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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)

**Star Future Investment Company Limited**

星萊投資有限公司

*(Incorporated in Hong Kong with limited liability)*

## **JOINT ANNOUNCEMENT**

### **(1) UNWINDING OF THE EXISTING MENGNIU-DANONE RELATIONSHIPS INVOLVING**

**(A) CONNECTED TRANSACTION OF THE DISPOSAL OF DANONE SHANGHAI'S ENTIRE INTEREST IN THE CHILLED BUSINESS JVs TO INNER MONGOLIA MENGNIU**

**AND**

**(B) MAJOR AND CONNECTED TRANSACTION OF THE DISPOSAL OF DUMEX CHINA BY YASHILI GUANGDONG TO DANONE APAC**

**AND**

**(C) CONNECTED TRANSACTION OF THE DISPOSAL OF DANONE NUTRITION'S ENTIRE INTERESTS IN YASHILI TO MENGNIU**

**AND**

**(2) PRE-CONDITIONAL PRIVATIZATION OF YASHILI BY STAR FUTURE INVESTMENT COMPANY LIMITED BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT) AND PROPOSED WITHDRAWAL OF LISTING OF YASHILI, RELATED SPECIAL DEALS AND CONNECTED TRANSACTION**

**Financial Adviser to the Offeror and Mengniu**



**The Hongkong and Shanghai Banking Corporation Limited**

**Independent Financial Adviser to the Yashili Independent Board Committee and the Independent Yashili Shareholders**



**Somerley Capital Limited**

\* For identification purpose only

## INTRODUCTION

### **Special Deals relating to the Proposed Transactions to unwind the Existing Mengniu-Danone Relationships**

On May 13, 2021, Danone announced that as of May 2021, Danone had disposed of all of its interests in the issued share capital of Mengniu. Following the Danone Mengniu Disposal, Mengniu and Danone agree that they will proceed to unwind the Existing Mengniu-Danone Relationships and the following Proposed Transactions shall be effected in the manner as set forth in this Announcement:

- (a) ***Chilled Business JVs Acquisition.*** On May 6, 2022, Inner Mongolia Mengniu and Danone Shanghai (among others) have entered into the Chilled Business SPA whereby Danone Shanghai agrees to sell, and Inner Mongolia Mengniu agrees to purchase, the Chilled Business Sale Shares, subject to the terms and conditions therein;
- (b) ***Dumex China Disposal.*** On May 6, 2022, Yashili Guangdong and Danone APAC have entered into the Dumex China SPA whereby Yashili Guangdong agrees to sell, and Danone APAC agrees to purchase, 100% of the equity interest in Dumex China, subject to the terms and conditions therein. The Dumex China Disposal constitutes a major and connected transaction of Yashili under Chapters 14 and 14A of the Listing Rules; and
- (c) ***25% Yashili Acquisition.*** On May 6, 2022, Mengniu and Danone Nutrition have entered into the 25% Yashili Acquisition SPA whereby Danone Nutrition agrees to sell, and Mengniu agrees to purchase (or procure to purchase through its Affiliate), the Yashili Sale Shares at HK\$1.20 per Yashili Share, subject to the terms and conditions therein.

### **The Privatization Proposal**

Notwithstanding that the 25% Yashili Acquisition does not trigger a mandatory offer obligation on the part of Mengniu under the Takeovers Code, Mengniu will, through the Offeror, initiate the Privatization Proposal and provide an opportunity for the Scheme Shareholders to monetize their investments in Yashili at the same price that is offered to Danone Nutrition under the 25% Yashili Acquisition.

Accordingly, Mengniu, the Offeror and Yashili further jointly announce that on May 3, 2022, the Offeror, a wholly-owned subsidiary of Mengniu, has formally requested the Yashili Board to, subject to the satisfaction of the Scheme Pre-Conditions, which include (i) approval by Independent Yashili Shareholders of the Proposed Transactions, which constitute special deals pursuant to Rule 25 of the Takeovers Code and (with respect to the Dumex China Disposal) a major and connected transaction of Yashili under Chapters 14 and 14A of the Listing Rules; (ii) completion of the 25% Yashili Acquisition; and (iii) the consent from the Executive with respect to the Proposed Transactions as special deals under the Takeovers Code having been granted, put forward a proposal to the Scheme Shareholders for the privatization of Yashili by way of a scheme of arrangement under section 86 of the Companies Act.

Upon the fulfilment of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to the Cancellation Price of HK\$1.20 for each Scheme Share.

## **THE PROPOSED TRANSACTIONS**

### **The Chilled Business JVs Acquisition**

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Chilled Business JVs Acquisition for Mengniu is less than 5%, the Chilled Business JVs Acquisition does not constitute a notifiable transaction of Mengniu under Chapter 14 of the Listing Rules. However, the transaction is a connected transaction of Mengniu as of the Announcement Date by reason that Danone Shanghai is a connected person of Mengniu at the subsidiary level. As the highest of all applicable percentage ratios is more than 1% but less than 5% and the Chilled Business JVs Acquisition is conducted on normal commercial terms or better for Mengniu, such connected transaction of Mengniu is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(2)(a) of the Listing Rules.

As the Chilled Business JVs Acquisition is an arrangement between Inner Mongolia Mengniu, being an Offeror Concert Party, and Danone Shanghai, a fellow subsidiary of Danone Nutrition, which is in turn a Yashili Shareholder, and such arrangement is not also extended to all Yashili Shareholders, the Chilled Business JVs Acquisition constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Offeror will make an application to seek the consent of the Executive for the Chilled Business JVs Acquisition and such consent, if granted, will be subject to:

- (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Chilled Business JVs Acquisition are fair and reasonable; and
- (b) the approval of the Chilled Business JVs Acquisition by the Independent Yashili Shareholders by way of poll at the Yashili First EGM.

**Yashili Shareholders are reminded that the Chilled Business JVs Acquisition is not a transaction of Yashili, therefore, if Independent Yashili Shareholders do not approve the Chilled Business JVs Acquisition at the Yashili First EGM, the Privatization Proposal will lapse as such approval is a Scheme Pre-condition which cannot be waived. Following the lapsing of the Privatization Proposal, the Chilled Business JVs Acquisition will no longer constitute a special deal under Rule 25 of the Takeovers Code. Therefore, upon the lapsing of the Privatization Proposal, Mengniu and Danone can and will, subject to the satisfaction and/or waiver of the conditions precedent of the Chilled Business JVs Acquisition, still proceed to complete the Chilled Business JVs Acquisition.**

### **The Dumex China Disposal**

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Dumex China Disposal for Yashili is more than 25% but less than 75%, the Dumex China Disposal constitutes a major and connected transaction of Yashili as of the Announcement Date which is subject to the reporting, announcement and the Independent Yashili Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Accordingly, the Dumex China Disposal will be put forward to the Independent Yashili Shareholders for their approval as a major and connected transaction by way of poll at the Yashili First EGM.

As the Dumex China Disposal is an arrangement between Yashili Guangdong, a subsidiary of Yashili and an Offeror Concert Party, and Danone APAC, a fellow subsidiary of Danone Nutrition, which is in turn a Yashili Shareholder, and such arrangement is not also extended to all Yashili Shareholders, the Dumex China Disposal constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Offeror will make an application to seek the consent of the Executive for the Dumex China Disposal and such consent, if granted, will be subject to:

- (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Dumex China Disposal are fair and reasonable; and
- (b) the approval of the Dumex China Disposal by the Independent Yashili Shareholders by way of poll at the Yashili First EGM.

**Yashili Shareholders are reminded that if the Independent Yashili Shareholders do not approve the Dumex China Disposal at the Yashili First EGM, the Dumex China Disposal will not proceed in accordance with the Dumex China SPA and the Privatization Proposal will lapse as such approval is a Scheme Pre-condition which cannot be waived.**

### **25% Yashili Acquisition**

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the 25% Yashili Acquisition for Mengniu is less than 5%, the 25% Yashili Acquisition does not constitute a notifiable transaction of Mengniu under Chapter 14 of the Listing Rules. However, the transaction is a connected transaction of Mengniu by reason of Danone Nutrition being a connected person of Mengniu at the subsidiary level. As the highest of all applicable percentage ratios is more than 1% but less than 5% and the 25% Yashili Acquisition is conducted on normal commercial terms or better, the 25% Yashili Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.76(2)(a) of the Listing Rules.

As the 25% Yashili Acquisition is an arrangement between Mengniu, the parent company of the Offeror in the Privatization Proposal, or an Affiliate of Mengniu, and Danone Nutrition, a Yashili Shareholder, and such arrangement is not also extended to all Yashili Shareholders, the 25% Yashili Acquisition constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Offeror will make an application to seek the consent of the Executive for the 25% Yashili Acquisition and such consent, if granted, will be subject to:

- (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the 25% Yashili Acquisition are fair and reasonable; and
- (b) the approval of the 25% Yashili Acquisition by the Independent Yashili Shareholders by way of poll at the Yashili First EGM.

