised.

Corporate Matters

As the Offeror is incorporated in the British Virgin Islands, its governance will primarily be subject to British Virgin Islands law. The Articles contain the types of provisions which are generally found in other unlisted exempted companies incorporated under the British Virgin Islands Companies Law.

A more detailed summary of the major provisions of the Memorandum, the Articles and the New Articles of the Offeror and certain aspects of the British Virgin Islands Companies Law will be set out in the Composite Document.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the Cayman Islands with limited liability, whose Shares have been listed on the Main Board of the Stock Exchange since November 1, 2010. The Target Group is principally engaged in production and sales of pediatric milk formula products and nutrition food.

FINANCIAL INFORMATION OF THE TARGET GROUP

The financial information of the Target Group was prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board.

As of December 31, 2012, the audited consolidated total assets and net assets of the Target Group amounted to approximately RMB5,569,869,000 and RMB4,082,346,000, respectively.

As of December 31, 2011, the audited consolidated total assets and net assets of the Target Group amounted to approximately RMB4,643,569,000 and RMB3,803,999,000, respectively.

As of December 31, 2012, the audited consolidated net profits before and after taxation and extraordinary items of the Target Group were approximately RMB646,324,000 and RMB470,468,000, respectively.

As of December 31, 2011, the audited consolidated net profits before and after taxation and extraordinary items of the Target Group were approximately RMB375,389,000 and RMB308,425,000, respectively.

REASONS FOR THE OFFERS AND THE EXPECTED BENEFITS

The PRC dairy market has continued to grow over the past few years driven by macro factors such as strong economic growth, increasing disposable income and rising rates of urbanization, as well as industry-specific factors including increasing health awareness, consumer preferences and improved dairy product distribution.

As one of the key components of the PRC dairy market, the pediatric milk formula market has been expanding rapidly as well. The increasing trend towards double income families and the related increase in the number of working mothers in the PRC, coupled with the convenience and comprehensive nutritional benefits offered by infant formula products, has resulted in a growing popularity among mothers in the PRC to choose infant formulas for their children. In recent years, pediatric milk formula powder brands with high quality raw milk sourcing from overseas and quality local large-scale farms have secured increasingly large market shares, especially in the high-end pediatric milk formula powder segment. For the dairy industry, the government and society continue to reinforce regulated development through both stringent supervision and increased media coverage.

Establishing a partnership between the Offeror Parent's *Mengniu*, a leading dairy brand in the PRC and the Target's *Yashili*, one of the successful pediatric milk powder brands in the PRC would enable both parties to leverage each other's capabilities and resources in product offering, product innovation, upstream sourcing, distribution and sales channel development, product quality control and consumer marketing to capture the rapid growth of pediatric milk formula market in the PRC. While the Offeror Group will explore and leverage each other's strengths in the dairy industry and explore aforementioned areas of cooperation to create synergy, the Offeror Group intends to work with the Target Group with a view to maintaining the Target Group's independent operating platform for the pediatric milk powder business.

The Offeror Parent is one of the best-known dairy companies in China and one of the largest dairy companies engaged in manufacturing and distributing quality dairy products in China. The Target Group is a renowned domestic brand and a leading domestic pediatric milk powder manufacturer in China. The Target Group's business model integrates high brand recognition, imported premium dairy raw materials and a proprietary formula, and commitment to establish a high standard of quality supervision and quality assurance system. The Offeror Parent envisions no change in the Target Group's sourcing policy to ensure that consumers continue to enjoy unchanged quality commitment and brand value from the Target Group's products. The Offeror Parent believes that, through this cooperation, both companies will be able to offer more consumers with more choices in dairy products that are safe, healthy and of the highest quality.

INTENTIONS OF THE OFFEROR PARENT IN RELATION TO THE TARGET GROUP

The Offeror is set up by the Offeror Parent for the sole purpose of holding Target Shares and will not engage in any business other than acting as the holding company of the Target.

After close of the Offers, the Offeror Parent will review the businesses of the Target Group, including among others, the Target Group's relationships with its distributors and suppliers, portfolio of products, assets, corporate and organizational structure, capitalization, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organize and optimize the businesses and operations of the Target Group and to integrate the same within the Offeror Group. The Offeror Parent intends that the Target Group will continue to operate its business in substantially its current state. However, the Offeror Parent reserves the right to make any changes that it deems necessary or appropriate to the Target Group's businesses and operations to better integrate, generate maximum synergy and achieve enhanced economies of scale with the other operations of the Offeror Group.

If the Target continues to maintain its listing status on the Stock Exchange following closing of the Offers, the Offeror Parent expects that the dividend policy of the Target will be substantially consistent with its past practices since its listing on the Stock Exchange.

