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Yashili International Holdings Ltd China Mengniu Dairy Company Limited

雅士利國際控股有限公司

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1230)

(Stock Code: 2319)

**JOINT ANNOUNCEMENT
DISCLOSEABLE AND CONNECTED TRANSACTION OF YASHILI**

THE TRANSACTION

The board of directors of Yashili and the board of directors of Mengniu are pleased to announce that on January 5, 2014, Yashili (HK) and Yashili (Guangdong) entered into an Equity Transfer Agreement to sell 100% of the equity interests in Yashili (Zhengzhou) to Mengniu Investment and WhiteWave for a consideration of RMB376.66 million (equivalent to approximately HK\$482.90 million), payable in cash by the Purchasers to the Sellers on the Completion Date.

The principal asset of Yashili (Zhengzhou) is a factory located in Henan Province, PRC, which is currently under construction and will be principally engaged in the manufacture, packaging and distribution of nutritious products. The Purchasers will acquire Yashili (Zhengzhou) through the Joint Venture Company, which will be held as to 51% by Mengniu Investment and 49% by WhiteWave.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Disposal is over 5% but less than 25% for Yashili, the Disposal constitutes a discloseable transaction for Yashili under Chapter 14 of the Listing Rules.

Mengniu International, a subsidiary of Mengniu, holds 76.58% of the shares of Yashili and is a substantial shareholder of Yashili. Therefore, Mengniu is a connected person of Yashili. The Joint Venture Company will be an indirect subsidiary of Mengniu and an associate of Mengniu. Accordingly, the Disposal constitutes a connected transaction of Yashili pursuant to Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, WhiteWave and its associates are third parties independent of Yashili and connected persons of Yashili.

* For the purpose of identification only

An Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the Disposal, and Somerley has been appointed as Yashili's independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether the Disposal is in the interests of Yashili and its Shareholders as a whole.

GENERAL

An EGM is currently scheduled to be held on February 18, 2014 during which an ordinary resolution will be proposed to the Shareholders to approve the Equity Transfer Agreement, the Disposal and all other transactions contemplated thereunder and all other documents that are necessary to effect the Disposal.

A circular containing, among other matters, (i) details of the Disposal; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders regarding the Disposal; (iv) a property valuation report prepared by RHL; and (v) a notice to convene the EGM will be despatched to the Shareholders on or before January 27, 2014.

As completion of the Disposal is subject to the fulfilment of certain conditions set forth in the Equity Transfer Agreement, the Disposal may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

INTRODUCTION

The board of directors of Yashili and the board of directors of Mengniu are pleased to announce that on January 5, 2014, Yashili (HK) and Yashili (Guangdong), entered into the Equity Transfer Agreement to sell 100% of the equity interests in Yashili (Zhengzhou) to Mengniu Investment and WhiteWave for a consideration of RMB376.66 million (equivalent to approximately HK\$482.90 million).

The principal asset of Yashili (Zhengzhou) is a factory located in Henan Province, PRC, which is currently under construction and will be principally engaged in the manufacture, packaging and distribution of nutritious products. The Purchasers will acquire Yashili (Zhengzhou) through the Joint Venture Company, which will be held as to 51% by Mengniu Investment and 49% by WhiteWave.

Completion is subject to the fulfillment (or waiver, as the case may be) of the Conditions Precedent.

THE EQUITY TRANSFER AGREEMENT

Date

January 5, 2014

Parties

- Sellers : 1. Yashili (HK); and
2. Yashili (Guangdong)
- Purchasers : 1. Mengniu Investment; and
2. WhiteWave

The Joint Venture Company

It is contemplated that the Purchasers will acquire Yashili (Zhengzhou) through the Joint Venture Company, which will be held as to 51% by Mengniu Investment and 49% by WhiteWave. The Joint Venture Company is being established for the purpose of, among others, the acquisition of Yashili (Zhengzhou) and the manufacture, packaging and distribution of nutritious products.