**Yashili Shareholders are reminded that if the Independent Yashili Shareholders do not approve the 25% Yashili Acquisition at the Yashili First EGM, the Privatization Proposal will lapse as the approval and completion of the 25% Yashili Acquisition are Scheme Pre-conditions which cannot be waived. Following the lapsing of the Privatization Proposal, the 25% Yashili Acquisition will no longer constitute a special deal under Rule 25 of the Takeovers Code. Therefore, upon the Dumex China Disposal having been approved by the Independent Yashili Shareholders at the Yashili First EGM (being a condition precedent of the 25% Yashili Acquisition which cannot be waived in accordance with the 25% Yashili Acquisition SPA) and the lapsing of the Privatization Proposal, Mengniu and Danone Nutrition can and will, subject to the satisfaction and/or waiver of the other condition precedent of the 25% Yashili Acquisition, still proceed to complete the 25% Yashili Acquisition.**

## **THE PRIVATIZATION PROPOSAL**

If the Privatization Proposal is approved and implemented:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price of HK\$1.20 per Scheme Share;
- (b) the listing of Yashili Shares on the Stock Exchange will be withdrawn; and
- (c) (assuming that there is no exercise of the Mengniu International Exchange Right since the Announcement Date) Yashili will become a 99.97%-owned subsidiary of Mengniu effectively, or (assuming that the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Time such that all Mengniu International Exchange Right Recipients become Yashili Shareholders at or prior to the Scheme Record Time) Yashili will become a wholly-owned subsidiary of Mengniu.

## **Cancellation Price**

The Cancellation Price of HK\$1.20 for each Scheme Share represents:

- (a) a premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on March 11, 2022, being the Unaffected Price Date;
- (b) a premium of approximately 150.5% over the average closing price of HK\$0.479 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Unaffected Price Date;
- (c) a premium of approximately 138.5% over the average closing price of HK\$0.503 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Unaffected Price Date;
- (d) a premium of approximately 134.2% over the average closing price of HK\$0.512 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Unaffected Price Date;
- (e) a premium of approximately 127.3% over the average closing price of HK\$0.528 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Unaffected Price Date;
- (f) a premium of approximately 124.4% over the average closing price of HK\$0.535 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Unaffected Price Date;
- (g) a premium of approximately 30.4% over the closing price of HK\$0.920 per Yashili Share as quoted on the Stock Exchange on May 6, 2022, being the Yashili Last Trading Day;
- (h) a premium of approximately 38.6% over the average closing price of HK\$0.866 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Yashili Last Trading Day;
- (i) a premium of approximately 31.8% over the average closing price of HK\$0.911 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Yashili Last Trading Day;



- (j) a premium of approximately 64.4% over the average closing price of HK\$0.730 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Yashili Last Trading Day;
- (k) a premium of approximately 81.8% over the average closing price of HK\$0.660 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Yashili Last Trading Day;
- (l) a premium of approximately 89.5% over the average closing price of HK\$0.633 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Yashili Last Trading Day; and
- (m) a discount of approximately 15.3% to Yashili's audited net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.416 as at December 31, 2021, based on the Reference Exchange Rate.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Yashili Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

As at the Announcement Date, Yashili has not declared or announced any dividend, distribution or other return of capital which remains unpaid. Yashili does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Scheme Effective Date or the date on which the Scheme is not approved or the Privatization Proposal otherwise lapses (as the case may be).



## **Pre-conditions to the Privatization Proposal**

The making of the Privatization Proposal is, and the implementation of the Privatization Proposal and the Scheme will be, conditional upon the following pre-conditions having been satisfied:

- (a) the Independent Yashili Shareholders having approved the Proposed Transactions at the Yashili First EGM;
- (b) the 25% Yashili Acquisition having been completed in accordance with its terms; and
- (c) the consent from the Executive with respect to the Proposed Transactions as special deals under the Takeovers Code having been granted.

The Scheme Pre-Conditions cannot be waived. **If the Scheme Pre-Conditions are not satisfied on or before the Pre-Conditions Long Stop Date, the Privatization Proposal will lapse.** Mengniu, the Offeror and Yashili will publish such announcement as is necessary in accordance with the Listing Rules and the Takeovers Code.

## **Conditions to the Privatization Proposal**

The implementation of the Privatization Proposal (including the effectiveness of the Scheme) will be subject to the satisfaction or waiver (as applicable) of all the Scheme Conditions on or before the Scheme Long Stop Date, failing which the Privatization Proposal and the Scheme will lapse. Please refer to the section headed “3.8 Conditions of the Privatization Proposal” of this Announcement for details of the Scheme Conditions.

## **Confirmation of Financial Resources**

As of the Announcement Date, the issued share capital of Yashili comprises 4,745,560,296 Yashili Shares, of which 2,422,117,713 and 1,186,390,074 Yashili Shares are held by Mengniu International and Danone Nutrition, respectively (representing approximately 51.04% and 25.00% of the Yashili Shares, respectively), and save for the Phantom Shares, holders of which do not own any Yashili Shares nor enjoy voting rights or allotment rights of Yashili Shares by virtue of holding the Phantom Shares, Yashili does not have any other outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue. For the avoidance of doubt, the Yashili Shares held by Mengniu International and the Yashili Shares to be acquired by Mengniu from Danone Nutrition through the 25% Yashili Acquisition will not form part of the Scheme Shares.

On the basis of the Cancellation Price of HK\$1.20 per Scheme Share:

- (a) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Time; and (ii) there is no exercise of the Mengniu International Exchange Right prior to the Scheme Record Time, the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,364,463,011; and
- (b) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Time; and (ii) all of the Mengniu International Exchange Right Recipients exercise their Mengniu International Exchange Right and become Yashili Shareholders at or prior to the Scheme Record Time, the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,365,919,818 (being the maximum cancellation consideration).

The Offeror intends to finance the cash required for the Privatization Proposal from internal resources. In the event that the Offeror wishes to change its intended source of finance for the Privatization Proposal, the Offeror will comply with the Takeovers Code and further announcement(s) will be made where necessary.

HSBC, the financial adviser to the Offeror and Mengniu, is satisfied that sufficient financial resources are available to the Offeror for satisfying the maximum cancellation consideration payable under the Privatization Proposal in accordance with its terms.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Yashili Independent Board Committee, comprising all independent non-executive directors of Yashili who are not interested in the Proposed Transactions and the Privatization Proposal, namely, Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway, has been established by the Yashili Board to make a recommendation to the Disinterested Scheme Shareholders as to: (a) whether the terms of the Privatization Proposal and the Scheme are fair and reasonable; and (b) whether to vote in favor of the resolutions of the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal at the Scheme EGM. Apart from advising on the Privatization Proposal and the Scheme, the Yashili Independent Board Committee will also advise the Independent Yashili Shareholders as to: (a) whether the terms of the Proposed Transactions are fair and reasonable; (b) whether the Dumex China Disposal is on normal commercial terms or better and in the interests of Yashili and the Yashili Shareholders as a whole; and (c) whether the Independent Yashili Shareholders should vote in favor of the resolution(s) to approve the Proposed Transactions at the Yashili First EGM.

Somerley Capital Limited has been appointed by Yashili, with the approval of the Yashili Independent Board Committee, to advise the Yashili Independent Board Committee and the Independent Yashili Shareholders (as applicable) on the Privatization Proposal, the Scheme and the Proposed Transactions.

## **DESPATCH OF THE DOCUMENTS**

### **Special Deals and Non-exempt Connected Transaction**

A circular containing, among other things, (i) details of the Proposed Transactions; (ii) a letter from the Yashili Independent Board Committee containing its advice in respect of the Proposed Transactions; (iii) a letter from the Independent Financial Adviser containing its advices in respect of the Proposed Transactions (in each case, with respect to considerations relating to Rule 25 of the Takeovers Code and in respect of the Dumex China Proposal, also with respect to considerations relating to Chapter 14A of the Listing Rules); and (iv) a notice convening the Yashili First EGM, is expected to be despatched to the Yashili Shareholders on or before June 30, 2022, which is more than 15 business days after the publication of this Announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

### **Scheme Document**

The Scheme Document containing, among other things, (i) further details of the Privatization Proposal and the Scheme; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Companies Act and the Rules of the Cayman Court; (iv) information regarding the Yashili Group; (v) the recommendations from the Yashili Independent Board Committee with respect to the Privatization Proposal and the Scheme; (vi) the advice of the Independent Financial Adviser to the Yashili Independent Board Committee; (vii) an independent valuation report of the properties of Yashili prepared in accordance with Rule 11.1(f) of the Takeovers Code; and (viii) notices of the Court Meeting and the Scheme EGM together with forms of proxy in relation thereto, will be despatched to the Scheme Shareholders as soon as practicable following the satisfaction of the Scheme Pre-Conditions in compliance with the requirements of the Takeovers Code, the Companies Act, the Rules of the Cayman Court and any other applicable laws and regulations.

