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**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 Dairy Company Limited**

**中國蒙牛乳業有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2319)**

## **JOINT ANNOUNCEMENT**

### **MAJOR AND CONNECTED TRANSACTION OF YASHILI**

#### **THE ACQUISITION**

The board of directors of Yashili and the board of directors of Mengniu Dairy are pleased to announce that on September 21, 2015, Yashili (Guangdong) and Inner Mongolia Mengniu entered into an Equity Transfer Agreement pursuant to which Inner Mongolia Mengniu conditionally agreed to sell and Yashili (Guangdong) conditionally agreed to purchase the entire equity interests in Oushi Mengniu for a consideration of RMB1,050 million (equivalent to approximately HK\$1,278 million) payable in cash by Yashili (Guangdong) to Inner Mongolia Mengniu. Upon Completion, Oushi Mengniu will become an indirect wholly-owned subsidiary of Yashili.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100% for Yashili, the Acquisition constitutes a major transaction for Yashili under Chapter 14 of the Listing Rules.

Mengniu International, a subsidiary of Mengniu Dairy, holds 51.04% of the Shares and is a substantial shareholder of Yashili. Therefore, Mengniu Dairy is a connected person of Yashili. As Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy and Yashili (Guangdong) is an indirect wholly-owned subsidiary of Yashili, the Acquisition also constitutes a connected transaction of Yashili under 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.

\* For the purpose of identification only

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Acquisition, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the resolution in relation to the Acquisition. No member of the Independent Board Committee has any material interest in the Acquisition.

Somerley has been appointed by Yashili as the independent financial adviser of Yashili 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 Acquisition is in the interests of Yashili and its Shareholders as a whole.

## **GENERAL**

An EGM will be convened by Yashili during which an ordinary resolution will be proposed to the Shareholders to approve the Equity Transfer Agreement, the Acquisition and all transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, other than Mengniu International and its associates, no other Shareholder will be required to abstain from voting on the resolution for approving the Equity Transfer Agreement and the Acquisition at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from Somerley, the independent financial adviser of Yashili, to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) a property valuation report prepared by RHL Appraisal Limited in respect of the property interests of Oushi Mengniu; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before October 14, 2015.

**As Completion is subject to the fulfilment of certain conditions set forth in the Equity Transfer Agreement, the Acquisition 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).**

## **THE EQUITY TRANSFER AGREEMENT**

The board of directors of Yashili and the board of directors of Mengniu Dairy are pleased to announce that on September 21, 2015, Yashili (Guangdong) and Inner Mongolia Mengniu entered into an Equity Transfer Agreement pursuant to which Inner Mongolia Mengniu conditionally agreed to sell and Yashili (Guangdong) conditionally agreed to purchase the entire equity interests in Oushi Mengniu for a consideration of RMB1,050 million (equivalent to approximately HK\$1,278 million) payable in cash. Upon Completion, Oushi Mengniu will become an indirect wholly-owned subsidiary of Yashili.

**Date**

September 21, 2015

**Parties**

Seller: Inner Mongolia Mengniu

Purchaser: Yashili (Guangdong)

**Subject of the Acquisition**

Pursuant to the Equity Transfer Agreement, Inner Mongolia Mengniu conditionally agreed to sell, and Yashili (Guangdong) conditionally agreed to purchase, the entire issued share capital in Oushi Mengniu. Oushi Mengniu is a company incorporated in the PRC and a wholly-owned subsidiary of Inner Mongolia Mengniu. It is primarily engaged in the manufacturing and sales of pediatric milk formula products and milk powder products for adults. Further details of Oushi Mengniu are set forth in the section headed “Information on Oushi Mengniu” in this joint announcement.

**Consideration and Payment Terms**

The consideration for the Acquisition is RMB1,050 million (equivalent to approximately HK\$1,278 million) payable in cash by Yashili (Guangdong) to Inner Mongolia Mengniu upon Completion.

The Directors are informed that the original cost for Inner Mongolia Mengniu to acquire its equity interests in Oushi Mengniu was RMB515.2 million which included the contribution-in-kind by Inner Mongolia Mengniu. Please refer to the section headed “Other Major Terms” in this joint announcement for further details.

**Basis of Consideration**

The consideration of the Acquisition was determined on the basis of normal commercial terms and after arm’s length negotiation between Inner Mongolia Mengniu and Yashili (Guangdong), and with reference to the valuation of Oushi Mengniu as at the Reference Date as appraised by the Valuer, an independent firm of qualified PRC valuer (designated by the PRC government to conduct valuation of assets in the PRC), being RMB976 million.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Valuer is independent of and not connected with Yashili, Mengniu Dairy, Somerley, the auditors of Yashili (namely, Ernst & Young), the reporting accountants of Oushi Mengniu (namely, Baker Tilly Hong Kong Limited) and their respective ultimate beneficial owners.