Upon the formation of the Joint Venture Company, and as a condition to Completion, the Purchasers will procure that the Joint Venture Company sign an equity transfer agreement on substantially same terms and conditions as those of the Equity Transfer Agreement, pursuant to which the Joint Venture Company accepts and assumes all rights and obligations of the Purchasers under the Equity Transfer Agreement and the Purchasers' obligations and liabilities shall be released.

Subject of the Disposal

Pursuant to the Equity Transfer Agreement, the Sellers conditionally agreed to sell and the Purchasers conditionally agreed to acquire, through the Joint Venture Company, 100% of the issued share capital in Yashili (Zhengzhou). Further details of Yashili (Zhengzhou) are set forth in the section entitled "Information on Yashili (Zhengzhou)" below.

Consideration and Payment Terms

The consideration for the Disposal is RMB376.66 million (equivalent to approximately HK\$482.90 million), payable in cash by the Purchasers to the Sellers on the Completion Date. The consideration of the Disposal was determined on the basis of normal commercial terms and arm's length negotiation among the Purchasers and the Sellers, and taking into account the appraised value of Yashili (Zhengzhou) determined by an independent third party valuer. There is an outstanding interest-free loan of an aggregate principal amount of RMB87.47 million provided by Yashili (Guangdong) to Yashili (Zhengzhou) as of the date of this joint announcement which will be repaid in full within two days after Completion.

Conditions Precedent

Completion of the Equity Transfer Agreement is conditional upon the satisfaction of each of the following conditions:

- (i) approval of the Disposal by the Shareholders and the Stock Exchange in accordance with the articles of association of Yashili and applicable Listing Rules having been obtained;
- (ii) approval of the Disposal by the Administration Committee of Zhengzhou National Economic and Technical Development Zone having been obtained;
- (iii) each Seller has performed all of its obligations prior to Completion under the Equity Transfer Agreement, and its representations and warranties contained in the Equity Transfer Agreement are true and accurate as of the Completion Date as if they are made as of such date;
- (iv) the Purchasers have appointed directors to the board of directors of Yashili (Zhengzhou);
- (v) there has been no fact, event or circumstance that has or would reasonably be expected to have a material adverse effect on the assets or liabilities of Yashili (Zhengzhou), provided that, any fact, event or circumstance that (A) is directly caused by any action expressly consented to in writing by each Purchaser, or (B) has an adverse effect on the assets or liabilities of Yashili (Zhengzhou) in the amount of less than RMB10 million, shall not be deemed to be a material adverse effect;
- (vi) the Joint Venture Company has been duly incorporated under the laws of the PRC, has received its business license and is ready to acquire the equity interests in Yashili (Zhengzhou); and
- (vii) the Joint Venture Company and the Sellers have entered into an equity purchase agreement under the same terms and conditions as those set forth in the Equity Transfer Agreement and substantially in the same form as the Equity Transfer Agreement, pursuant to which the Joint Venture Company accepts and assumes all rights and obligations of the Purchasers under the Equity Transfer Agreement and all obligations and liabilities of the Purchasers under the Equity Transfer Agreement shall be released.

Conditions Precedent (iii) to (v) may only be waived by the Purchasers acting jointly. All the other Conditions Precedent may not be waived.

Long Stop Date and Termination

If Completion does not occur within nine months after the date of the Equity Transfer Agreement, the Equity Transfer Agreement shall terminate automatically and have no further force and effect.

Termination Fee

If Completion does not occur on or prior to the Long Stop Date due to any reason attributable to the Purchasers including without limitation Condition Precedent (vi) is not satisfied for whatever reason, but Condition Precedent (i) has been satisfied, each Purchaser shall, severally and not jointly, pay a termination fee of RMB1.5 million to the Sellers. The payment of such termination fee by the Purchasers shall not preclude the Sellers from seeking damages if the Purchasers breach their undertaking that each of them will not, without the prior written consent of the Sellers, during their respective visits to the sites of Yashili (Zhengzhou), modify or change any physical assets of Yashili (Zhengzhou) which causes physical damage to such assets.