# 1. BACKGROUND TO THE PROPOSED TRANSACTIONS AND THE PRIVATIZATION PROPOSAL

## Danone Mengniu Disposal and Unwinding of Existing Mengniu-Danone Relationships

On May 13, 2021, Danone announced that as of May 2021, Danone had disposed of all of its interests in the issued share capital of Mengniu. Following the Danone Mengniu Disposal and as of the Announcement Date, Mengniu and Danone continue to have the following relationships:

- (a) ***Chilled Business JVs.*** Danone Shanghai, a wholly owned subsidiary of Danone, holds a 20% equity interest in each of the Chilled Business JVs, being the Chilled Business Sale Shares, with the remaining 80% equity interests owned by Mengniu and/or Inner Mongolia Mengniu;
- (b) ***25% beneficial ownership in Yashili.*** Danone Nutrition, a wholly owned subsidiary of Danone, is the beneficial owner of 25% of the issued share capital of Yashili, being the Yashili Sale Shares. Mengniu, through its 99.95%-owned subsidiary, Mengniu International, is the beneficial owner of approximately 51% of the issued share capital of Yashili; and
- (c) ***Dumex China.*** Yashili Guangdong, a subsidiary of Yashili, is the 100% beneficial owner of Dumex China, a baby infant formula company in the PRC that was sold in May 2016 to Yashili Guangdong by Danone APAC, a wholly-owned subsidiary of Danone,

(together, the “Existing Mengniu-Danone Relationships”).

Following the Danone Mengniu Disposal, Mengniu and Danone agree that they will proceed to unwind the Existing Mengniu-Danone Relationships.

### The Proposed Transactions

To unwind the Existing Mengniu-Danone Relationships, the following proposed transactions shall be effected in the manner as set forth in this Announcement.

- (a) ***Chilled Business JVs Acquisition.*** Inner Mongolia Mengniu and Danone Shanghai (among others) have entered into the Chilled Business SPA whereby Danone Shanghai agrees to sell, and Inner Mongolia Mengniu agrees to purchase, the Chilled Business Sale Shares, subject to the terms and conditions therein;

- (b) ***Dumex China Disposal.*** Yashili Guangdong and Danone APAC have entered into the Dumex China SPA whereby Yashili Guangdong agrees to sell, and Danone APAC agrees to purchase, 100% of the equity interest in Dumex China, subject to the terms and conditions therein. The Dumex China Disposal constitutes a major and connected transaction of Yashili under Chapters 14 and 14A of the Listing Rules; and
- (c) ***25% Yashili Acquisition.*** Mengniu and Danone Nutrition have entered into the 25% Yashili Acquisition SPA whereby Danone Nutrition agrees to sell, and Mengniu agrees to purchase (or procure to purchase through its Affiliate), the Yashili Sale Shares at HK\$1.20 per Yashili Share, subject to the terms and conditions therein.

### **The Privatization Proposal**

Reference is made to the announcement of Mengniu and Yashili dated March 16, 2022 pursuant to Rule 3.7 of the Takeovers Code, in relation to, among others, a potential pre-conditional privatization offer for Yashili by Mengniu (or through its affiliate). Notwithstanding that the 25% Yashili Acquisition does not trigger a mandatory offer obligation on the part of Mengniu under the Takeovers Code, having considered the factors detailed in the section headed “3.9 Reasons for and Benefits of the Privatization Proposal” of this Announcement, including but not limited to the unsatisfactory share performance of Yashili, the low trading volume of Yashili Shares and the competitive domestic infant milk powder market, Mengniu proposes that upon completion of the 25% Yashili Acquisition, it will, through the Offeror, a wholly-owned subsidiary of Mengniu, initiate the Privatization Proposal and provide an opportunity for the Scheme Shareholders to monetize their investments in Yashili at the same price that is offered to Danone Nutrition under the 25% Yashili Acquisition. By privatizing Yashili, Mengniu believes that Yashili will be able to pursue future business development with greater flexibility.

Accordingly, subject to the satisfaction of the Scheme Pre-Conditions, on or prior to the Pre-Conditions Long Stop Date, which include (i) approval by Independent Yashili Shareholders of the Proposed Transactions which constitute special deals pursuant to Rule 25 of the Takeovers Code and (with respect to the Dumex China Disposal) a major and connected transaction of Yashili under Chapters 14 and 14A of the Listing Rules; (ii) completion of the 25% Yashili Acquisition; and (iii) the consent from the Executive with respect to the Proposed Transactions as special deals under the Takeovers Code having been granted, the Offeror will implement the Privatization Proposal under which the Scheme Shares will be cancelled and in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.20 for each Scheme Share.

Upon the fulfillment of the Scheme Conditions and following completion of the Privatization Proposal:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price;
- (b) the listing of Yashili Shares on the Stock Exchange will be withdrawn; and
- (c) (assuming that there is no exercise of the Mengniu International Exchange Right since the Announcement Date) Yashili will become a 99.97%-owned subsidiary of Mengniu effectively, or (assuming that the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Time such that all Mengniu International Exchange Right Recipients become Yashili Shareholders at or prior to the Scheme Record Time) Yashili will become a wholly-owned subsidiary of Mengniu.

## **2. THE PROPOSED TRANSACTIONS**

### **2.1 Chilled Business JVs Acquisition**

In May 2013, Inner Mongolia Mengniu and Danone Asia entered into a framework agreement contract, which was subsequently amended in August 2013, to establish the Chilled Business JVs which are sino-foreign equity joint ventures incorporated in the PRC and are held as to 80% by Inner Mongolia Mengniu and 20% by Danone Shanghai. In August 2013, Inner Mongolia Mengniu and Danone Asia entered into the Chilled Business HoldCo JV Contract, an equity joint venture contract to establish the holding company of the Individual Chilled Business JVs. Subsequently, Inner Mongolia Mengniu and Danone Shanghai entered into the Individual Chilled Business JV Contracts in respect of the establishment and governance of each of the Individual Chilled Business JVs. The Chilled Business JVs are principally engaged in the production, promotion, marketing and sale of chilled yoghurt, chilled yoghurt drinks and chilled spoonable dairy based desserts in the PRC, Hong Kong and Macau.

Pursuant to the Chilled Business HoldCo JV Contract and the Individual Chilled Business JV Contracts, if the equity interests held by the Danone Group in Mengniu directly or indirectly fall below 4% of Mengniu's total issued share capital, Mengniu shall have a right to terminate the Chilled Business HoldCo JV Contract and the Individual Chilled Business JV Contracts and acquire the Chilled Business Sale Shares, as announced in Mengniu's announcement dated August 11, 2013.



The Danone Mengniu Disposal triggered Mengniu's right to terminate the Chilled Business HoldCo JV Contract and the Individual Chilled Business JV Contracts and to acquire the Chilled Business Sale Shares. Mengniu has exercised such rights under the Chilled Business HoldCo JV Contract and the Individual Chilled Business JV Contracts. On May 6, 2022, Inner Mongolia Mengniu and Danone Shanghai, among others, entered into the Chilled Business SPA, pursuant to which Inner Mongolia Mengniu conditionally agreed to acquire from Danone Shanghai, and Danone Shanghai conditionally agreed to sell, the Chilled Business Sale Shares (together with all rights that attach to them as at the Chilled Business Completion).

### ***Principal Terms of the Chilled Business SPA***

#### *Consideration*

The parties to the Chilled Business SPA agree that the purchase price for the Chilled Business Sale Shares shall be up to RMB1,600 million, provided that the following adjustments shall apply:

- (a) If the Dumex China Disposal has not been completed and the Dumex China SPA has not been terminated upon the Chilled Business Completion:
  - (1) Inner Mongolia Mengniu shall pay RMB1,400 million (the “**Chilled Business Initial Price**”) in cash to Danone Shanghai at the Chilled Business Completion; and
  - (2) after the Chilled Business Completion:
    - (i) if the Dumex China Disposal is completed in accordance with the Dumex China SPA, Inner Mongolia Mengniu shall pay RMB200 million to Danone Shanghai in cash within 10 business days after completion of the Dumex China Disposal (or any other date agreed between the parties); or
    - (ii) if the Dumex China SPA is terminated and the Dumex China Disposal has not been completed at the time of such termination, Danone Shanghai shall pay RMB200 million to Inner Mongolia Mengniu in cash within 10 business days after termination of the Dumex China SPA (or any other date agreed between the parties);



- (b) If the Dumex China Disposal is completed in accordance with the Dumex China SPA on or before the Chilled Business Completion, the Chilled Business Initial Price shall be adjusted upwards by RMB200 million to RMB1,600 million and paid by Inner Mongolia Mengniu to Danone Shanghai in cash upon the Chilled Business Completion; and
- (c) If the Dumex China SPA is terminated and the Dumex China Disposal has not been completed at the time of such termination on or before the Chilled Business Completion, the Chilled Business Initial Price shall be adjusted downwards by RMB200 million to RMB1,200 million and paid by Inner Mongolia Mengniu to Danone Shanghai in cash upon the Chilled Business Completion.

