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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)**

**DISCLOSEABLE AND  
CONNECTED TRANSACTION –  
DEEMED DISPOSAL OF  
INTERESTS IN YASHILI**

**PROPOSED ISSUE OF  
NEW SHARES UNDER  
SPECIFIC MANDATE  
AND  
RESUMPTION OF TRADING**

**Financial Adviser to Yashili International Holdings Ltd**



**PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

On 30 October 2014, Yashili, Mengniu International and Danone Asia entered into the Subscription Agreement pursuant to which, among other things, Danone Asia has conditionally agreed to subscribe for and Yashili has conditionally agreed to allot and issue 1,186,390,074 Subscription Shares at the Subscription Price of HK\$3.70 per Subscription Share. The Subscription Shares allotted and issued to Danone Asia will be subject to the Lock-up Undertaking.

The 1,186,390,074 Subscription Shares represent 25% of the issued share capital of Yashili as enlarged by the allotment and issue of the 1,186,390,074 Subscription Shares (assuming that there is no change in the issued share capital of Yashili from the date of this joint announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)).

\* For identification purposes only

The aggregate gross proceeds of the Share Subscription will be HK\$4,389,643,273.80. The aggregate net proceeds of the Share Subscription, after deduction of expenses, are estimated to be approximately HK\$4,378,643,273.80, representing a net issue price of approximately HK\$3.69 per Subscription Share. Yashili intends to leverage on its strategic partnership with Danone Asia and utilize the net proceeds from the Share Subscription to expand and strengthen its IMF business, which may include strategic investments by Yashili with a view to enhancing Yashili's technology, brand, production capacity and distribution channels in the IMF industry.

The Share Subscription is subject to the Yashili Shareholders' approval at the Yashili EGM.

Application will be made by Yashili to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

A circular containing, among other things, (i) further information on the Share Subscription and Subscription Agreement and (ii) a notice convening the Yashili EGM will be despatched to the Yashili Shareholders in accordance with the Listing Rules.

#### **DISCLOSEABLE AND CONNECTED TRANSACTION – DEEMED DISPOSAL OF INTERESTS IN YASHILI**

Upon Completion, the interests of Mengniu in Yashili (through its shareholding interests in Mengniu International) will be diluted from approximately 68.05% to approximately 51.04%, and Yashili will remain as a subsidiary of Mengniu. Such dilution is treated as a deemed disposal of interests by Mengniu in its subsidiary under Rule 14.29 of the Listing Rules.

As the highest of the applicable percentage ratios set out in the Listing Rules is more than 5% but less than 25%, the Share Subscription contemplated under the Subscription Agreement constitutes a discloseable transaction for Mengniu under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Furthermore, associates of Mengniu and Danone Asia operate a group of joint venture companies, each of which is owned as to 80% by Mengniu and its associates and 20% by Danone Asia's associates. As such, Danone Asia is a connected person of Mengniu at the subsidiary level and hence, the Share Subscription also constitutes a connected transaction of Mengniu pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as the board of directors of Mengniu have approved the Share Subscription and the independent non-executive Mengniu Directors have confirmed that the terms of the Share Subscription are fair and reasonable, the Share Subscription is on normal commercial terms and in the interests of Mengniu and Mengniu Shareholders as a whole, the Share Subscription is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

**Completion is subject to the fulfillment of the conditions precedent in the Subscription Agreement. As the Share Subscription may or may not proceed, Yashili Shareholders, Mengniu Shareholders and potential investors are advised to exercise caution when dealing in the Yashili Shares and Mengniu Shares.**

### **RESUMPTION OF TRADING IN YASHILI SHARES**

Trading in the Yashili Shares was suspended at the request of Yashili with effect from 9:00 a.m. on 29 October 2014 pending the release of this joint announcement. An application has been made by Yashili to the Stock Exchange for the trading in the Yashili Shares to resume from 9:00 a.m. on 31 October 2014.

### **PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

On 30 October 2014, Yashili, Mengniu International and Danone Asia entered into the Subscription Agreement pursuant to which, among other things, Danone Asia has conditionally agreed to subscribe for and Yashili has conditionally agreed to allot and issue 1,186,390,074 Subscription Shares at the Subscription Price of HK\$3.70 per Subscription Share.