LOCK-UP PERIOD

Other than through the re-listing of the business of the Target Group as described in the section headed “Compulsory Acquisition and Withdrawal of Listing” and the charging or pledging of shares in the Offeror by the Offeror Parent in connection with the financing of the Offers, for a period of three (3) years following the Unconditional Date (the “**Lock-Up Period**”), the shareholders of the Offeror may not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Offeror Shares issued to it under the Offers or otherwise (together, the “**Lock-Up Restrictions**”) unless otherwise approved by the board of directors of the Offeror in writing. In addition, the Shares acquired by shareholders of the Offeror through the repurchase option set out in the section headed “Listing Status of the Target” shall be subject to the same restrictions as the Lock-Up Restrictions during the Lock-Up Period. If either (a) the repurchase of Offeror Shares as set out in the sections headed “Listing Status of the Target”, “Compulsory Acquisition and Withdrawal of Listing” and “Right to exit in the Event of Change of Control” is not permitted by the then applicable laws or regulations or (b) there is a Change of Control of the Offeror or the Target, then the Lock-Up Restrictions (including such restrictions applicable to the holders of the Shares who acquired their Shares through the repurchase option set out in the section headed “Listing Status of the Target”) shall lapse, and a shareholder of the Offeror or the Target will be at liberty to sell any of its Offeror Shares or Shares to any party or choose to remain a shareholder of the Offeror or the Target (as applicable).

Zhang International has also undertaken in the Zhang Irrevocable Undertaking that from the date of the Zhang Irrevocable Undertaking until a period of three (3) years from the date of Completion, it will not register the transfer of any of its issued share capital or otherwise issue, allot or agree to issue or allot any shares, securities or other interests in its share capital or loan capital or otherwise recognize any economic interests in its equity asserted by a person other than any member of the Zhang’s Family (the “**Zhang International Lock-Up**”). If the Lock-Up Restrictions lapse, then the Zhang International Lock-Up shall also lapse. The Zhang International Lock-Up forms part of the Zhang Irrevocable Undertaking and will terminate in the event that the Zhang Irrevocable Undertaking is terminated in accordance with its terms.

LISTING STATUS OF THE TARGET

If the Offeror does not acquire the requisite percentage of the Shares to enable it to compulsorily acquire all the issued Shares under Cayman Islands Companies Law and the Takeovers Code as detailed in the section headed “Compulsory Acquisition and Withdrawal of Listing” within four (4) months after posting of the Composite Document, its intention is to maintain the listing status of the Target on the Stock Exchange. Accordingly, assuming the Share Offer becomes or is declared unconditional in all respects but the Offeror does not effect the compulsory acquisition, the Offeror will undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that such number of Shares as may be required by the Stock Exchange are held by the public within the prescribed time frame. Any future transactions between the Target Group and the Offeror Group will be carried out on an arm’s length basis and in compliance with the Listing Rules.

In the event that the Target continues to maintain its listing status on the Stock Exchange following the close of the Offers, in addition to the cash received under the Cash and Share Option for the acceptance of the Share Offer, each shareholder of the Offeror (other than the Offeror Parent) will have an option to, at any time after the close of the Offers, require the Offeror to, and upon exercise of such option by any such shareholder the Offeror shall, repurchase the Offeror Shares held by the such shareholder by exchanging all (but not part only) of the Offeror Shares to be repurchased with such shareholder's proportionate interest in the Target held through the Offeror, subject to the then applicable laws and regulations in relation to the repurchase of its own shares by the Offeror. Fractions of Shares are to be rounded up to the nearest whole number. Such shareholder's proportionate interest in the Target upon exchange will be calculated by multiplying the total number of Shares held by the Offeror by the percentage of such shareholder's shareholding in the issued share capital of the Offeror. As described in the section headed "Lock-Up Period" in this announcement, the Shares as exchanged and to be held by such shareholder shall be subject to the same restrictions as the Lock-Up Restrictions during the Lock-Up Period. Details of the procedures for such exchange will be set out in the Composite Document.

WARNING: If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares will be suspended from the Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

To the extent applicable, if the Offeror, within four months of the posting of the Composite Document, acquires not less than 90% of the Shares not being held by it at the time of the posting of the Composite Document, the Offeror may (but is not obliged to) compulsorily acquire those Shares not acquired by the Offeror under the Share Offer in accordance with section 88 of the Cayman Islands Companies Law. As at the date of this announcement, the Offeror has not decided whether or not to exercise any right of compulsory acquisition in respect of the Target. Pursuant to Schedule I to the Takeovers Code, the Offeror will include in the Composite Document a statement whether or not it intends to avail itself of any powers of compulsory acquisition in respect of the Target. If the Offeror decides to exercise such right and completes the compulsory acquisition, the Target will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. The Offeror will comply with Rule 15.6 of the Takeovers Code which requires that the Offers may not remain open for more than four (4) months from the posting of the Composite Document, unless the Offeror has by that time become entitled to exercise the right of compulsory acquisition.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize the Target by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Law, acceptance of the Share Offer and purchases made by the Offeror and its Concert Parties during the four months after posting of the Composite Document total 90% or more of the disinterested Shares (as defined in the Takeovers Code).

The Offeror Parent undertakes (for itself and the Offeror Group) that if the Offeror exercises its right of compulsory acquisition and the Target withdraws its listing status on the Stock Exchange, the Offeror Parent will use its commercially reasonable efforts to effect a re-listing of the business of the Target Group within five (5) years from the date on which the Target withdraws its listing status on the Stock Exchange.