The consideration for the Chilled Business Sale Shares was determined by the parties after arm's length negotiations on normal commercial terms after taking into account (a) the financial performance and asset value of the Chilled Business, with reference to relevant trading multiples of comparable companies, and (b) the initial cash contribution made by Danone Shanghai (or its Affiliates) to the Chilled Business JVs. The adjustment to the consideration for the Chilled Business Sale Shares above was introduced to incentivize parties to complete the Dumex China Disposal.

Based on the information provided by Danone Shanghai, the initial cash contribution made by Danone Shanghai (or its Affiliates) to the Chilled Business JVs was approximately RMB1,600 million.

#### *Conditions Precedent*

The Chilled Business Completion is conditional upon the satisfaction of the following conditions precedent:

- (a) the approval of the SAMR for the Chilled Business JVs Acquisition has been obtained, and such approval remains fully valid and does not change the terms of the Chilled Business SPA in a substantive manner; and
- (b) no breach of the representations and warranties set out in the Chilled Business SPA has occurred which remains un-remedied as at the Chilled Business Completion.

Condition (a) above cannot be waived. Condition (b) above may be waived by (to the extent applicable to Danone Shanghai) Inner Mongolia Mengniu, and (to the extent applicable to Inner Mongolia Mengniu) Danone Shanghai, at its respective own discretion. If any of the conditions precedent above is not satisfied or is likely not to be satisfied within six months after the date of the Chilled Business SPA (i.e. on or before November 6, 2022), the parties to the Chilled Business SPA will enter into good faith discussions with a view to reaching a mutually acceptable solution in connection with such condition and the Chilled Business JVs Acquisition.

### *Completion*

The Chilled Business Completion shall take place on the tenth (10th) business day following the satisfaction and/or (if applicable) waiver of all conditions precedent (other than such conditions to be satisfied immediately before or at completion), or such other date as the parties to the Chilled Business SPA may agree.

### *Information on Chilled Business JVs*

Based on the financial statements of the Chilled Business JVs, the financial information of the Chilled Business JVs for the years ended December 31, 2020 and December 31, 2021 are set out as follows:

	<b>For the year ended December 31, 2021 (unaudited) (RMB million)</b>	For the year ended December 31, 2020 (audited)
Loss before taxation	<b>130</b>	177
Loss after taxation	<b>177</b>	314

Based on the unaudited financial statements of the Chilled Business JVs for the year ended December 31, 2021, the unaudited net asset value of the Chilled Business JVs is RMB2,020 million.

The unaudited financial information of the Chilled Business JVs above (the “**Chilled Business Unaudited Information**”) is required to be disclosed in the Announcement in accordance with the Listing Rules. Pursuant to Practice Note 2 and Rule 10 of the Takeovers Code, the Chilled Business Unaudited Information constitutes a profit forecast and needs to be reported on by the auditor or accountant and the financial adviser of Mengniu (the “**Chilled Business Reports**”). However, due to the time constraints to include the Chilled Business Reports in the Announcement as additional time is required for the preparation of the Chilled Business Reports by the financial advisers and auditors or accountants, **Yashili Shareholders and potential investors should note that the Chilled Business Unaudited Information does not meet the standard required by Rule 10 of the Takeovers Code. Yashili Shareholders and potential investors should exercise caution in placing reliance on the Chilled Business Unaudited Information when assessing the merits and demerits of the Chilled Business JVs Acquisition and the Privatization Proposal, and when dealing in the securities of Yashili.**

Under Practice Note 2 of the Takeovers Code and in accordance with Rule 10.4 of the Takeovers Code, the Chilled Business Reports are required to be included in the next document to be despatched to the Yashili Shareholders. The requirement to include the Chilled Business Reports in the next document to be despatched to the Yashili Shareholders pursuant to Rule 10 of the Takeovers Code will be superseded if the relevant audited financial information of the Chilled Business JVs is provided in such document to be despatched to the Yashili Shareholders.

### ***Listing Rules and Takeovers Code Implications of the Chilled Business JVs Acquisition***

#### *Listing Rules Implications*

Danone Shanghai is an associate (as such term is defined under Rule 14A.13 of the Listing Rules) of Danone Nutrition, a substantial shareholder (as defined under the Listing Rules) of Yashili, which is a subsidiary of Mengniu. Accordingly, Danone Shanghai is a connected person of Mengniu at the subsidiary level.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Chilled Business JVs Acquisition for Mengniu is less than 5%, the Chilled Business JVs Acquisition does not constitute a notifiable transaction of Mengniu under Chapter 14 of the Listing Rules. However, the transaction is a connected transaction of Mengniu as of the Announcement Date by reason that Danone Shanghai is a connected person of Mengniu at the subsidiary level. As the highest of all applicable percentage ratios is more than 1% but less than 5% and the Chilled Business JVs Acquisition is conducted on normal commercial terms or better for Mengniu, such connected transaction of Mengniu is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(2)(a) of the Listing Rules.

*Rule 25 of the Takeovers Code — Special Deal*

As the Chilled Business JVs Acquisition is an arrangement between Inner Mongolia Mengniu, being an Offeror Concert Party, and Danone Shanghai, a fellow subsidiary of Danone Nutrition, which is in turn a Yashili Shareholder, and such arrangement is not also extended to all Yashili Shareholders, the Chilled Business JVs Acquisition constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Offeror will make an application to seek the consent of the Executive for the Chilled Business JVs Acquisition and such consent, if granted, will be subject to:

- (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Chilled Business JVs Acquisition are fair and reasonable; and
- (b) the approval of the Chilled Business JVs Acquisition by the Independent Yashili Shareholders by way of poll at the Yashili First EGM.

**Yashili Shareholders are reminded that the Chilled Business JVs Acquisition is not a transaction of Yashili, therefore, if the Independent Yashili Shareholders do not approve the Chilled Business JVs Acquisition at the Yashili First EGM, the Privatization Proposal will lapse as such approval is a Scheme Pre-condition which cannot be waived. Following the lapsing of the Privatization Proposal, the Chilled Business JVs Acquisition will no longer constitute a special deal under Rule 25 of the Takeovers Code. Therefore, upon the lapsing of the Privatization Proposal, Mengniu and Danone can and will, subject to the satisfaction and/or waiver of the conditions precedent of the Chilled Business JVs Acquisition, still proceed to complete the Chilled Business JVs Acquisition.**

## ***Reasons for and benefits of the Chilled Business JVs Acquisition***

The Chilled Business JVs are part of the Existing Mengniu-Danone Relationships. Given the decision to unwind the Existing Mengniu-Danone Relationships, Mengniu had exercised its rights to terminate the Chilled Business HoldCo JV Contract and Individual Chilled Business JV Contracts and to acquire the Chilled Business Sale Shares, in each case, in accordance with the terms of such contracts. The acquisition of the remaining 20% equity interest in the Chilled Business JVs will provide Mengniu with more flexibility in managing the business and allocation of resources without taking into consideration of minority shareholder's rights and interests.

All Mengniu Directors (including all independent non-executive directors of Mengniu) are of the view that (a) the terms and conditions of the Chilled Business SPA are fair and reasonable; (b) the Chilled Business JVs Acquisition is on normal commercial terms or better; and (c) the Chilled Business JVs Acquisition is in the interests of Mengniu and Mengniu Shareholders as a whole.

No Mengniu Director is considered to have a material interest in the Chilled Business JVs Acquisition and is therefore required to abstain from voting on the board resolution of Mengniu approving the Chilled Business JVs Acquisition and the transactions contemplated thereunder.

## **2.2 Dumex China Disposal**

After completion of subscription of the Yashili Sale Shares by Danone Nutrition in February 2015, in May 2016, the Yashili Group completed the acquisition of Danone's entire equity interests in Dumex China, which was then wholly-owned by Danone.

To unwind the Existing Mengniu-Danone Relationships, on May 6, 2022, Yashili Guangdong and Danone APAC entered into the Dumex China SPA pursuant to which Yashili Guangdong has conditionally agreed to sell, and Danone APAC has conditionally agreed to acquire, 100% of the equity interests in Dumex China.