#### **Principal terms of the Subscription Agreement**

Date: 30 October 2014

Parties: (i) Yashili;  
(ii) Mengniu International; and  
(iii) Danone Asia

As at the date of this joint announcement, Danone Asia and its associates do not have any direct shareholdings in any Yashili Shares.

#### **Number of the Subscription Shares**

Pursuant to the Subscription Agreement, among other things, Yashili has conditionally agreed to allot and issue and Danone Asia has conditionally agreed to subscribe in cash of HK\$4,389,643,273.80 for a total of 1,186,390,074 Subscription Shares at the Subscription Price of HK\$3.70 per Subscription Share. The 1,186,390,074 Subscription Shares represent: (i) approximately 33.33% of the existing issued share capital of Yashili as at the date of this joint announcement; and (ii) 25% of the issued share capital of Yashili as enlarged by the allotment and issue of the 1,186,390,074 Subscription Shares (assuming that there is no change in the issued share capital of Yashili from the date of this joint announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)). The aggregate nominal value of the Subscription Shares is HK\$118,639,007.40.

## **The Subscription Price**

The Subscription Price of HK\$3.70 per Subscription Share represents:

- (i) a premium of approximately 16.72% over the closing price of HK\$3.17 per Yashili Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 29.73% over the average of the closing price of HK\$2.852 per Yashili Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 32.43% over the average of the closing price of HK\$2.794 per Yashili Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The net Subscription Price, after deducting all relevant costs and expenses of approximately HK\$11,000,000, is estimated to be approximately HK\$3.69 per Subscription Share.

The aggregate net Subscription Price represents approximately 51.85% of the unaudited consolidated net asset value of Yashili as at 30 June 2014 as enlarged by the net proceeds from the Share Subscription.

The Subscription Price was arrived at after arm's length negotiations between Yashili and Danone Asia with reference to, among other things, the historical share price performance, the financial position of the Yashili Group and the prospects of the IMF industry in the PRC. The Yashili Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of Yashili and the Yashili Shareholders as a whole.

The aggregate Subscription Price will be payable by Danone Asia in cash upon Completion.

## **Conditions of the Share Subscription**

The Share Subscription is conditional upon the following having been fulfilled or validly waived (as the case may be):

- (a) approval of the Share Subscription and the Specific Mandate, in accordance with the requirements of the Stock Exchange and the Listing Rules, having been obtained;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant a listing of and permission to deal in the Subscription Shares to be issued (and such listing and permission not being subsequently revoked prior to Completion);
- (c) there not having been any material breach of any of the representations and warranties referred to in the Subscription Agreement or any of the agreements, covenants and undertakings in the Subscription Agreement that are to be performed or complied with prior to Completion;

- (d) there not having occurred any material adverse effect from the date of the Subscription Agreement to Completion; and
- (e) the receipt by Danone Asia of all consents (collectively, the “**OIO Consent**”) required under the Overseas Investment Act 2005 (NZ) and the Overseas Investment Regulations 2005 (NZ) for Danone Asia to acquire the Yashili Subscription Shares pursuant to the Subscription Agreement.

The condition precedent set out in (c) may be waived by the party thereto which is not in breach of the relevant representation, warranty, covenant, agreement or undertaking. The condition precedent set out in (d) may only be waived by Danone Asia.

In the event that the conditions precedent of the Subscription Agreement are not fulfilled or validly waived on or before 31 March 2015, the Subscription Agreement (other than clauses regarding definitions and interpretation; confidentiality and announcements; costs and expenses; and general provisions) shall become null and void and of no further force and effect and no party thereto shall have any claim against the others except for antecedent breaches of the Subscription Agreement or pursuant to clauses regarding definitions and interpretation; confidentiality and announcements; costs and expenses; and general provisions.

### **Completion**

Completion will take place at 10:00 a.m. on the Completion Date.

If Completion does not take place by 27 February 2015, Yashili and Danone Asia shall discuss ways to proceed with the transactions contemplated under the Subscription Agreement and, notwithstanding anything contained in the Subscription Agreement to the contrary, shall fix a new Completion Date which shall not be later than 31 March 2015 by which date Completion must take place provided that the conditions (c) and (d) as mentioned above are satisfied or waived by the party entitled to waive such condition as at such Completion.