If the Offeror exercises its right of compulsory acquisition and the Target withdraws its listing status on the Stock Exchange, for a period from the expiry of the Lock-Up Period until the earlier of (i) ten (10) years from the date of the expiry of the Lock-up Period; and (ii) the date of the listing of New Listco, each shareholder of the Offeror shall have the right to, upon the expiry of the Lock-Up Period, at any time require the Offeror to, and the Offeror shall, repurchase all (but not part only) of the Offeror Shares such shareholder holds at a price per Offeror Share which is equivalent to twenty (20) times of the earnings per Offeror Share for the financial year immediately preceding the shareholder's exercise of such right. Such earnings per Offeror Share shall be calculated by dividing the audited net income of the Offeror during the financial year immediately preceding the shareholder's exercise of such right by the weighted average number of Offeror Shares in issue during such period, subject to the then applicable laws and regulations in relation to repurchase of its own shares by the Offeror. The Offeror shall make available to all of its shareholders the audited financial statements of the Offeror in respect of every financial year which ends after the Closing Date (in paper or electronic form at the request of the shareholders) at no charge.

If the Target withdraws its listing status on the Stock Exchange and there is to be a re-listing of the Target Group's business (whether alone or together with any other assets or businesses), then prior to the listing of the entity that holds all or a substantial part of the Target Group's business ("**New Listco**"), the Offeror shall give the Relevant Shareholders the opportunity to exchange all (but not part only) of the Relevant Offeror Shares held by the Relevant Shareholders with such number of shares in New Listco as represent a fair valuation of the Relevant Offeror Shares, subject to the listing rules and guidance in force at that time; provided that, if there is a pre-IPO restructuring in which the Offeror Shares held by the Offeror Parent are exchanged for shares in New Listco, then each Relevant Shareholder shall have the right to exchange all (but not part only) of its Relevant Offeror Shares for shares in New Listco at the same exchange ratio as the Offeror Parent and that shall be deemed to be a fair valuation of the Relevant Offeror Shares, subject to the listing rules and guidance in force at that time.

Accordingly, upon expiry of the Lock-Up Period, in the event that there is a re-listing of the Target Group's business, the Relevant Shareholders may either (1) require the Offeror to repurchase all (but not part only) of the Relevant Offeror Shares held by the Relevant Shareholder at a price per Offeror Share which is equivalent to twenty (20) times of the earnings per Offeror Share for the financial year immediately preceding the Relevant Shareholder's exercise of such right; or (2) exchange all (but not part only) of the Relevant Offeror Shares with such number of shares in New Listco.

WARNING: If the listing status of the Target on the Stock Exchange is withdrawn, there is no assurance that all or a substantial part of the businesses of the Target Group will be re-listed on any stock exchange within five (5) years from the date on which the Target withdraws its listing status on the Stock Exchange, or ten (10) years from the date of the expiry of the Lock-Up Period or at all. Shareholders who accept the Share Offer should therefore exercise full care and caution in determining, and should give careful consideration as to, whether the Cash and Share Option is suitable for them.

The Offeror, the Offeror Parent and the Target understand that (1) the exercise of the options and rights by a shareholder of the Offeror and (2) the Offeror's obligation to repurchase Offeror Shares as described in the sections headed "Lock-Up Period", "Listing Status of the Target" and "Compulsory Acquisition and Withdrawal of Listing" is not prohibited under applicable laws of the Cayman Islands and the British Virgin Islands and all other applicable laws and regulations as at the date of this announcement, subject to the directors of the Offeror being satisfied that the applicable statutory solvency test will be met following completion of the repurchase.

WARNING: It is the intention of the Offeror to pledge shares in the Target which are attributable to the Offeror Parent as part of the financing arrangements in respect of the Offers. The ability of the Offeror to repurchase the Offeror Shares from its shareholders will depend on a number of factors, including the Offeror's financial resources and ability to raise sufficient funds.

RIGHTS OF SHAREHOLDERS OF THE OFFEROR

Upon close of the Offers, the transfer of the Offeror Shares issued will be subject to the Lock-Up Restrictions, and shareholders of the Offeror will have the following shareholder rights pursuant to the New Articles.

Right to nominate directors

A shareholder of the Offeror who beneficially owns 8% or more of the issued share capital of the Offeror or more shall be entitled to, from time to time, nominate and maintain one director to the board of directors of the Offeror and the Offeror Parent shall exercise its rights as a shareholder of the Offeror to procure the appointment of such nominee as a director of the Offeror. The Offeror shall exercise its rights as a shareholder of the Target to procure that such director shall also be appointed to the Target Board.

Right to receive dividends and other distributions

Shareholders of the Offeror shall be entitled to receive dividends and other distributions (if any) duly declared, made or paid by the Offeror, on a pro-rata basis. The Offeror will, after close of the Offers, adopt a dividend policy pursuant to which it will distribute, on a pro-rata basis and subject to the then applicable laws and regulations, all of its distributable profits (after deducting the administrative expenses incurred and withholding taxes (if required by applicable laws)) as of the end of each financial year.