## **Conditions Precedent**

Completion is conditional upon the satisfaction or waiver of each of the following conditions:

- (1) Yashili (Guangdong) has completed due diligence on Oushi Mengniu and is satisfied with the results;
- (2) full disclosure has been made by Inner Mongolia Mengniu to Yashili (Guangdong) with respect to the business, operation, assets and liabilities, etc. of Oushi Mengniu;
- (3) there has been no material adverse change with respect to the business, operation, assets, liabilities and other circumstances of Oushi Mengniu after the Reference Date;
- (4) the Acquisition has been approved by the Shareholders and the Stock Exchange in accordance with the articles of association of Yashili and applicable Listing Rules;
- (5) Inner Mongolia Mengniu and Oushi Mengniu have executed a termination agreement in relation to the trademark licensing agreement entered into on June 20, 2006 and Inner Mongolia Mengniu, Oushi Mengniu and Yashili (Guangdong) have executed a new trademark licensing agreement;
- (6) Inner Mongolia Mengniu 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; and
- (7) the satisfaction of each of the Conditions Precedent contained in the Equity Transfer Agreement must be in accordance with applicable laws and regulations.

Yashili (Guangdong) may waive any Condition Precedent (or any part of it) contained in the Equity Transfer Agreement by giving written notice to Inner Mongolia Mengniu. Each of Inner Mongolia Mengniu and Yashili (Guangdong) shall use its reasonable commercial endeavour to procure the satisfaction of the Conditions Precedent as early as practicable.

## **Long Stop Date and Termination**

If Completion does not take place within one year of the execution of the Equity Transfer Agreement, the Equity Transfer Agreement shall terminate automatically.

## **Completion**

Completion shall take place on a date mutually agreed by Yashili (Guangdong) and Inner Mongolia Mengniu which is within 10 Business Days following the satisfaction (or waiver, if applicable) of the Conditions Precedent.

Upon Completion, Yashili (Guangdong) and Inner Mongolia Mengniu shall complete the following matters:

- (a) the full payment of the consideration for the Acquisition by Yashili (Guangdong) to Inner Mongolia Mengniu;
- (b) the company seal, licenses and accounting records of Oushi Mengniu being transferred from Inner Mongolia Mengniu to Yashili (Guangdong);
- (c) the management of Oushi Mengniu being taken over by Yashili (Guangdong) from Inner Mongolia Mengniu; and
- (d) the register of members of Oushi Mengniu showing Yashili (Guangdong) as the registered owner of Oushi Mengniu being transferred from Inner Mongolia Mengniu to Yashili (Guangdong).

Within 20 Business Days following the full payment of the consideration for the Acquisition by Yashili (Guangdong), Inner Mongolia Mengniu shall complete the following matters and Yashili (Guangdong) shall provide timely cooperation and assistance:

- (a) the change of directors, supervisors and managers of Oushi Mengniu to personnel designated by Yashili (Guangdong); and
- (b) the Acquisition as contemplated under the Equity Transfer Agreement being registered with the relevant Administration for Industry and Commerce.

Upon Completion, Oushi Mengniu will become an indirect wholly-owned subsidiary of Yashili and accordingly, the assets, liabilities and financial results of Oushi Mengniu will be consolidated into the financial statements of Yashili.

### **Other Major Terms**

In addition, following the execution of the Equity Transfer Agreement, Inner Mongolia Mengniu and/or Oushi Mengniu shall commence the relevant procedures for reducing Oushi Mengniu's registered capital with the relevant Administration for Industry and Commerce to reflect the reduction in Oushi Mengniu's registered capital in relation to the previous in-kind capital contribution by Inner Mongolia Mengniu in the form of trademark licensing. Yashili (Guangdong) shall provide any necessary and reasonable assistance.

### **INFORMATION ON OUSHI MENGNIU**

Oushi Mengniu is a company incorporated in the PRC and a wholly-owned subsidiary of Inner Mongolia Mengniu. It is primarily engaged in the manufacturing and sales of pediatric milk formula products and milk powder products for adults. According to the unaudited financial statements of Oushi Mengniu prepared in accordance with the International Financial Reporting Standards, the total asset

value and the net asset value of Oushi Mengniu as at April 30, 2015 were approximately RMB420 million and RMB5 million, respectively. The principal assets of Oushi Mengniu include fixed assets (including real property and equipment), construction in progress and land use rights.

According to the unaudited financial statements of Oushi Mengniu prepared in accordance with the International Financial Reporting Standards, (i) the total revenue of Oushi Mengniu for the year ended December 31, 2014 is RMB724 million; and (ii) the net profits/loss before and after taxation and extraordinary items of Oushi Mengniu for the years ended December 31, 2012, December 31, 2013 and December 31, 2014 are as follows:

<b>RMB (in million)</b>	<b>2012 (full year)</b>	<b>2013 (full year)</b>	<b>2014 (full year)</b>
Profit/(loss) before taxation and extraordinary items	(237)	(28)	79
Profit/(loss) after taxation and extraordinary items	(237)	(28)	79

#### **INFORMATION ON YASHILI, YASHILI (GUANGDONG) AND INNER MONGOLIA MENGNIU**

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) Yashily 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 51.04% of the issued share capital of Yashili is held by Mengniu International. Yashili (Guangdong) is a wholly-owned subsidiary of Yashili (HK) which is a wholly-owned subsidiary of Yashili.