### **Lock-up undertakings**

Danone Asia undertakes to Yashili that during the Lock-up Period, without the prior written consent of Yashili, Danone Asia shall not Sell (and procure each of the Permitted Transferees not to Sell) any of the Subscription Shares except (a) to any direct or indirect wholly-owned subsidiary of Danone SA (the “**Permitted Transferees**”), or (b) in connection with any offer or proposal that is recommended by the Yashili Board to acquire the entire outstanding share capital of Yashili by any person or a group of persons acting in concert in a single or series of transactions.

### **Other major terms of the Subscription Agreement**

Pursuant to the Subscription Agreement, from and after the date of the Subscription Agreement, Danone Asia shall have the right to recommend the chief executive officer and other senior management positions of Yashili to the Yashili Board, which recommendations shall be considered in good faith by the Yashili Board.

Mengniu International agrees that, following the Completion, Danone Asia shall have the right to nominate at least a number of directors to the Yashili Board that is proportional to the sum of its direct shareholding percentage of Yashili and its indirect shareholding percentage of Yashili held through the Permitted Transferees (such nominees collectively, the “**Danone Director Nominees**”). For the avoidance of doubt, the foregoing mentioned shareholding percentage shall exclude such interest held by Danone SA through Mengniu. If and to the extent that such number of Danone Director Nominees so arrived is not a whole number but contains a decimal of equal to or less than 0.5, it shall be rounded down to the nearest integer, and if and to the extent that such number of Danone Director Nominees so arrived is not a whole number but contains a decimal of more than 0.5, it shall be rounded up to the nearest integer. Notwithstanding the foregoing, Danone Asia shall cease to have such right to nominate any number of directors to the Yashili Board if Danone Asia and the Permitted Transferees collectively cease to beneficially hold at least 10% of the entire outstanding issued share capital of Yashili.

Mengniu International agrees, and agrees to cause (i) each of its Associated Companies that hold or control any voting securities of Yashili, and (ii) its and their respective representatives on the Yashili Board (subject always to their fiduciary duty as Yashili Directors) to, support the nomination for appointment, replacement or re-election, as applicable, by Danone Asia and/or the Permitted Transferees of the Danone Director Nominees to the Yashili Board (including, without limitation, vote in favor of and cause such voting securities to be voted in favor of such nomination by Danone Asia and/or the Permitted Transferees and against any proposal by any person other than Danone Asia and/or the Permitted Transferees to remove any Danone Director Nominee from the Yashili Board).

From the date of the Subscription Agreement until Completion, Danone Asia shall use best endeavours to (and each of Yashili and Mengniu International shall reasonably cooperate with Danone Asia) obtain the OIO Consent as soon as possible and keep Yashili fully informed of the progress and status of obtaining the OIO Consent.

### **Ranking of the Subscription Shares**

The Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the other Yashili Shares in issue or to be issued by Yashili on or prior to the Completion Date.

### **Specific Mandate to allot and issue the Subscription Shares**

Yashili will seek the Specific Mandate from the Yashili Shareholders at the Yashili EGM for the allotment and issue of the Subscription Shares.

### **Application for listing**

Application will be made by Yashili to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.



## **REASONS FOR THE ISSUE OF THE SUBSCRIPTION SHARES AND USE OF PROCEEDS**

The aggregate gross proceeds of the Share Subscription will be HK\$4,389,643,273.80. The aggregate net proceeds of the Share Subscription, after deduction of expenses, are estimated to be approximately HK\$4,378,643,273.80, representing a net issue price of approximately HK\$3.69 per Subscription Share. Yashili intends to leverage on its strategic partnership with Danone Asia and utilize the net proceeds from the Share Subscription to expand and strengthen its IMF business, which may include strategic investments by Yashili with a view to enhancing Yashili's technology, brand, production capacity and distribution channels in the IMF industry.