Reserved matters

After the close of the Offers, the Offeror shall take no action in respect of the following matters unless such matter is resolved to be approved by in excess of 92% of the votes of shareholders of the Offeror who are present and voting at a general meeting of the Offeror:

- (a) any amendment to the Memorandum, Articles or New Articles;
- (b) any change in the share capital of the Offeror or the creation, allotment or issue of any shares or of any other securities of the Offeror or the grant of any option or rights to subscribe for or to convert or exchange any instrument into such shares or securities;
- (c) any reduction of the share capital or variation of the rights attaching to any class of shares of the Offeror or securities of the Offeror or any redemption, purchase or other acquisition of any shares or securities of the Offeror (including the Offeror Shares and the Subscriber Share other than as disclosed in this announcement or the Composite Document);
- (d) the filing of a petition for the winding-up of the Offeror or any of its subsidiaries, a resolution being passed for the winding up of the Offeror or any of its subsidiaries, or the appointment of a liquidator, receiver or administrator over any of the Offeror's assets or undertakings or any of its subsidiaries' assets or undertakings;
- (e) the incurrence of any indebtedness other than ordinary course expenses, taxes, salaries and bonuses that are incurred solely for the purposes of the Offeror's holding of Shares;
- (f) the creation of any charge or other security over any assets of the Offeror, other than in relation to the financing of the Offers but only to the extent that such charge or security is created over such number of Shares as represents the Offeror Parent's attributable interest in the issued share capital of the Target;
- (g) the disposal of any Shares or other assets of the Offeror, other than for the purposes of (i) giving security permitted under paragraph (f) above or (ii) any disposal by the chargee pursuant to the exercise of its power of sale, provided that such disposal under (ii) shall be deemed to be a Change of Control of the Target;
- (h) the authorisation or approval of the disposal of all or substantially all of the assets of the Target or any other member of the Target Group;
- (i) where the Target maintains its listing status on the Stock Exchange, the Offeror entering into any transaction with the Target Group which constitutes a Connected Transaction for the Target under Chapter 14A of the Listing Rules, except where all the applicable requirements under Chapter 14A of the Listing Rules in respect of such transaction have been complied with;

- (j) where the Target has withdrawn its listing status from the Stock Exchange, the Offeror entering into any transaction with the Target Group which would have constituted a Connected Transaction for the Target under Chapter 14A of the Listing Rules had the Target been a company listed on the Stock Exchange, except where the transaction had been conducted on “normal commercial terms” in the “ordinary course of business” (as those terms are defined under Chapter 14A of the Listing Rules) of the Target Group, and such conclusions regarding the transaction have been made by a financial adviser which is independent from both the Offeror Group and the Target Group;
- (k) the Offeror entering into any transaction with any person (other than a member of the Target Group) which would have constituted a Connected Transaction for the Offeror under Chapter 14A of the Listing Rules had the Offeror been a company listed on the Stock Exchange, except where the transaction had been conducted on “normal commercial terms” in the “ordinary course of business” (as those terms are defined under Chapter 14A of the Listing Rules) of the Offeror, and such conclusions regarding the transaction have been made by a financial adviser which is independent from the Offeror Group; and
- (l) declaring, making or paying any dividends other than dividends payable to all the Offeror’s shareholders on a pro-rata basis.

Tag-along rights

For a period of ten (10) years from the Unconditional Date, the Offeror Parent may only sell part or all of its Offeror Shares to a third party provided that the other shareholders of the Offeror may elect to sell, and the third party agrees to acquire from such electing shareholders of the Offeror, such amount of Offeror Shares as is pro rata to the proportion of the Offeror Shares being sold by the Offeror Parent. Any such sale by an electing shareholder of the Offeror shall be at the same price and otherwise on no less favourable terms as those proposed between the Offeror Parent and the third party.

To the extent that any sale of Offeror Shares by the Offeror Parent would result in a Change of Control in the Offeror, the Offeror Parent shall only be permitted to sell such Offeror Shares if the third party agrees to acquire from the other electing shareholders of the Offeror all of their Offeror Shares at the same price and otherwise on no less favourable terms as those proposed between the Offeror Parent and the third party. Any such Change of Control in the Offeror may give rise to an obligation for the new controlling shareholder of the Offeror to make an offer for the outstanding shares of the Target pursuant to Note 8 to Rule 26.1 of the Takeovers Code, provided that the Target maintains its listing status on the Stock Exchange after close of the Offers.

Any sale of Offeror Shares pursuant to the provisions described in this section shall not be subject to the Lock-Up Restrictions.

Right to exit in the event of Change of Control

In the event of a Change of Control of the Offeror or of the Target (other than a Change of Control referred to in sub-section headed “Tag-along rights” under the section headed “Rights of Shareholders of the Offeror” of this announcement), the Lock-Up Restrictions shall immediately lapse and each shareholder of the Offeror (other than the shareholder whose change in shareholding in the Offeror or the Target leads to the Change in Control) shall have the right to, for a period from the Unconditional Date until the earlier of (i) ten (10) years from the Unconditional Date; and (ii) the date of the re-listing of the businesses of the Target, require the Offeror to, and the Offeror shall, repurchase all (but not part only) of the Offeror Shares it holds at a price per Offeror Share which is equivalent to twenty (20) times of the earnings per Offeror Share for the financial year immediately preceding the relevant shareholder’s exercise of such right. Such earnings per Offeror Share shall be calculated by dividing the audited net income of the Offeror during the financial year immediately preceding the relevant shareholder’s exercise of such right by the weighted average number of Offeror Shares in issue during such period, subject to the then applicable laws and regulations in relation to repurchase of its own shares by the Offeror.