## ***Principal Terms of the Dumex China SPA***

### *Consideration*

The total consideration for the Dumex China Disposal is RMB870 million on a cash free and debt free basis (subject to the customary closing accounts adjustments) (“**Dumex China Final Consideration**”), which shall be satisfied in cash in the following manner:

- (a) At completion of the Dumex China Disposal, Danone APAC shall pay RMB 850 million (“**Dumex China Initial Consideration**”) to Yashili Guangdong;
- (b) Within 60 days following the completion date, Danone APAC shall procure that Dumex China shall prepare and deliver to Yashili Guangdong and Danone APAC the Dumex China Draft Closing Statement;
- (c) On or before the 25th day after Yashili Guangdong’s receipt of the Dumex China Draft Closing Statement, each of Yashili Guangdong and Danone APAC shall indicate its acceptance or objection to the Dumex China Draft Closing Statement, which shall be deemed to be final and binding on both parties if no objection was received;
- (d) Within 20 days following the last date on which a timely objection was received, the objecting party shall use its reasonable best efforts to agree with the Dumex China’s Auditors as to any amendments that need to be made to the Dumex China Draft Closing Statement, provided that the Dumex China’s Auditors shall have the right to make the final determination with respect to any objections raised and such final determination shall be final and binding on both parties;
- (e) Yashili Guangdong and Danone APAC shall use their reasonable best efforts to procure that the Dumex China’s Auditors shall deliver to the parties a final and binding Dumex China Final Closing Statement by no later than 20 days following the last date on which a timely objection was received; and
- (f) Within 10 business days following the Dumex China Post-Closing Determination Date, (i) if the Dumex China Final Consideration (after adjustments based on the Dumex China Final Closing Statement) is less than the Dumex China Initial Consideration, Yashili Guangdong shall pay to Danone APAC an amount equal to the difference, and (ii) if the Dumex China Final Consideration (after adjustments based on the Dumex China Final Closing Statement) is more than the Dumex China Initial Consideration, Danone APAC shall pay to Yashili Guangdong an amount equal to the difference.

The consideration for the Dumex China Disposal was determined by the parties after arm's length negotiations on normal commercial terms after taking into account (a) the financial performance and asset value of the Dumex China Target Business; and (b) the estimated Yashili's carrying value of Dumex China. For the avoidance of doubt, any business of Dumex China conducted under the Transferred Brands and the Yashili Trade Business of Dumex China do not form part of the Dumex China Disposal.

### *Conditions Precedent*

Completion of the Dumex China Disposal is conditional upon the satisfaction or (where applicable) waiver of the following conditions precedent prior to the Dumex CP Deadline:

- (a) (i) the representations and warranties made by Danone APAC under the Dumex China SPA shall be (x) (where such representations and warranties are not qualified by a materiality qualification) true and correct in all material respects and (y) (where such representations and warranties are qualified by a materiality qualification) true and correct in all respects as so qualified, as though such representations and warranties had been made on and as of the completion date or (where applicable) another specified date; and (ii) the covenants and agreements under the Dumex China SPA to be complied with by Danone APAC on or before completion shall have been complied with in all material respects;
- (b) (i) the representations and warranties made by Yashili Guangdong under the Dumex China SPA shall be true and correct in all respects as though such representations and warranties had been made on and as of the completion date or (where applicable) another specified date unless, in each case, for such failures to be true and correct as would not have, individually or in aggregate, a material adverse effect; and (ii) all covenants and agreements under the Dumex China SPA to be complied with by Yashili Guangdong on or before completion shall have been complied with in all material respects (collectively, "**Dumex Key Condition 1**");
- (c) the Dumex China Anti-Trust Approval and shareholders' approval of the Dumex China Disposal at the Yashili First EGM in connection with the Dumex China Disposal as a major and connected transaction of Yashili shall have been obtained;
- (d) no governmental authority shall have enacted, issued, promulgated, enforced or entered any law or governmental order that prohibits or makes illegal the Dumex China Disposal at or prior to the completion date;



- (e) Dumex China shall have obtained from the competent governmental authority the new registration certificate pursuant to the New National Standards for each of two milk formula products, provided that the requirements prescribed in the Dumex China SPA related to the expiry date of each new registration certificate and the production process approved in each new registration certificate are satisfied (“**Dumex Key Condition 2**”);
- (f) no material adverse effect in relation to the business, operations, consolidated results of operations, consolidated financial condition or the business or financial prospects of Dumex China Target Business (subject to customary carve-outs) having occurred at any time from December 31, 2021 until the completion date (“**Dumex Key Condition 3**”);
- (g) For the 12 months immediately prior to the month in which completion occurs, the total net sales of Dumex China Target Business have not reduced by 15% or more, compared to the total net sales of Dumex China Target Business for the 12 months immediately prior to the date of the Dumex China SPA (“**Dumex Key Condition 4**”);
- (h) Dumex China has renewed its drainage permit and its pollutant discharge permit prior to their respective expiry dates respectively with the competent governmental authorities provided that the pollutant parameters set out in these renewed permits shall satisfy the requirements specified in the Dumex China SPA (“**Dumex Key Condition 5**”); and
- (i) Dumex China have entered into certain specified key service agreements with the relevant members of the Yashili Group or any third party (as applicable), the terms of which relating to ingredient specification, pricing and validity period shall meet the requirements detailed in the Dumex China SPA (“**Dumex Key Condition 6**”).

The condition (a) above may be waived by Yashili Guangdong in whole or in part. The conditions (b) and (e) to (i) (inclusive) above may be waived by Danone APAC in whole or in part. No other conditions above may be unilaterally waived by Yashili Guangdong or Danone APAC. For the avoidance of doubt, if, after Danone APAC’s Dumex China Anti-Trust Filing in accordance with the Dumex China SPA, the Anti-Trust Clearance Authority indicates that the Dumex China Anti-Trust Approval is not required for the Dumex China Disposal, then the obtaining of the Dumex Anti-Trust Approval as set out in condition (c) above shall be automatically waived.

If the conditions above are not fulfilled prior to the Dumex CP Deadline, the Dumex CP Deadline shall automatically be extended to June 15, 2023, provided only that Dumex China shall have obtained one of the new registration certificates with respect to the Dumex Key Condition 2 on or prior to February 22, 2023 (“**Dumex CP Deadline Extension**”).

#### *Anti-Trust Filing*

Yashili Guangdong and Danone APAC agree that Danone APAC shall submit the Dumex China Anti-Trust Filing as soon as reasonably practicable after the date of the Dumex China SPA.

#### *Completion*

Completion of the Dumex China Disposal shall take place on the fifth (5th) business day following the Dumex China CP Unconditional Date, or such other date as Yashili Guangdong and Danone APAC may mutually agree.

#### *Termination*

The Dumex China SPA may be terminated if, inter alia, (i) by either party if any of the conditions precedent has not been fulfilled or otherwise waived in accordance with the Dumex China SPA by the Dumex CP Deadline, provided that such right shall not be available to any party whose failure to fulfill any obligation under the Dumex China SPA shall have caused the failure of such condition precedent being fulfilled or otherwise waived on or prior to the Dumex CP Deadline; or (ii) either party has failed to comply with any Dumex China Material Closing Obligations. For instance, in respect of (i), the Dumex China SPA may be terminated by Danone APAC if Dumex China fails to obtain at least one of the new registration certificates with respect to the Dumex Key Condition 2 on or prior to February 22, 2023.

In connection with the Dumex China Material Closing Obligations, both Yashili Guangdong and Danone APAC shall deliver or cause to be delivered to the other party the following, among others, at completion:

- (a) (for Yashili to Danone APAC) (i) certain key service agreements as specified in the Dumex China SPA between Dumex China and each relevant member of the Yashili Group or any third party on terms substantially similar to the existing terms; (ii) a confirmation of the completion of the split-off of the Yashili Trade Business in accordance with the Dumex China SPA; (iii) a duly signed and stamped register of shareholder showing Danone APAC as the sole shareholder of Dumex China; and (iv) a confirmation that certain agreements between Dumex China and Yashili Guangdong or a member of the Yashili Group as specified in the Dumex China SPA have been terminated prior to or at completion, and Dumex China has settled all liabilities with Yashili Guangdong and the Yashili Group under such agreements, subject to the agreed exceptions (collectively, the “**Dumex China Seller Key Obligations**”); and
- (b) (for Danone APAC to Yashili) the Dumex China Initial Consideration by wire transfer to the bank account designated by Yashili Guangdong (the “**Dumex China Buyer Key Obligation**”, together with the Dumex China Seller Key Obligations, the “**Dumex China Material Closing Obligations**”).

If either party fails to comply with any of the Dumex China Material Closing Obligations, then the other party shall be entitled, on the date completion would otherwise have taken place, to, inter alia, (a) notify the party in default of a new date for completion (being not more than 10 business days after the original date for completion) but on the basis that such deferral may only occur once; or (b) terminate the Dumex China SPA (other than the provisions relating to the effect of termination and certain general provisions). If (i) completion is deferred and at such deferred completion a party fails to comply with its Dumex China Material Closing Obligations; or (ii) such deferred completion does not occur within 10 business days after the first completion date, the non-defaulting party shall have the right to terminate the Dumex China SPA.

