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蒙牛

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)

ACQUISITION OF EQUITY INTEREST IN SUBSIDIARY

DISCLOSEABLE TRANSACTION

China Dairy (Mauritius), a wholly-owned subsidiary of the Company, has on 31 December 2014 entered into the Equity Interest Transfer Agreement to acquire approximately 6.6862% equity interest in IM Mengniu from the Sellers for an aggregate consideration of approximately RMB2,505,731,983 in cash.

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

The Board announces that on 31 December 2014, China Dairy (Mauritius), a wholly-owned subsidiary of the Company entered into the Equity Interest Transfer Agreement with the Sellers, under which China Dairy (Mauritius) has conditionally agreed to acquire the Sale Interest for an aggregate cash consideration of approximately RMB2,505,731,983 (equivalent to approximately HK\$3,162,166,029), payable within 10 business days of the obtaining of the MOC Approvals in relation to the Acquisition. As at the date of this announcement, the Company is interested in directly and indirectly through China Dairy (Mauritius), approximately 93.2913% shareholding interest of IM Mengniu, which is the main operating subsidiary of the Group.

* For identification purposes only

The details of the Equity Interest Transfer Agreement are set out as follows:

EQUITY INTEREST TRANSFER AGREEMENT DATED 31 DECEMBER 2014

Sellers

- (1) Laoniu Foundation (老牛基金會), a non-profit making social organization established in Inner Mongolia, the PRC, which engages in charity work in the local community and is under the administration of the civil affairs department of the government of Inner Mongolia Autonomous Region
- (2) Bai Ying (白瑛), an executive Director and a connected person of the Company
- (3) Yang Wenjun (楊文俊)
- (4) Wang Fuzhu (王福柱)
- (5) Lu Jun (盧俊)
- (6) Sun Xianhong (孫先紅)
- (7) Sun Yubin (孫玉斌)
- (8) Bai Jun (白君), and
- (9) Deng Jiuqiang (鄧九強)

Yang Wenjun, Lu Jun, Sun Xianhong, Sun Yubin, Bai Jun and Deng Jiuqiang were, amongst others, the founding individuals of the Group and used to be, collectively with others as a group, the controlling shareholders of the Company. They currently do not have any directorship in the Group and they did not hold any directorship within the preceding 12 months of this announcement. As at the date of this announcement, they individually and collectively hold less than 2% of the issued Shares. Save for Bai Ying who is a connected person of the Company, all other Sellers are third parties independent of and not connected with the Company and its connected persons.

Purchaser

China Dairy (Mauritius)

Sale Interest

Approximately 6.6862% of the entire equity interest of IM Mengniu

Consideration

The aggregate consideration for the Acquisition is approximately RMB2,505,731,983 (equivalent to approximately HK\$3,162,166,029), payable by China Dairy (Mauritius) in cash using internal resources of the Group within 10 business days of the obtaining of the MOC Approvals in relation to the Acquisition.

The respective Sale Interest to be transferred by and the consideration payable to each of the Sellers are set out in the following table:

Seller	Respective Sale Interest (as a percentage of total equity interest of IM Mengniu)	Consideration payable by the Company (RMB)
Laoniu Foundation	4.6306%	1,735,388,934
Bai Ying	0.0075%	2,791,492
Yang Wenjun	0.2998%	112,368,713
Wang Fuzhu	0.1401%	52,511,520
Lu Jun	0.2277%	85,328,184
Sun Xianhong	0.2213%	82,941,302
Sun Yubin	0.4984%	186,771,137
Bai Jun	0.1119%	41,928,513
Deng Jiuqiang	0.5489%	205,702,188
Total	6.6862%	2,505,731,983

The aggregate consideration of the Sale Interest has been determined by the Sellers and China Dairy (Mauritius) on arm's length basis with reference to their respective shareholding of approximately 6.6862% in IM Mengniu, the historical profit contribution of the net profit attributable to owners of IM Mengniu to the net profit attributable to owners of the Company of approximately 74.3%, the historical average trading price of the Shares as quoted on the Stock Exchange and the valuation of the equity interests in IM Mengniu as at 30 September 2014 valued by an independent valuer.

The unaudited net asset value of IM Mengniu as at 30 June 2014 prepared in accordance with the International Accounting Standards was approximately RMB11,444,896,000 (equivalent to approximately HK\$14,443,149,000). The unaudited net asset value (excluding non-controlling interests) of IM Mengniu as at 30 June 2014 was approximately RMB10,315,097,000 (equivalent to approximately HK\$13,017,374,000) and based on which, the unaudited net asset value (excluding non-controlling interests) of the Sale Interest is approximately RMB689,688,000 (equivalent to approximately HK\$870,368,000).