The Share Subscription presents an opportunity to raise additional funds at a reasonable cost to support Yashili's development, while introducing Danone Asia as a strategic investor to Yashili in assisting the development of Yashili's IMF business in Greater China. Mengniu and Yashili will study the feasibility of the possible investments by Yashili in Dumex China, a subsidiary of the Danone Group, with a minority stake. However, as at the date of this joint announcement, no definitive agreement has been reached among the parties in relation to any potential strategic investments.

The Share Subscription allows Yashili to leverage on Danone's world-leading technology and expertise in the IMF industry in respect of quality, safety and consumer value which helps provide safe and high quality products to the consumers in the PRC in line with the PRC's national standards and thus develop excellent IMF business in Greater China.

The Yashili Directors (including the independent non-executive Yashili Directors) consider that the terms of the Subscription Agreement was entered into upon normal commercial terms following arm's length negotiations between Yashili and Danone Asia and that the terms of the Subscription Agreement are fair and reasonable and in the interests of Yashili and the Yashili Shareholders as a whole.

The Mengniu Directors (including the independent non-executive Mengniu Directors) are of the view that the terms of the Subscription Agreement are fair and reasonable and the Share Subscription was under normal commercial terms and in the interests of Mengniu and the Mengniu Shareholders as a whole.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF YASHILI

The shareholding structure of Yashili as at the date of this joint announcement and immediately after Completion (assuming that there is no change in the issued share capital of Yashili from the date of this joint announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)) are set out below:

Yashili Shareholders	As at the date of this joint announcement		Immediately after the Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mengniu International	2,422,150,437	68.05	2,422,150,437	51.04
Danone Asia	–	–	1,186,390,074	25.00
Other Yashili Shareholders	<u>1,137,019,785</u>	<u>31.95</u>	<u>1,137,019,785</u>	<u>23.96</u>
<b>Total</b>	<b><u>3,559,170,222</u></b>	<b><u>100.00%</u></b>	<b><u>4,745,560,296</u></b>	<b><u>100.00%</u></b>

## THE FINANCIAL IMPACT OF THE SHARE SUBSCRIPTION ON MENGNIU

As the decrease in interests of Mengniu in Yashili caused by the Share Subscription will not result in Mengniu losing its control over Yashili, therefore, Mengniu will not record any gain or loss in the consolidated statement of profit or loss from deemed disposal under International Financial Reporting Standards.

## FUND RAISING ACTIVITIES OF YASHILI IN THE PAST 12 MONTHS PRIOR TO THE DATE OF THIS JOINT ANNOUNCEMENT

Save as disclosed in this joint announcement, Yashili has not carried out other fund raising activities during the 12 months immediately preceding the date of this joint announcement.

## FURTHER INFORMATION RELATING TO MENGNIU GROUP, YASHILI GROUP AND DANONE GROUP

Mengniu is a company incorporated in the Cayman Islands with limited liability. The Mengniu Group is one of the leading dairy product manufacturers in PRC, principally engaged in manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

Mengniu International is a company incorporated in the British Virgin Islands and a subsidiary of Mengniu and is an investment holding company.



Yashili is an investment holding company, which, along with its subsidiaries, is primarily engaged in the manufacturing and selling of dairy and nourishment products. The Yashili Group operates in four segments in the PRC: (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 PRC's paediatric milk formula industry, and also has a leading position in the soymilk powder market in China.

The unaudited book value of net assets of Yashili as at 30 June 2014 is approximately RMB3,204,893,000. The consolidated financial information of Yashili for the two years ended 31 December 2012 and 31 December 2013 are as follows:

	<b>31 December 2012</b>	<b>31 December 2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net profit before taxation	646,324	576,717
Net profit after taxation	470,468	439,324

Danone Asia is a company incorporated under the laws of Singapore and is a wholly-owned subsidiary of Danone SA which is an international company present on five continents. The Danone Group holds top positions in healthy food through four businesses: fresh dairy products, waters, baby nutrition and medical nutrition.

As at the date of this joint announcement, Danone SA (through its interests in certain investment holding companies) has an approximate 9.9% effective economic interest in Mengniu. In addition, associates of Mengniu and associates of Danone Asia operate a group of joint ventures in the PRC for the production, promotion, marketing and sale of chilled yoghurt, chilled yoghurt drinks and chilled spoonable dairy based desserts. Each joint venture company is owned as to 80% by Mengniu and its associates and 20% by Danone Asia's associates. As such, Danone Asia is a connected person of Mengniu at the subsidiary level.