Right of access to audited financial statements

The Offeror shall make available to all of its shareholders the audited financial statements of the Offeror in respect of every financial year which ends after the Closing Date (in paper or electronic form at the request of the shareholders) at no charge.

WARNING: The Offeror is set up by the Offeror Parent for the sole purpose of holding Shares in the Target and will not engage in any business other than acting as the holding company of the Target and will derive its income solely from the distributions by the Target (if any).

FURTHER TERMS OF THE OFFERS

In addition to the Conditions set out in this announcement, the Share Offer is made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the Closing Date or subsequently becoming attached to them, including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the Closing Date.

The Offeror Shares to be issued under the Share Offer will be issued free from all encumbrances, credited as fully-paid, non-assessable, and will rank pari passu with all issued shares in the Offeror, including the Subscriber Share, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of their issue. Fractions of Offeror Shares are to be rounded up to the nearest whole number.

In addition, the Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers will be made in compliance with the Takeovers Code which is administered by the Executive.

Sellers' ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Accepting Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the cash amount due to such Accepting Shareholder.

The Offeror will pay the buyer's ad valorem stamp duty in relation to the Share Offer on its own behalf. No stamp duty is payable in connection with the Option Offer.

GENERAL MATTERS RELATING TO THE OFFERS

Availability of the Offers

The Offeror intends to make the Share Offer and Option Offer available to all Shareholders and Optionholders, respectively, including those who are not resident in Hong Kong. The availability of the Share Offer and Option Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

In the event that the receipt of the Composite Document by overseas Shareholders or Optionholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such overseas Shareholders or Optionholders. The Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Any arrangements for overseas Shareholders and Optionholders to collect the Composite Document or the formal document containing details of the Option Offer, respectively, will be set out in a further announcement.

Composite Document

The Composite Document containing, among other things, details of the Share Offer and an expected timetable in relation to the Offers, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser in respect of the Share Offer and Option Offer, together with forms of acceptance will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code. The formal document containing details of the Option Offer will also be sent to Optionholders on the Despatch Date.

Further agreements or arrangements

As at the date of this announcement:

- (i) save as disclosed in the section headed “Irrevocable Undertakings” in this announcement, the Offeror Parent, the Offeror and their Concert Parties have not received any other irrevocable commitment to accept the Offers;
- (ii) the Offeror Parent, the Offeror and their respective Concert Parties do not hold any Shares, convertible securities, warrants or options in the Target;
- (iii) there is no outstanding derivative in respect of the securities in the Target which has been entered into by the Offeror Parent, the Offeror or any of their Concert Parties;
- (iv) save as disclosed in the section headed “Irrevocable Undertakings” in this announcement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror Parent, the Offeror or the Target and which might be material to the Offers;
- (v) save as disclosed in the sections headed “Conditions to the Share Offer” and “Irrevocable Undertakings”, there is no agreement or arrangement to which the Offeror or the Offeror Parent is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers; and
- (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Target which the Offeror Parent, the Offeror or any of their respective Concert Parties have borrowed or lent.

Close of the Offers

The latest time on which the Offeror can declare the Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or, if permissible, waived), Shareholders and Optionholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Target and the Offeror are hereby reminded to disclose their dealings in any securities of the Target and/or the Offeror pursuant to the Takeovers Code.

For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

The Offeror, its nominees or brokers or associates may from time to time make certain purchases of, or arrangements to purchase Shares other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance in compliance with the Takeovers Code. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and will be available on the SFC website at <http://www.sfc.hk/>.

GENERAL

The Offeror Group has appointed UBS as its lead financial adviser, and HSBC and Standard Chartered as joint financial advisers in connection with the Offers.

MAJOR TRANSACTION FOR THE OFFEROR PARENT

Please refer to the sections headed “Introduction”, “The Offers”, “Value of the Offers”, “Confirmation on Financial Resources”, “Irrevocable Undertakings”, “Information on the Offeror Parent”, “Information on the Offeror”, “Information on the Target Group”, “Financial Information of the Target Group” and “Reasons for the Offers and the Expected Benefits” for the terms and conditions and other information of the Offers.

Assuming that no outstanding Options are exercised prior to the close of the Offers, the Offers are valued at approximately (i) HK\$11,350,410,155 and 1,244,056,766 Offeror Shares in aggregate assuming all Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it) or (ii) HK\$10,752,873,604 and 1,842,472,047 Offeror Shares in aggregate assuming all Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it).

In the event all of the outstanding Options are exercised in full by the Optionholders prior to the Closing Date and as a result of the exercise of the Options, the Target will have to issue 52,519,756 new Shares, representing approximately 1.45% of the enlarged issued share capital of the Target. In that case, no amount will be payable by the Offeror under the Option Offer. Accordingly, the Offers are valued at (i) approximately HK\$11,398,684,966 and 1,244,056,766 Offeror Shares assuming all Shareholders accept the Share Offer and opt for the Cash Option (apart from Zhang International, which has committed, pursuant to the Zhang Irrevocable Undertaking, to opt for the Cash and Share Option for all of the Shares held by it) or (ii) approximately HK\$10,765,434,981 and 1,878,238,001 Offeror Shares assuming all Shareholders accept the Share Offer and opt for the Cash and Share Option (apart from CA Dairy, which has committed, pursuant to the CA Dairy Irrevocable Undertaking, to opt for the Cash Option for all of the 853,631,240 Shares held by it) on a fully-diluted basis.