Completion

Completion will take place no later than the 25th Business Day following the satisfaction (or waiver, if applicable) of each of the Conditions Precedent.

Upon Completion, Yashili (Zhengzhou) will no longer be a subsidiary of Yashili and accordingly, its results, assets and liabilities will not be consolidated into the financial statements of Yashili after Completion.

Transitional Arrangements

To fulfil Yashili's obligation pursuant to the Equity Transfer Agreement to ensure a smooth transition of Yashili (Zhengzhou) to the Joint Venture Company, Yashili (Guangdong) will provide additional loans of an aggregate principal amount of no more than RMB40 million to Yashili (Zhengzhou) prior to Completion to support the ongoing operations of Yashili (Zhengzhou) during the transitional period prior to Completion. Such loans shall be used to repay existing construction payables with respect to the construction of the production facility in Zhengzhou and shall bear interest from the date such loan is drawn down to the Completion Date at the rate equal to the benchmark interest rate published by The People's Bank of China at the date of signing of the Equity Transfer Agreement for loans of 6 months. Such loans will be fully drawn down prior to the Completion Date. The principal and interests of such loans shall be due and payable in full at Completion and will not be extended thereafter.

INFORMATION ON YASHILI (ZHENGZHOU)

Yashili (Zhengzhou) is a sino-foreign equity joint venture enterprise incorporated in the PRC. The shareholders of Yashili (Zhengzhou) are Yashili (HK) and Yashili (Guangdong), which own 90% and 10% of the issued share capital of Yashili (Zhengzhou), respectively.

According to the audited financial statements of Yashili (Zhengzhou) prepared in accordance with the PRC Accounting Standards for Business Enterprises, the total asset value and the net asset value of Yashili (Zhengzhou) as at September 30, 2013 were approximately RMB480.18 million and RMB339.79 million, respectively.

According to the audited financial statements of Yashili (Zhengzhou) prepared in accordance with the PRC Accounting Standards for Business Enterprises, the net profits before and after taxation and extraordinary items of Yashili (Zhengzhou) for the years ended December 31, 2011, December 31, 2012 and the nine months ended September 30, 2013 are as follows:

RMB (in thousands)	2011 (full year)	2012 (full year)	The nine months ended September 30, 2013
Profit before taxation and extraordinary items	1,010	1,205	(8,072)
Profit after taxation and extraordinary items	(437)	(169)	(8,072)

INFORMATION ON YASHILI, MENGNIU INVESTMENT AND WHITEWAVE

Yashili is an investment holding company, which, along with its subsidiaries, is primarily engaged in the manufacturing and selling of dairy and nourishment products. It operates in four segments in China: (i) Yashili pediatric milk formula products segment; (ii) Scient pediatric milk formula products segment; (iii) nutrition products segment and (iv) other segments, including the production and sale of packing materials and sale of surplus raw materials. Yashili is a leading player in China's paediatric milk formula industry, and also has a leading position in the soymilk powder market in China. As at the date of this joint announcement, approximately 76.58% of the issued share capital of Yashili is held by Mengniu International. Yashili (HK) is a wholly-owned subsidiary of Yashili. Yashili (Guangdong) is a wholly-owned subsidiary of Yashili (HK).

Mengniu Investment, a wholly-owned subsidiary of Mengniu, is a Hong Kong incorporated company and its principal activity is investment holding.

WhiteWave, a wholly-owned subsidiary of The WhiteWave Foods Company (a company incorporated in Delaware with its shares listed on the New York Stock Exchange) is a Hong Kong incorporated company which is engaged in the transaction and businesses described herein and other transactions and businesses as approved by its directors.

REASONS AND BENEFITS FOR THE DISPOSAL

The Disposal allows Yashili and Mengniu to focus on their respective primary businesses, namely manufacturing and distribution of milk powder products for Yashili, and manufacturing and distribution of liquid-form dairy products for Mengniu. Yashili is also able to realize the value in its non-core nutritious drinks business through the Disposal.

The Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The net proceeds (after deducting the estimated expenses for the Disposal) arising from the Disposal are expected to be approximately RMB370.57 million (equivalent to approximately HK\$475.09 million). Yashili intends to utilize the net proceeds from the Disposal as working capital and to expand its milk powder business.

The expected net gain to be derived by Yashili from the Disposal will amount to approximately RMB30.78 million (equivalent to approximately HK\$39.46 million), which represents the difference between (1) the net proceeds of approximately RMB370.57 million (equivalent to approximately HK\$475.09 million) (after deducting the estimated expenses for the Disposal) arising from the Disposal; and (2) the net asset value of Yashili (Zhengzhou) of approximately RMB339.79 million (equivalent to approximately HK\$435.63 million) in the audited financial statements of Yashili (Zhengzhou) as at September 30, 2013. Such calculation is only an estimate provided for illustrative purpose and the accounting treatment of the Disposal will be further discussed with auditors of Yashili.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Disposal is over 5% but less than 25% for Yashili, the Disposal constitutes a discloseable transaction for Yashili under Chapter 14 of the Listing Rules.

Mengniu International, a subsidiary of Mengniu, holds 76.58% of the shares of Yashili and is a substantial shareholder of Yashili. Therefore, Mengniu is a connected person of Yashili. The Joint Venture Company will be an indirect subsidiary of Mengniu and an associate of Mengniu. Accordingly, the Disposal constitutes a connected transaction of Yashili pursuant to Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, WhiteWave and The WhiteWave Foods Company are third parties independent of Yashili and connected persons of Yashili.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the Disposal, and Somerley has been appointed as Yashili's independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether the Disposal is in the interests of Yashili and its Shareholders as a whole.

GENERAL

An EGM is currently scheduled to be held on February 18, 2014 during which an ordinary resolution will be proposed to the Shareholders to approve the Equity Transfer Agreement, the Disposal and all other transactions contemplated thereunder and all other documents that are necessary to effect the Disposal.

A circular containing, among other matters, (i) details of the Disposal; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders regarding the Disposal; (iv) a property valuation report prepared by RHL; and (v) a notice to convene the EGM will be despatched to the Shareholders on or before January 27, 2014.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, other than Mengniu International and its associates, no other Shareholder will be required to abstain from voting on the resolution for approving the Disposal at the EGM.

As completion of the Disposal is subject to the fulfilment of certain conditions set forth in the Equity Transfer Agreement, the Disposal may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it by the Listing Rules
“Business Day”	any normal working day other than a Saturday, Sunday or a statutory holiday in the PRC or Hong Kong
“Completion”	completion of the Disposal
“Completion Date”	no later than the 25th Business Day following the satisfaction (or waiver, if applicable) of each of the Conditions Precedent of the Equity Transfer Agreement
“Conditions Precedent”	the conditions precedent mentioned in the section headed “Conditions Precedent” herein
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Director(s)”	the director(s) of Yashili
“Disposal”	the sale of 100% of the equity interests in Yashili (Zhengzhou) by the Sellers to the Purchasers (to be held through the Joint Venture Company) for a consideration of RMB376.66 million (equivalent to approximately HK\$482.90 million), payable in cash by the Purchasers to the Sellers on the Completion Date
“EGM”	the extraordinary general meeting of Yashili to be convened to consider and, if thought fit, to approve the Equity Transfer Agreement, the Disposal and all other transactions contemplated thereunder and all other documents that are necessary to effect the Disposal