## **LISTING RULES IMPLICATIONS**

Upon Completion, the interests of Mengniu in Yashili (through its shareholding interests in Mengniu International) will be diluted from approximately 68.05% to approximately 51.04%, and Yashili will remain as a subsidiary of Mengniu. Such dilution is treated as a deemed disposal of interests by Mengniu in its subsidiary under Rule 14.29 of the Listing Rules.

As the highest of the applicable percentage ratios set out in the Listing Rules is more than 5% but less than 25%, the Share Subscription contemplated under the Subscription Agreement constitutes a discloseable transaction for Mengniu under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Furthermore, as Danone Asia is a connected person of Mengniu at the subsidiary level, the Share Subscription also constitutes a connected transaction of Mengniu pursuant to Chapter 14A of the Listing Rules.

Mr. Christian Neu, a non-executive Mengniu Director, is a strategic advisor to the Danone Group and may be considered to have a material interest in the Share Subscription. Accordingly, Mr. Christian Neu has abstained from voting on the board resolution approving the Share Subscription.

Pursuant to Rule 14A.101 of the Listing Rules, as the board of directors of Mengniu have approved the Share Subscription and the independent non-executive Mengniu Directors have confirmed that the terms of the Share Subscription are fair and reasonable, the Share Subscription is on normal commercial terms and in the interests of Mengniu and Mengniu Shareholders as a whole, the Share Subscription is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Share Subscription is subject to the Yashili Shareholders' approval at the Yashili EGM. The Yashili EGM will be convened at which resolution will be proposed to seek the approval of the Yashili Shareholders for the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. To the best of the Yashili Directors' knowledge, information and belief having making all reasonable enquiries, none of the Yashili Shareholders have any material interest in the Subscription Agreement and the transactions contemplated thereunder. Accordingly, no Yashili Shareholder is required to abstain from voting at the Yashili EGM to be convened to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

A circular containing, among other things, (i) further information on the Share Subscription and Subscription Agreement and (ii) a notice convening the Yashili EGM will be despatched to the Yashili Shareholders in accordance with the Listing Rules.

**Completion is subject to the fulfillment of the conditions precedent in the Subscription Agreement. As the Share Subscription may or may not proceed, Yashili Shareholders, Mengniu Shareholders and potential investors are advised to exercise caution when dealing in the Yashili Shares and Mengniu Shares.**

## **RESUMPTION OF TRADING IN YASHILI SHARES**

Trading in the Yashili Shares was suspended at the request of Yashili with effect from 9:00 a.m. on 29 October 2014 pending the release of this joint announcement. An application has been made by Yashili to the Stock Exchange for the trading in the Yashili Shares to resume from 9:00 a.m. on 31 October 2014.

## DEFINITIONS

Terms or expressions used in this joint announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Associated Company”	means in relation to any person, any person that directly or indirectly Controls such person or is directly or indirectly Controlled by such person, or any person that is under direct or indirect common Control with such person
“associates”	has the meaning ascribed to it under the Listing Rules
“Business Day”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks are generally open for business in France, Singapore and Hong Kong
“Completion”	the completion of the Share Subscription
“Completion Date”	means the fifth Business Day after the date upon which the conditions precedent as set out in the Subscription Agreement to be satisfied shall have been so satisfied or validly waived (other than such conditions precedent that by their terms are to be satisfied at Completion), or such other date as the parties to the Subscription Agreement may agree in writing and in any event shall not be later than 31 March 2015
“Control”	means the beneficial ownership of 50% or more of the entire outstanding issued share capital or voting power of a person or right to nominate a majority of the board of directors or any equivalent authority of such person, and “Controlled” and “Controlling” shall be construed accordingly
“Danone Asia”	Danone Asia Baby Nutrition Pte. Ltd., a company established and existing under the laws of Singapore
“Danone Director Nominee”	has the meaning given to it in the section headed “Other major terms of the Subscription Agreement” of this joint announcement
“Danone Group”	Danone SA, Danone Asia and other companies directly or indirectly controlled by Danone SA