The consideration required for the acquisition of the Shares and the cancellation of the Options and therefore, the consideration required of the Offeror Group in respect of the Offers, are determined by the Offeror Group taking into account factors including the trend of the closing price of the Shares, the market position, historical financial information of the Target and the prevailing market conditions and sentiments as well as the business prospects and development potential of the Target Group. The Offeror intends to finance the consideration payable by the Offeror under the Offers from external financing to be provided to the Offeror Group.

To the best of the Offeror Parent's knowledge, information and belief having made all reasonable enquiry, each of the Target, the Shareholders, the Optionholders, Zhang International and CA Dairy and their respective ultimate beneficial owners are third parties independent of the Offeror Parent and its Connected Persons.

LISTING RULES IMPLICATIONS FOR THE OFFEROR PARENT

Based on the calculation of the relevant percentage ratios under Chapter 14 of Listing Rules, the Offers will constitute a major transaction for the Offeror Parent as at least one of the applicable percentage ratios is 25% or more but less than 100%. Therefore, the making of the Offers are subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules.

The EGM will be held to consider and, if thought fit, pass the requisite resolution(s) to approve the making of the Offers (including the Irrevocable Undertakings and the transactions contemplated thereunder). So far as the Offeror Parent is aware, none of its shareholders will be required to abstain from voting at the EGM.

A circular containing, among other things, details of the Offers (including the Irrevocable Undertakings) and the notice convening the EGM will be despatched to the shareholders of the Offeror Parent on or before June 30, 2013.

The directors (including the independent non-executive directors) of the Offeror Parent confirm that the terms and conditions of the Offers, the Irrevocable Undertakings and the transactions contemplated thereunder are fair and reasonable and negotiated on an arm's length basis upon normal commercial terms. Having considered the terms and conditions of

the Offers and the benefits that are expected to accrue to the Offeror Parent as a result of the Offers and the Irrevocable Undertakings and the transactions contemplated thereunder, the directors (including the independent non-executive directors) of the Offeror Parent further confirm that the Offers, the Irrevocable Undertakings and the transactions contemplated thereunder are in the interests of the Offeror Parent and its shareholders as a whole.

RESUMPTION OF TRADING

At the requests of the Target and the Offeror Parent, respectively, trading in the Shares and the shares of the Offeror Parent has been suspended with effect from 1:18 p.m. on June 13, 2013 and 1:00 p.m. on June 13, 2013, respectively, pending the release of this announcement. An application has been made by each of the Target and the Offeror Parent to the Stock Exchange for the resumption of trading in the Shares and the shares of the Offeror Parent, respectively, with effect from 9:00 a.m. on June 19, 2013.

WARNING: Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

DEFINITIONS

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

“Accepting Shareholders” means the Shareholders who accept the Share Offer;

“Affiliates” means in relation to a party, (i) an entity which is directly or indirectly controlled by, or under common control with, or (whether acting alone or jointly and in concert with another) in control of, such Party, and (ii) an individual (whether acting alone or jointly and in concert with another) which directly or indirectly controls such Party. For the purpose of this definition, the term “control” means (i) the ownership of fifty per cent (50%) or more of the voting shares or the registered capital of an entity, (ii) being the single largest owner of the voting shares or the registered capital of an entity, (iii) having the power to appoint or elect a majority of the directors or the power to direct the management of an entity. For the avoidance of doubt, an Affiliate of Zhang International shall include each member of the Zhang’s Family and the entities which are controlled by (whether alone or jointly with another) any member of the Zhang’s Family;

“Articles”	means the articles of association of the Offeror as at the date of this announcement;
“associates”	has the meaning ascribed to it in the Takeovers Code;
“British Virgin Islands Companies Law”	means the BVI Business Companies Act 2004, as amended from time to time;
“Business Day”	means a full day on which the Stock Exchange is open for business of dealing in securities;
“CA Dairy”	means CA Dairy Holdings, a company incorporated under the laws of the Cayman Islands which is wholly owned by Carlyle Asia Partners III L.P. and CAP III Co-investment L.P.;
“CA Dairy Irrevocable Undertaking”	means the irrevocable undertaking dated June 17, 2013 given by CA Dairy in favour of the Offeror Parent and the Offeror;
“Cash and Share Option”	means the option to accept the Share Offer for consideration partly in cash and partly in Offeror Shares as defined in the section headed “The Offers” in this announcement;
“Cash Option”	means the option to accept the Share Offer for consideration fully in cash as defined in the section headed “The Offers” in this announcement;
“Cayman Islands Companies Law”	means the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Change of Control”	means, in respect of the Offeror, where the Offeror Parent ceases to have control of the Offeror and, in respect of the Target, when the Offeror ceases to have control of the Target. For the purposes of this definition, the term “control” means: (i) the ownership of fifty per cent (50%) or more of the voting shares of the Offeror or the Target (as the case requires), or (ii) having the power to appoint or elect a majority of the directors or the power to direct the management of the Offeror or of the Target (as the case requires);
“Closing Date”	means the date to be stated in the Composite Document as the first closing date of the Share Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive;