“Equity Transfer Agreement”	the equity transfer agreement entered into on January 5, 2014, between the Sellers and the Purchasers in relation to the Disposal and as amended and/or supplemented upon the Joint Venture Company having been duly incorporated and formed whereby (i) the Joint Venture Company will assume all rights and obligations of the Purchasers under the Equity Transfer Agreement and (ii) the Purchasers shall be released from all of their obligations and liabilities under the Equity Transfer Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the board of directors of Yashili comprising all independent non-executive Directors, namely Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway
“Independent Shareholder(s)”	Shareholder(s) of the Yashili other than Mengniu International and its associates
“Joint Venture Company”	the joint venture company to be incorporated under the laws of the PRC by the Purchasers which is expected to be held as to 51% by Mengniu Investment and 49% by WhiteWave
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mengniu”	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)
“Mengniu International”	China Mengniu International Company Limited, a company incorporated in the British Virgin Islands, which is a substantial shareholder of Yashili holding 76.58% of the issued share capital of Yashili

“Mengniu Investment”	China Mengniu Investment Co. Ltd., a company incorporated in Hong Kong and a wholly-owned subsidiary of Mengniu
“percentage ratio(s)”	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC” or “China”	the People’s Republic of China, not including Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China for the purpose of this joint announcement
“Purchaser(s)”	Mengniu Investment and WhiteWave (each, a “Purchaser”)
“RHL”	RHL Appraisal Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Seller(s)”	Yashili (HK) and Yashili (Guangdong) (each, a “Seller”)
“Shareholder(s)”	person(s) whose name(s) appear on the register of members of the Yashili as registered holder(s) of Share(s)
“Share(s)”	the share(s) of Yashili
“Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Disposal. Somerley is a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules
“subsidiaries”	has the meaning ascribed to it by the Listing Rules
“WhiteWave”	WhiteWave Hong Kong Ltd., a company incorporated in Hong Kong

“Yashili”	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)
“Yashili (Guangdong)”	雅士利國際集團有限公司 (Yashili International Group Limited*), a company incorporated in the PRC, which was originally established as a limited liability company known as 廣東雅士利集團有限公司 (Guangdong Yashili Group Company Limited*) on March 6, 1998 then (i) converted into a joint stock company on March 30, 2008, (ii) converted into a sino-foreign equity joint venture limited liability company on July 1, 2010, (iii) converted into a wholly foreign-owned limited liability company on July 5, 2010 and (iv) changed its name to 雅士利國際集團有限公司 (Yashili International Group Co. Ltd.*) on July 5, 2013
“Yashili (HK)”	Yashili International Group Limited, a company incorporated in Hong Kong
“Yashili (Zhengzhou)”	雅士利(鄭州)營養品有限公司 (Yashili (Zhengzhou) Nourishment Co., Ltd.*), a sino-foreign equity joint venture enterprise of which 90% of the issued share capital is owned by Yashili (HK) and 10% of the issued share capital is owned by Yashili (Guangdong)
“%”	per cent

* *English names of the PRC entities are the literal translations of their Chinese names and are included for identification purposes only.*

* *This joint announcement contains conversion between Renminbi and Hong Kong dollars at RMB0.78 to HK\$1.00. The conversion shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.*

By order of the board of directors of
Yashili International Holdings Ltd
 雅士利國際控股有限公司
Sun Yiping
 Chairman

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

Hong Kong, January 6, 2014

As at the date of this joint announcement, the board of directors of Yashili comprises: Ms. Sun Yiping (Chairman), Mr. Ding Sheng and Mr. Wu Jingshui as non-executive directors; Mr. Li Dongming, Mr. Zhang Lidian and Mr. Zhang Yanpeng as executive directors; and Mr. Cheng Shoutai, Mr. Mok Wai Bun Ben and Mr. Lee Kong Wai Conway as independent non-executive directors.

As at the date of this joint announcement, the board of directors of Mengniu comprises: Ms. Sun Yiping, Mr. Bai Ying and Mr. Wu Jingshui as executive directors, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Niu Gensheng, Mr. Ma Jianping, Mr. Finn S. Hansen, Ms. Liu Ding and Mr. Christian Neu 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.

The English text of this joint announcement shall prevail over its Chinese text.