“Danone SA”	means Danone SA, a company incorporated under the laws of France whose registered office is at 17 Boulevard Haussmann, Paris 75009, France
“Encumbrances”	means any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“IMF”	infant milk formula
“Last Trading Day”	28 October 2014, being the last day on which the Yashili Shares were traded on the Stock Exchange prior to the suspension of trading in the Yashili Shares pending the release of this joint announcement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	means the period from the date of the Subscription Agreement and ending on the earlier to occur of (a) the third anniversary of the date of the Subscription Agreement, and (b) Mengniu beneficially holds less than 40% of the entire outstanding share capital or voting power of Yashili
“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 Directors”	the directors of Mengniu
“Mengniu Group”	Mengniu and its subsidiaries

“Mengniu International”	China Mengniu International Company Limited, a company incorporated in the British Virgin Islands and a subsidiary of Mengniu. As at the date of this joint announcement, it is a substantial shareholder of Yashili, holding approximately 68.05% of the issued share capital of Yashili
“Mengniu Shareholders”	holders of the issued Mengniu Shares
“Mengniu Shares”	ordinary share(s) of HK\$0.10 each in the issued share capital of Mengniu
“OIO Consent”	has the meaning given to it in the section headed “Conditions of the Share Subscription” of this joint announcement
“percentage ratio”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“Permitted Transferees”	has the meaning given to it in the section headed “Lock-up undertakings” of this joint announcement
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sell”	in relation to the Subscription Shares, means any of the following: (a) sell, assign, transfer or otherwise dispose of, or grant any option over, any Subscription Shares or any of Danone Asia’s interest in the Subscription Shares; (b) create or permit to subsist any Encumbrance over any Subscription Shares or any of Danone Asia’s interest in the Subscription Shares; (c) enter into any agreement in respect of the votes or any other rights attached to any Subscription Shares or any of Danone Asia’s interest in the Subscription Shares; or (d) renounce or assign any right to receive any Subscription Shares
“Share Subscription”	the subscription for the 1,186,390,074 Subscription Shares by Danone Asia pursuant to the terms of the Subscription Agreement

“Specific Mandate”	the specific mandate to be obtained from the Yashili Shareholders at the Yashili EGM to allot and issue the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 30 October 2014 and entered into between Yashili, Mengniu International and Danone Asia relating to the Share Subscription
“Subscription Price”	the subscription price of HK\$3.70 per Subscription Share
“Subscription Share(s)”	1,186,390,074 new Yashili Shares to be subscribed by Danone Asia pursuant to the Subscription Agreement
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Yashili”	Yashili International Holdings Ltd, a company incorporated in the Cayman Islands with limited liability and with its shares listed on the Main board of the Stock Exchange (stock code: 1230)
“Yashili Board”	the board of directors of Yashili
“Yashili Directors”	the directors of Yashili
“Yashili EGM”	the extraordinary general meeting of Yashili to be convened to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares
“Yashili Group”	Yashili and its subsidiaries
“Yashili Shareholders”	holders of the issued Yashili Shares
“Yashili Shares”	ordinary share(s) of HK\$0.10 each in the issued share capital of Yashili
“%”	per cent.

Unless otherwise defined, for the purpose of this joint announcement and for the purpose of illustration only, RMB amounts have been translated using the following rates HK\$1:RMB0.7881.

Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

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  
**Sun Yiping**  
*Chairman*

Hong Kong, 31 October 2014

*As at the date of this joint announcement, the board of directors of Mengniu comprises: Ms. Sun Yiping and Mr. Bai Ying as executive directors, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Niu Gensheng, 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. Zhang Xiaoya, Mr. Wu Kwok Keung Andrew and Dr. Liao Jianwen as independent non-executive directors.*

*As at the date of this joint announcement, the board of directors of Yashili comprises: Ms. Sun Yiping (Chairman), Mr. Bai Ying 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. Lee Kong Wai Conway, and Mr. Mok Wai Bun Ben as independent non-executive directors.*

\* *For identification purposes only*