“Competing Business”	means the sourcing, manufacture, sale, distribution and promotion of dairy or dairy-based products, and the sourcing, manufacture, sale, distribution and promotion of soy milk or soy milk-based products in the PRC, Hong Kong, Taiwan, Macau and New Zealand during the Restricted Period;
“Completion”	means the completion of the sale and purchase of the Relevant Shares held by Zhang International and CA Dairy pursuant to the Share Offer;
“Composite Document”	means the composite document to be issued jointly by the Offeror Parent, the Offeror and the Target to all Shareholders and Optionholders in connection with the Share Offer and the Option Offer and in accordance with the Takeovers Code which will contain, inter alia, details of the Share Offer, the terms and conditions of the Share Offer, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser in respect of the Share Offer and the Option Offer;
“Concert Parties”	means parties acting in concert with the person or party as specified as determined in accordance with the Takeovers Code;
“Conditions”	means the conditions of the Share Offer, as set out under the section headed “Conditions to the Share Offer” of this announcement;
“Connected Person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Connected Transaction”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Consent(s)”	means any consent, approval, authorisation, qualification, waiver, permit, grant, franchise, concession, agreement, licence, exemption or order of, registration, certificate, declaration or permission from, or filing with, or report or notice to, any Relevant Authority(ies) or third parties, including those required under or in relation to any concession rights or licences granted by the Relevant Authority(ies) or third parties to the Target Group to carry out its operations, whether under applicable laws or regulations, any agreement or arrangement with such Relevant Authority(ies) or third parties, or otherwise;

“Despatch Date”	means the date of despatch of the Composite Document and the formal document containing details of the Option Offer;
“EGM”	means an extraordinary general meeting of the Offeror Parent to be convened for the purpose of considering and, if thought fit, approving the making of the Offers, the Irrevocable Undertaking and the transactions contemplated thereunder;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“First Vesting Date”	means January 1, 2011;
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“HSBC”	means The Hongkong and Shanghai Banking Corporation Limited, an institution registered under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), one of the joint financial advisers to the Offeror Group in relation to the Offers;
“HSBC Group”	means HSBC, the joint financial adviser to the Offeror Group, and its affiliates (other than those members having exempt principal trader or exempt fund manager status);
“Independent Board Committee”	means an independent committee of the Target Board comprising all the independent non-executive directors of the Target, namely, Mr. Yu Shimao, Mr. Chen Yongquan, Mr. Samuel King On Wong and Mr. Liu Jinting;
“Independent Financial Adviser”	means Somerley Limited, the independent financial adviser to the Independent Board Committee in connection with the Share Offer and Option Offer. Somerley Limited is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong);

“Irrevocable Undertakings”	means, collectively, the CA Dairy Irrevocable Undertaking and the Zhang Irrevocable Undertaking and “Irrevocable Undertaking” means any one of them;
“Last Trading Date”	means June 11, 2013, being the last full trading date prior to the suspension of trading in the Shares on the Stock Exchange pending the publication of this announcement;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Maximum Interest”	means the maximum interest in the Offeror’s enlarged issued shares that may be held by the Accepting Shareholders;
“Memorandum”	means the memorandum of association of the Offeror;
“New Articles”	means the new articles of association of the Offeror to be adopted on or before close of the Offers which are required to give effect to the rights of the lenders under the external financing agreement in respect of the Offers to be entered into by such lenders and the Offeror Parent;
“New Listco”	has the meaning ascribed to it in the section headed “Compulsory Acquisition and Withdrawal of Listing” in this announcement;
“Offer Period”	has the meaning given to it in the Takeovers Code;
“Offeror”	means China Mengniu International Company Limited;
“Offeror Group”	means the Offeror Parent and its subsidiaries including, in particular, the Offeror;
“Offeror Parent”	means China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 2319);
“Offeror Share”	means each ordinary share in the issued share capital of the Offeror, details of which are set out in the section headed “Information on the Offeror” of this announcement;
“Offers”	means the Share Offer and the Option Offer;
“Option Offer”	means the proposal to be made by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in accordance with the terms and conditions set out in this announcement;

“Optionholders”	means the holders of the Options;
“Options”	means share options granted by the Target pursuant to the Pre-IPO Share Option Scheme or the Share Option Scheme, whether vested or not;
“PRC”	means the People’s Republic of China (excluding Hong Kong, Macau and Taiwan);
“Pre-IPO Share Option Scheme”	means the share option scheme adopted by the Target on October 8, 2010, as amended from time to time, which replaces the share options originally granted by Yashili (Guangdong) to the grantees on January 1, 2009 and August 1, 2010;
“Relevant Authority(ies)”	means any relevant government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution;
“Relevant Offeror Shares”	has the meaning ascribed to it in the section headed “Compulsory Acquisition and Withdrawal of Listing” in this announcement;
“Relevant Shareholders”	has the meaning ascribed to it in the section headed “Compulsory Acquisition and Withdrawal of Listing” in this announcement;
“Relevant Shares”	means the 1,826,808,760 Shares held by Zhang International and the 853,631,240 Shares held by CA Dairy as at the date of the Irrevocable Undertakings, collectively representing approximately 75.3% of the issued share capital of the Target, as at the Last Trading Date;
“Restricted Period”	means the period commencing immediately after Completion during which a person who has been proposed by Zhang International and appointed as a director of the Target remains as a director of the Target and for two (2) years from the date that such person ceases to be a director of the Target;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“Share Offer”	means the conditional voluntary offer by the Offeror to acquire all of the outstanding Shares in accordance with the terms and conditions set out in this announcement;