### *Carved-out Businesses*

Pursuant to the Dumex China SPA, the parties agree that any business conducted under the Transferred Brands does not form part of the transactions contemplated thereunder. Therefore, Yashili Guangdong shall have the right to cause Dumex China to transfer the Transferred Brands to Yashili Guangdong or its affiliates for free or for a nominal price. Furthermore, Yashili Guangdong shall complete the split-off of the Yashili Trade Business prior to completion of the Dumex China Disposal.

### *Information on Dumex China*

Dumex China is a company established in the PRC and an indirectly wholly-owned subsidiary of Yashili. It is principally engaged in manufacturing, sale and import of dairy products and other related nutrition products. Upon completion of the Dumex China Disposal, Dumex China will no longer be a subsidiary of Yashili.

Based on the consolidated financial statements of Dumex China, the financial information of Dumex China for the years ended December 31, 2020 and December 31, 2021 are set out as follows:

	<b>For the year ended December 31, 2021 (unaudited) (RMB million)</b>	For the year ended December 31, 2020 (audited)
Profit before taxation	<b>20</b>	47
Profit after taxation	<b>12</b>	40

Based on the unaudited consolidated financial statements of Dumex China for the year ended December 31, 2021, the unaudited net asset value of Dumex China is negative RMB11 million.

The financial information of Dumex China above does not take into account the implementation of the transfer of the Transferred Brands by Dumex China to Yashili Guangdong (or its affiliates) and the split-off of the Yashili Trade Business pursuant to the Dumex China SPA.

The unaudited financial information of Dumex China above (the “**Dumex Unaudited Information**”) is required to be disclosed in the Announcement in accordance with the Listing Rules. Pursuant to Practice Note 2 and Rule 10 of the Takeovers Code, the Dumex Unaudited Information constitutes a profit forecast and needs to be reported on by the auditor or accountant and the financial adviser or independent financial adviser of Yashili (the “**Dumex Reports**”). However, due to the time constraints to include the Dumex Reports in the Announcement as additional time is required for the preparation of the Dumex Reports by the financial advisers and auditors or accountants, **Yashili Shareholders and potential investors should note that the Dumex Unaudited Information does not meet the standard required by Rule 10 of the Takeovers Code. Yashili Shareholders and potential investors should exercise caution in placing reliance on the Dumex Unaudited Information when assessing the merits and demerits of the Dumex China Disposal and the Privatization Proposal, and when dealing in the securities of Yashili.**

Under Practice Note 2 of the Takeovers Code and in accordance with Rule 10.4 of the Takeovers Code, the Dumex Reports are required to be included in the next document to be despatched to the Yashili Shareholders. The requirement to include the Dumex Reports in the next document to be despatched to the Yashili Shareholders pursuant to Rule 10 of the Takeovers Code will be superseded if the relevant audited financial information of Dumex China is provided in such document to be despatched to the Yashili Shareholders.

#### ***Financial Effect of the Dumex China Disposal and Intended Use of Proceeds***

As of the Announcement Date, Dumex China is an indirect wholly-owned subsidiary of Yashili. Upon completion of the Dumex China Disposal, Yashili will cease to hold any interest in Dumex China, and Dumex China will cease to be a subsidiary of Mengniu and Yashili. The net proceeds (after deducting the estimated expenses for the Dumex China Disposal) of the Dumex China Disposal are expected to be approximately RMB860 million. Yashili intends to utilize the net proceeds from the Dumex China Disposal for other business operations of the Yashili Group. For the avoidance of doubt, if the Dumex China Disposal is completed and the Scheme Conditions are fulfilled, upon the Scheme becoming effective, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price only and the Scheme Shareholders will not be able to enjoy the net proceeds from the Dumex China Disposal retained by Yashili as a Yashili Shareholder.

Based on the difference between total consideration for the Dumex China Disposal and the estimated Yashili's carrying value of Dumex China as of December 31, 2021, the Dumex China Disposal is not expected to result in material gain or loss for Yashili (before taking into account any taxation and transaction costs). The above-mentioned financial effects are for illustrative purposes only and do not purport to represent the financial position of Yashili or Mengniu upon completion of the Dumex China Disposal.

### ***Listing Rules and Takeovers Code Implications of the Dumex China Disposal***

#### *Listing Rules Implications for Yashili*

Danone APAC is an associate (as such term is defined under Rule 14A.13 of the Listing Rules) of Danone Nutrition and therefore it is a connected person of Yashili. Yashili Guangdong is a wholly-owned subsidiary of Yashili. Accordingly, the Dumex China Disposal constitutes a connected transaction of Yashili.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Dumex China Disposal for Yashili is more than 25% but less than 75%, the Dumex China Disposal constitutes a major and connected transaction of Yashili as of the Announcement Date which is subject to the reporting, announcement and the Independent Yashili Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Accordingly, the Dumex China Disposal will be put forward to the Independent Yashili Shareholders for their approval as a major and connected transaction by way of poll at the Yashili First EGM.

#### *Listing Rules Implications for Mengniu*

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Dumex China Disposal for Mengniu is less than 5%, the Dumex China Disposal does not constitute a notifiable transaction of Mengniu under Chapter 14 of the Listing Rules. However, the transaction is a connected transaction of Mengniu as of the Announcement Date by reason that Danone APAC is a connected person of Mengniu at the subsidiary level. As the highest of all applicable percentage ratios is less than 1% and the Dumex China Disposal is conducted on normal commercial terms or better for Mengniu, such connected transaction of Mengniu is fully exempt under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b) of the Listing Rules.

### *Rule 25 of the Takeovers Code — Special Deal*

As the Dumex China Disposal is an arrangement between Yashili Guangdong, a subsidiary of Yashili and an Offeror Concert Party, and Danone APAC, a fellow subsidiary of Danone Nutrition, which is in turn a Yashili Shareholder, and such arrangement is not also extended to all Yashili Shareholders, the Dumex China Disposal constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Offeror will make an application to seek the consent of the Executive for the Dumex China Disposal and such consent, if granted, will be subject to:

- (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Dumex China Disposal are fair and reasonable; and
- (b) the approval of the Dumex China Disposal by the Independent Yashili Shareholders by way of poll at the Yashili First EGM.

**Yashili Shareholders are reminded that if the Independent Yashili Shareholders do not approve the Dumex China Disposal at the Yashili First EGM, the Dumex China Disposal will not proceed in accordance with the Dumex China SPA and the Privatization Proposal will lapse as such approval is a Scheme Pre-condition which cannot be waived.**

### *Reasons for and benefits of the Dumex China Disposal*

In light of the unwinding of the Existing Mengniu-Danone Relationships and the Danone Group ceasing to have any interest in Yashili following completion of the 25% Yashili Acquisition, the parties to the Dumex China SPA agree that Danone Group will acquire Dumex China on the terms and subject to the conditions set out in the Dumex China SPA. In addition, the Dumex China Disposal represents a transaction at an opportune time and allows Mengniu and Yashili to reallocate their resources to invest in other business opportunities with better synergies with the business of Mengniu and Yashili.

All Yashili Directors (excluding all independent non-executive directors of Yashili, whose opinions will be set out in the letter from the independent board committee to be included in the circular to be despatched to the Yashili Shareholders, and all non-executive directors of Yashili, who have abstained from voting on the relevant board resolution) are of the view that (a) the terms and conditions of the Dumex China Disposal are fair and reasonable; (b) the Dumex China Disposal is on normal commercial terms or better; and (c) the Dumex China Disposal is in the interests of Yashili and the Yashili Shareholders as a whole.



Given the completion status of the Dumex China Disposal will affect the 25% Yashili Acquisition and the adjustment to the consideration for the Chilled Business JVs Acquisition, to which relevant members of the Mengniu Group and the Danone Group are parties, and all non-executive directors of Yashili currently also assumed senior positions in either Mengniu or Danone Group, all non-executive directors of Yashili therefore are considered to have a material interest in the Dumex China Disposal and the transactions contemplated thereunder. As such, each of the non-executive directors of Yashili, namely Mr. Qin Peng, Mr. Gu Peiji (alias Philip Gu), Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping, has abstained from voting on the board resolution of Yashili approving the Dumex China Disposal and the transactions contemplated thereunder. For details of the positions assumed by the non-executive directors of Yashili in either Mengniu or Danone Group, please refer to the section headed “2.4 The Yashili Independent Board Committee, the Independent Financial Adviser and the Yashili First EGM”.

### **2.3 25% Yashili Acquisition**

On May 6, 2022, Mengniu and Danone Nutrition entered into the 25% Yashili Acquisition SPA, pursuant to which Mengniu conditionally agreed to acquire (or procure the acquisition of) from Danone Nutrition, and Danone Nutrition conditionally agreed to sell to Mengniu (or its Affiliate), the Yashili Sale Shares. Summarized below are the other principal terms of the 25% Yashili Acquisition SPA:

#### ***Transfer Subject***

The transfer subject comprises the Yashili Sale Shares, being 1,186,390,074 Yashili Shares, representing 25.00% of the total issued share capital of Yashili as of the Announcement Date.