Inner Mongolia Mengniu is a company established in the PRC and a subsidiary of Mengniu Dairy. It is primarily engaged in the manufacturing and sale of dairy products.

#### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Directors (other than the independent non-executive Directors who will be advised by Somerley, the independent financial adviser to the Independent Board Committee and whose views will be set out in the circular to be despatched to the Shareholders) are of the view that the Acquisition will benefit Yashili and its Shareholders as a whole as the Acquisition may (i) enable the Group to focus on milk powder business with a view to increasing market share and achieving economies of scale, (ii) optimize the Group's production network and reduce production cost by acquiring advanced production facilities for milk powders located in key areas of milk production, and (iii) reduce competition with the Company's controlling shareholder, Mengniu Dairy.

In light of the above, the Directors (other than the independent non-executive Directors who will be advised by Somerley, the independent financial adviser to the Independent Board Committee and whose views will be set out in the circular to be despatched to the Shareholders) consider that the terms of the Acquisition under the Equity Transfer Agreement are fair and reasonable and in the interests of Yashili and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100% for Yashili, the Acquisition constitutes a major transaction for Yashili under Chapter 14 of the Listing Rules.

Mengniu International, a subsidiary of Mengniu Dairy, holds 51.04% of the Shares and is a substantial shareholder of Yashili. Therefore, Mengniu Dairy is a connected person of Yashili. As Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy and Yashili (Guangdong) is an indirect wholly-owned subsidiary of Yashili, the Acquisition also constitutes a connected transaction of Yashili under 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.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Acquisition, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the resolution in relation to the Acquisition. No member of the Independent Board Committee has any material interest in the Acquisition.

Somerley has been appointed by Yashili as the independent financial adviser of Yashili 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 Acquisition is in the interests of Yashili and its Shareholders as a whole.

## **GENERAL**

An EGM will be convened by Yashili during which an ordinary resolution will be proposed to the Shareholders to approve the Equity Transfer Agreement, the Acquisition and all transactions contemplated thereunder. 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 Equity Transfer Agreement and the Acquisition at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from Somerley, the independent financial adviser of Yashili, to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) a property valuation report prepared by RHL Appraisal Limited in respect of the property interests of Oushi Mengniu; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before October 14, 2015.

**As Completion is subject to the fulfilment of certain conditions set forth in the Equity Transfer Agreement, the Acquisition 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:

“Acquisition”	the acquisition of the entire equity interests in Oushi Mengniu by Yashili (Guangdong) from Inner Mongolia Mengniu for a consideration of RMB1,050 million (equivalent to approximately HK\$1,278 million)
“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 Acquisition
“Completion Date”	a date mutually agreed by Yashili (Guangdong) and Inner Mongolia Mengniu, which is within 10 Business Days following the satisfaction (or waiver, if applicable) of each of the Conditions Precedent of the Equity Transfer Agreement
“Conditions Precedent”	the conditions precedent set forth in the section entitled “Conditions Precedent” in this joint announcement
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Director(s)”	the director(s) of Yashili
“EGM”	the extraordinary general meeting of Yashili to be convened to consider and, if thought fit, to approve the Equity Transfer Agreement, the Acquisition and all transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement entered into on September 21, 2015, between Inner Mongolia Mengniu and Yashili (Guangdong) in relation to the Acquisition
“Group”	Yashili and its subsidiaries
“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) other than Mengniu International and its associates
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited, a company established in the PRC and a subsidiary of Mengniu Dairy
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mengniu Dairy”	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 and a subsidiary of Mengniu Dairy. As at the date of this joint announcement, it is a substantial shareholder of Yashili, holding approximately 51.04% of the issued share capital of Yashili
“Oushi Mengniu”	Oushi Mengniu (Inner Mongolia) Dairy Products Co., Ltd (內蒙古歐世蒙牛乳製品有限責任公司)
“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
“Reference Date”	April 30, 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) of Yashili
“Shareholder(s)”	person(s) whose name(s) appear on the register of members of Yashili as registered holder(s) of Share(s)

“Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Acquisition. 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
“Valuer”	Vocation International Certified Public Valuer Co., Ltd., an independent qualified PRC valuer
“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 and an indirect wholly-owned subsidiary of Yashili
“Yashili (HK)”	Yashili International Group Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Yashili
“%”	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 RMB0.8216 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, September 21, 2015

*As at the date of this joint announcement, the board of directors of Yashili comprises: Ms. Sun Yiping (Chairman), Mr. Qin Peng, Mr. Zhang Ping and Mr. Wu Jingshui as non-executive directors; Mr. Jeffrey, Minfang Lu and Mr. Li Dongming as executive directors; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai 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 Dairy 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.*