“Share Offer Price”	means the price at which the Cash Option of the Share Offer will be made available to Shareholders as part of the terms of the Share Offer, being HK\$3.50 per Share;
“Share Option Scheme”	means the share option scheme adopted by the Target on October 8, 2010, as amended from time to time, under which an Option may be exercised during a period not exceeding ten (10) years from the date of the relevant grant;
“Shareholder”	means a registered holder for the time being of Share(s);
“Shares”	means ordinary shares of HK\$0.10 each in the issued share capital of the Target;
“Standard Chartered”	means Standard Chartered Bank (Hong Kong) Limited, one of the joint financial advisers to the Offeror Group in relation to the Offers, a licensed corporation under the Securities and Futures Ordinance, licensed to carry out for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscriber Share”	means the one (1) share in the Offeror that was subscribed by the Offeror Parent upon the incorporation of the Offeror;
“subsidiaries”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	means The Codes on Takeovers and Mergers and Share Repurchases published by the SFC;
“Target”	means Yashili International Holdings Ltd, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 1230);
“Target Board”	means the board of directors of the Target;
“Target Group”	means the Target and its subsidiaries;

“UBS”	means UBS AG, acting through its Hong Kong branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), the lead financial adviser to the Offeror Group in relation to the Offers;
“Unconditional Date”	means the date on which the Offers become or are declared unconditional in all respects;
“Yashili (Guangdong)”	means 廣東雅士利集團有限公司 (Guangdong Yashili Group Company Limited), a subsidiary of the Target incorporated in the PRC;
“Zhang’s Family”	means, collectively, Mr. Zhang Lihui (張利輝), Mr. Zhang Likun (張利坤), Mr. Zhang Liming (張利明), Mr. Zhang Lidian (張利鈿), Mr. Zhang Libo (張利波), Mr. Zhang Yanpeng (張雁鵬) and Ms. She Lifang (佘麗芳);
“Zhang International”	means Zhang International Investment Ltd. (張氏國際投資有限公司), a limited liability company incorporated on May 25, 2010 under the laws of the British Virgin Islands, owned as to 18% by Mr. Zhang Lihui, 18% by Mr. Zhang Likun, 18% by Mr. Zhang Liming, 18% by Mr. Zhang Lidian, 18% by Mr. Zhang Libo and 10% by Ms. She Lifang, and engages in investment holding;
“Zhang International Lock-Up”	has the meaning ascribed to it under the section headed “Lock-Up Period” of this announcement;
“Zhang Irrevocable Undertaking”	means the irrevocable undertaking dated June 17, 2013 given by Zhang International in favour of the Offeror Parent and the Offeror; and
“%”	means per cent.

By order of the board of directors of
China Mengniu Dairy Company Limited

中國蒙牛乳業有限公司

Sun Yiping

Chief Executive Officer and Executive Director

By order of the board of directors of
Yashili International Holdings Ltd

雅士利國際控股有限公司

Zhang Lidian

Chairman

By order of the board of directors of
China Mengniu International Company Limited

Wu Jingshui

Director

Hong Kong, June 18, 2013

The directors of Offeror Parent jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than that expressed by the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than that expressed by the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of the Target jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Offeror Parent, the Offeror and their Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than that expressed by the Offeror Parent, the Offeror and their Concert Parties) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the board of the Offeror Parent comprises: Ms. Sun Yiping, Mr. Bai Ying, Mr. Wu Jingshui and Mr. Ding Sheng as executive directors, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Niu Gensheng, Mr. Ma Jianping, Mr. Tim Ørting Jørgensen, Mr. Finn S. Hansen and Ms. Liu Ding as non-executive directors, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Liu Fuchun, Mr. Zhang Xiaoya, Mr. Andrew Y. Yan and Mr. Wu Kwok Keung Andrew as independent non-executive directors.

As at the date of this announcement, the board of directors of the Offeror comprises of Mr. Wu Jingshui and Mr. Kwok Wai Cheong.

As at the date of this announcement, the executive directors of the Target are Mr. Zhang Lidian (Chairman), Mr. Zhang Likun, Mr. Zhang Liming, Mr. Zhang Libo and Mr. Zhang Yanpeng; the non-executive directors of the Target are Mr. Chang Herman Hsiu-Guo and Mr. Zhang Chi; and the independent non-executive directors of the Target are Mr. Yu Shimao, Mr. Chen Yongquan, Mr. Samuel King On Wong and Mr. Liu Jinting.