#### ***Consideration***

The total consideration for the Yashili Sale Shares is HK\$1,423,688,089, representing a price per Yashili Share of HK\$1.20, which shall be satisfied in cash by Mengniu and was determined by the parties after arm’s length negotiations after taking into account, among others, the historical performance and business potential of Yashili and the prevailing and historical market price levels of the Yashili Shares.

Based on publicly available information, the original acquisition costs of the Yashili Sale Shares to Danone Nutrition were approximately HK\$4,390 million.

### ***Conditions to Completion***

Completion of the 25% Yashili Acquisition is conditional on each of the following conditions having been satisfied or waived prior to the 25% Yashili Acquisition LSD:

- (a) the Dumex China Disposal having been approved by the Independent Yashili Shareholders at the Yashili First EGM as a major and connected transaction of Yashili in accordance with the requirements imposed by the relevant Governmental Entities; and
- (b) (i) the Dumex China Disposal having been completed on or before the 25% Yashili Acquisition LSD, or (ii) in the case that any one or more of the Dumex Key Conditions have not been satisfied or waived (where applicable) by the Dumex CP Deadline, following all other conditions precedent to the Dumex China Disposal (excluding the Dumex Key Conditions) having been satisfied.

The above condition (a) cannot be waived. Condition (b) may be waived by Mengniu.

For the avoidance of doubt, if the Dumex CP Deadline is extended pursuant to the Dumex China SPA, the earliest date on which condition (b)(ii) above may be assessed to determine whether it has been satisfied is on such extended Dumex CP Deadline as determined in accordance with the Dumex China SPA.

### ***Completion***

Completion of the 25% Yashili Acquisition shall take place after all conditions precedent to the 25% Yashili Acquisition have been satisfied or waived in accordance with its terms, provided that:

- (a) if the Dumex China Disposal is completed on or before the 25% Yashili Acquisition LSD, completion of the 25% Yashili Acquisition shall take place on the fifth (5th) business day following the satisfaction of all such conditions precedent, or such other date as the parties may agree; and
- (b) if all conditions precedent of the Dumex China Disposal are satisfied on or before the Dumex CP Deadline except for any of the Dumex Key Conditions, the date of completion of the 25% Yashili Acquisition shall take place on the fifth (5th) business day following the Dumex CP Deadline, or such other date as the parties may agree.

Upon completion of the 25% Yashili Acquisition and assuming that there are no changes to the issued shares of Yashili and there is no exercise of the Mengniu International Exchange Right prior to completion of the 25% Yashili Acquisition, Yashili will be held as to approximately and effectively 76.01% by Mengniu, and the Danone Group will cease to hold any Yashili Shares.

### ***Listing Rules and Takeovers Code Implications of the 25% Yashili Acquisition***

#### *Listing Rules Implications*

Danone Nutrition is a substantial shareholder (as defined under the Listing Rules) of Yashili, a subsidiary of Mengniu. Accordingly, Danone Nutrition is a connected person of Mengniu at the subsidiary level.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the 25% Yashili Acquisition for Mengniu is less than 5%, the 25% Yashili Acquisition does not constitute a notifiable transaction of Mengniu under Chapter 14 of the Listing Rules. However, the transaction is a connected transaction of Mengniu by reason of Danone Nutrition being a connected person of Mengniu at the subsidiary level. As the highest of all applicable percentage ratios is more than 1% but less than 5% and the 25% Yashili Acquisition is conducted on normal commercial terms or better, the 25% Yashili Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules in accordance with Rule 14A.76(2)(a) of the Listing Rules.

#### *Rule 25 of the Takeovers Code — Special Deal*

As the 25% Yashili Acquisition is an arrangement between Mengniu, the parent company of the Offeror in the Privatization Proposal, or an Affiliate of Mengniu, and Danone Nutrition, a Yashili Shareholder, and such arrangement is not also extended to all Yashili Shareholders, the 25% Yashili Acquisition constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Offeror will make an application to seek the consent of the Executive for the 25% Yashili Acquisition and such consent, if granted, will be subject to:

- (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the 25% Yashili Acquisition are fair and reasonable; and
- (b) the approval of the 25% Yashili Acquisition by the Independent Yashili Shareholders by way of poll at the Yashili First EGM.

**Yashili Shareholders are reminded that if the Independent Yashili Shareholders do not approve the 25% Yashili Acquisition at the Yashili First EGM, the Privatization Proposal will lapse as the approval and completion of the 25% Yashili Acquisition are Scheme Pre-conditions which cannot be waived. Following the lapsing of the Privatization Proposal, the 25% Yashili Acquisition will no longer constitute a special deal under Rule 25 of the Takeovers Code. Therefore, upon the Dumex China Disposal having been approved by the Independent Yashili Shareholders at the Yashili First EGM (being a condition precedent of the 25% Yashili Acquisition which cannot be waived in accordance with the 25% Yashili Acquisition SPA) and the lapsing of the Privatization Proposal, Mengniu and Danone Nutrition can and will, subject to the satisfaction and/or waiver of the other condition precedent of the 25% Yashili Acquisition, still proceed to complete the 25% Yashili Acquisition.**

***Reasons for and benefits of the 25% Yashili Acquisition***

The decision to unwind the Existing Mengniu-Danone Relationships following the Danone Mengniu Disposal is a key reason for conducting the 25% Yashili Acquisition. Furthermore, the 25% Yashili Acquisition could simplify the shareholding structure of Yashili, solidify Mengniu's control of the business operations and development of the Yashili Group, and facilitate the implementation process of corporate strategy within the Yashili Group. These steps are envisaged to benefit the long-term development of the Mengniu Group (including but not limited to the Yashili Group) in general.

All Mengniu Directors (including all independent non-executive directors of Mengniu) are of the view that (a) the terms and conditions of the 25% Yashili Acquisition SPA are fair and reasonable; (b) the 25% Yashili Acquisition is on normal commercial terms or better; and (c) the 25% Yashili Acquisition is in the interests of Mengniu and the Mengniu Shareholders as a whole.

No Mengniu Director (including the independent non-executive directors of Mengniu) is considered to have a material interest in the 25% Yashili Acquisition and is therefore required to abstain from voting on the board resolution approving the 25% Yashili Acquisition and the transactions contemplated thereunder.

## **2.4 The Yashili Independent Board Committee, the Independent Financial Adviser and the Yashili First EGM**

At the Yashili First EGM, a resolution to approve the Chilled Business SPA (as a special deal), Dumex China SPA (as a special deal and major and connected transaction of Yashili) and the 25% Yashili Acquisition SPA (as a special deal), and the transactions contemplated thereunder, will be put forward to the Independent Yashili Shareholders for their approval.

The Yashili Independent Board Committee, comprising all independent non-executive directors of Yashili who are not interested in the Proposed Transactions and the Privatization Proposal, namely, Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway, has been established by the Yashili Board to advise the Independent Yashili Shareholders as to: (a) whether the terms of the Proposed Transactions are fair and reasonable; (b) whether the Dumex China Disposal is on normal commercial terms or better and in the interests of Yashili and the Yashili Shareholders as a whole; and (c) whether the Independent Yashili Shareholders should vote in favor of the resolution(s) to approve the Proposed Transactions at the Yashili First EGM.

Somerley Capital Limited has been appointed by Yashili, with the approval of the Yashili Independent Board Committee, to advise the Yashili Independent Board Committee and the Independent Yashili Shareholders (as applicable) on the Proposed Transactions.

In view of the positions assumed by the respective non-executive directors of Yashili below, all non-executive directors of Yashili are considered as either an Offeror Concert Party or a person closely related to an Offeror Concert Party. Therefore, they are not considered as independent for the purpose of giving advice or recommendations to the Independent Yashili Shareholders and have been precluded from the Yashili Independent Board Committee:

- (a) Mr. Jeffrey, Minfang Lu is an executive director and the chief executive officer of Mengniu;
- (b) Mr. Zhang Ping is an executive director and the chief financial officer of Mengniu;
- (c) Mr. Qin Peng is the Chairman of China division of the Danone Group; and
- (d) Mr. Gu Peiji (alias Philip Gu) is the general manager of Danone Asia Pacific (Shanghai) Management Co., Ltd and the chairman of the board of Danone (China) Food & Beverage Co., Ltd.

A circular containing, among other things, (i) details of the Proposed Transactions; (ii) a letter from the Yashili Independent Board Committee containing its advice in respect of the Proposed Transactions; (iii) a letter from the Independent Financial Adviser containing its advices in respect of the Proposed Transactions (in each case, with respect to considerations relating to Rule 25 of the Takeovers Code and in respect of the Dumex China Proposal, also with respect to considerations relating to Chapter 14A of the Listing Rules); and (iv) a notice convening the Yashili First EGM, is expected to be despatched to the Yashili Shareholders on or before June 30, 2022, which is more than 15 business days after the publication of this Announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

The Proposed Transactions are not required to close simultaneously and they may close at different times. Subject to the satisfaction or, where applicable, waiver of the conditions of each of the Proposed Transactions, it is expected that the earliest closing of one or more of the Proposed Transactions may take place this year. Further announcement(s) on the satisfaction or, where applicable, waiver of conditions of the Proposed Transactions will be made in accordance with the Listing Rules and the Takeovers Code.