The following table sets out the audited net profits for the two years ended 31 December 2013 and the unaudited net profits for the six months ended 30 June 2014 of IM Mengniu prepared in accordance with the International Accounting Standards:

	For the financial years ended 31 December		For the six months ended 30 June
	2012	2013	2014 (unaudited)
Profit before taxation	RMB1,740,701,000 (equivalent to approximately HK\$2,196,718,000)	RMB1,971,380,000 (equivalent to approximately HK\$2,487,828,000)	RMB1,258,906,000 (equivalent to approximately HK\$1,588,705,000)
Profit after taxation	RMB1,495,225,000 (equivalent to approximately HK\$1,886,934,000)	RMB1,619,941,000 (equivalent to approximately HK\$2,044,322,000)	RMB1,035,678,000 (equivalent to approximately HK\$1,306,998,000)

Based on the net profits information of IM Mengniu set out above, net profits (before and after taxation) attributable to the Sale Interest are approximately RMB116,387,000 (equivalent to approximately HK\$146,877,000) and RMB99,974,000 (equivalent to approximately HK\$126,164,000) respectively for the financial year ended 31 December 2012. For the financial year ended 31 December 2013, net profits (before and after taxation) attributable to the Sale Interest are approximately RMB131,810,000 (equivalent to approximately HK\$166,341,000) and RMB108,312,000 (equivalent to approximately HK\$136,687,000) respectively. For the six months ended 30 June 2014, unaudited net profits (before and after taxation) attributable to the Sale Interest are approximately RMB84,173,000 (equivalent to approximately HK\$106,224,000) and RMB69,248,000 (equivalent to approximately HK\$87,389,000) respectively.

The original registered capital of IM Mengniu upon its establishment was RMB13,980,000.

Conditions and Completion

Completion (including the transfer of the respective Sale Interest by each individual Seller to China Dairy (Mauritius)) is conditional upon the obtaining of the MOC Approvals and the completion of business registration in relation to the Acquisition. There is no long stop date in the Equity Interest Transfer Agreement.

At Completion, IM Mengniu will be held by the Company directly and indirectly through China Dairy (Mauritius) as to approximately 99.9775%.

REASONS FOR THE ACQUISITION

The Group is one of the leading dairy product manufacturers in the PRC and is principally engaged in the manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

IM Mengniu is the main operating subsidiary of the Group which is owned directly by the Company and indirectly through its subsidiaries as to approximately 93.2913% as at the date of this announcement. Upon Completion, the Company's interest in IM Mengniu will increase to approximately 99.9775%. The Directors consider that the increased stake in IM Mengniu will allow enhancement of the Group's strategic development in the dairy industry in the PRC through better economies of scale and an expanded market share and enhance the profit contribution and earnings per Share of the Company.

The Directors (including the independent non-executive Directors but excluding Mr. Bai Ying), consider that the terms of the Acquisition, which are normal commercial terms, are fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole. As Bai Ying, an executive Director, has a material interest in the Acquisition, he has abstained from voting on the resolution of the Board approving the Acquisition.

LISTING RULES IMPLICATIONS

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

As one of the Sellers, Bai Ying, an executive Director, is a connected person of the Company, the Acquisition from Bai Ying, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as the highest of the applicable percentage ratios is less than 0.1%, the Acquisition from Bai Ying is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. There were no prior transactions between the Company and Bai Ying which would be required to be aggregated with the Acquisition under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition”	means the acquisition of the Sale Interest by China Dairy (Mauritius) from the Sellers in accordance with the terms and conditions of the Equity Interest Transfer Agreement. For the purpose of this announcement, “Acquisition” includes “Acquisition from Bai Ying”
“Acquisition from Bai Ying”	means the acquisition of Bai Ying’s portion of the Sale Interest (being approximately 0.0075% of the total equity interest of IM Mengniu at a consideration of approximately RMB2,791,492) by China Dairy (Mauritius) in accordance with the terms and conditions of the Equity Interest Transfer Agreement
“Board”	means the board of Directors
“China Dairy (Mauritius)”	means China Dairy (Mauritius) Limited, a limited liability company incorporated in Mauritius and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, it has a direct shareholding interest in IM Mengniu as to approximately 84.3182%
“Company”	means China Mengniu Dairy Company Limited
“Completion”	means completion of the Equity Interest Transfer Agreement in accordance with the manner set out therein
“connected person”	has the meaning given to it under the Listing Rules
“Directors”	means the directors of the Company
“Equity Interest Transfer Agreement”	means the conditional equity interest transfer agreement entered into between the Sellers and China Dairy (Mauritius) on 31 December 2014
“Group”	means the Company and its subsidiaries
“IM Mengniu”	means Inner Mongolia Mengniu Dairy (Group) Company Limited, a subsidiary owned directly and indirectly (through China Dairy (Mauritius)) by the Company as to approximately 93.2913% as at the date of this announcement
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“MOC Approvals”	means the approval(s) of the Acquisition by the Ministry of Commerce and/or other relevant local commerce department(s) in Inner Mongolia

“PRC”	means the People’s Republic of China
“RMB”	means Renminbi, the lawful currency of PRC
“Sale Interest”	means an aggregate of approximately 6.6862% equity interest in IM Mengniu to be transferred by the Sellers to China Dairy (Mauritius) in accordance with the terms and conditions of the Equity Interest Transfer Agreement
“Sellers”	means the entity and individuals listed under the heading “Sellers” of this announcement
“Share(s)”	means the ordinary share(s) of the Company of par value HK\$0.1 each
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

For the purpose of this announcement, unless otherwise indicated, exchange rates of HK\$1 = RMB0.79241 have been used for currency conversion purposes. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such rates or any other exchange rates or at all.

By order of the Board
China Mengniu Dairy Company Limited
Sun Yiping
Executive Director and Chief Executive Officer

Hong Kong, 31 December 2014

As at the date of this announcement, the Board 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.