**Warning: The respective shareholders and potential investors of Yashili and Mengniu should be aware that completion of the Proposed Transactions is subject to the conditions precedent as set out under the sections headed “2.1 Chilled Business JVs Acquisition”, “2.2 Dumex China Disposal” and “2.3 25% Yashili Acquisition” being satisfied or waived, as applicable, respectively and therefore the Proposed Transactions may or may not proceed. The respective shareholders and potential investors of Yashili and Mengniu should therefore exercise caution when dealing in the securities of Yashili and Mengniu. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

### 3. THE PRE-CONDITIONAL PRIVATIZATION PROPOSAL

#### 3.1 The Privatization Proposal

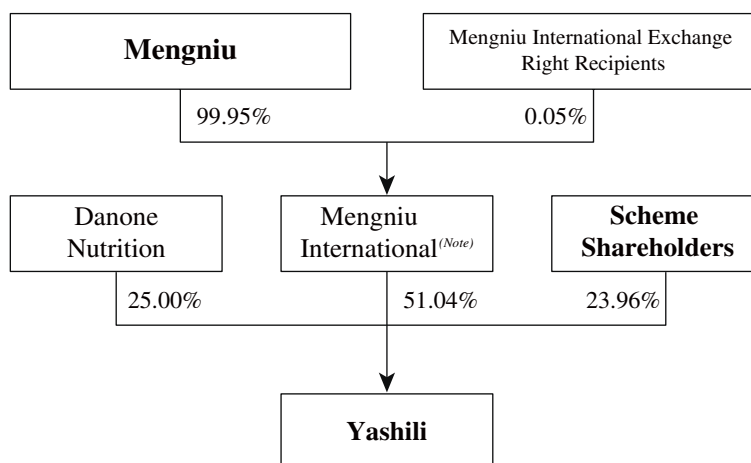
Mengniu, the Offeror and Yashili further jointly announce that on May 3, 2022, the Offeror has formally requested the Yashili Board to, subject to the satisfaction of the Scheme Pre-Conditions, put forward a proposal to the Scheme Shareholders for the privatization of Yashili by way of a scheme of arrangement under section 86 of the Companies Act. Upon the fulfilment of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to the Cancellation Price of HK\$1.20 for each Scheme Share.

In accordance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Cancellation Price will be paid by the Offeror to the Scheme Shareholders as soon as possible but in any event within seven business days (as defined in the Takeovers Code) after the Scheme Effective Date.

*Shareholding Structure of Yashili as at the Announcement Date, immediately upon completion of the 25% Yashili Acquisition and immediately upon completion of the Privatization Proposal*

The diagrams below illustrate the simplified shareholding structure of Yashili as at the Announcement Date, immediately upon completion of the 25% Yashili Acquisition and immediately upon completion of the Privatization Proposal:

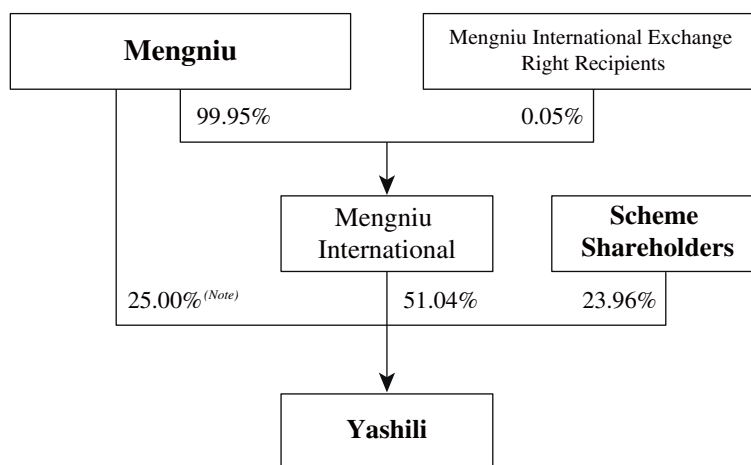
(a) *As at the Announcement Date:*





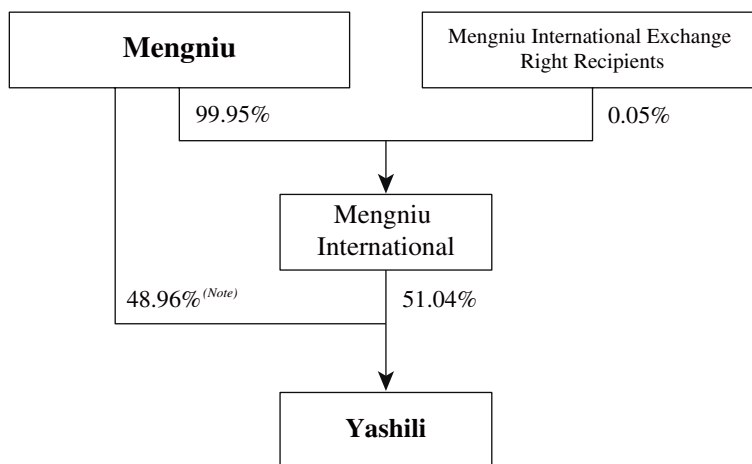
*Note:* As disclosed in the composite offer and response document issued by Mengniu, Mengniu International and Yashili dated July 23, 2013, each shareholder of Mengniu International (other than Mengniu) may require Mengniu International to exchange all (but not part only) of the shares of Mengniu International held by such shareholder with such shareholder's proportionate interest in Yashili held through Mengniu International (the "**Mengniu International Exchange Right**"). Mengniu International will transfer its Yashili Shares in compliance with the Takeovers Code to satisfy its obligations upon any exercise of the Mengniu International Exchange Right during the offer period (as defined under the Takeovers Code). As of the Announcement Date, the Mengniu International Exchange Right Recipients hold 4,976,748 shares of Mengniu International (approximately 0.05% of the total issued shares of Mengniu International), which are exchangeable into 1,214,006 Yashili Shares held by Mengniu International (representing approximately 0.03% of the Yashili Shares). For the avoidance of doubt, if the Mengniu International Exchange Right Recipients exercise their exchange rights and become Yashili Shareholders on or prior to the record date for determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Yashili Shareholders to attend and vote at the Scheme EGM, those Yashili Shares held by such recipients will form part of the Scheme Shares and accordingly may be voted on at the Court Meeting and the Scheme EGM. If the Mengniu International Exchange Right Recipients exercise their exchange rights and become Yashili Shareholders at or prior to the Scheme Record Time (but only after the aforementioned record date), those Yashili Shares held by such recipients will form part of the Scheme Shares (but such recipients will have no entitlement to vote at the Court Meeting or the Scheme EGM).

- (b) Immediately upon completion of the 25% Yashili Acquisition (assuming that there is no exercise of the Mengniu International Exchange Right and there are no other changes to the issued share capital and holding of shares of Yashili between the Announcement Date and the completion date of the 25% Yashili Acquisition):



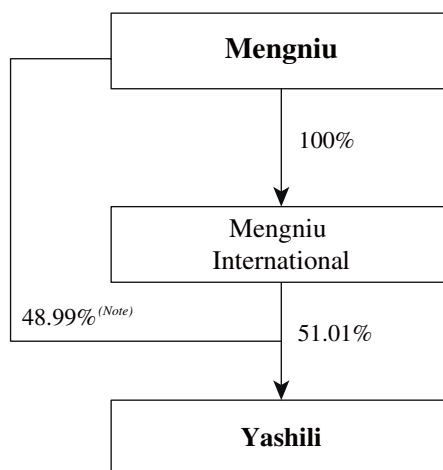
*Note:* The Yashili Shares to be acquired by Mengniu from the 25% Yashili Acquisition will be held directly or indirectly by Mengniu.

- (c) Immediately upon completion of the Privatization Proposal (assuming that there is no exercise of the Mengniu International Exchange Right since the Announcement Date and there are no other changes to the issued share capital and holding of shares of Yashili except for the completion of the 25% Yashili Acquisition):



*Note:* The Yashili Shares to be acquired by Mengniu from the 25% Yashili Acquisition will be held directly or indirectly by Mengniu. The Scheme Shares will be held indirectly by Mengniu through the Offeror.

- (d) Immediately upon completion of the Privatization Proposal (assuming that the Mengniu International Exchange Right is exercised in full between the Announcement Date and the Scheme Record Date such that all Mengniu International Exchange Right Recipients become the Scheme Shareholders and, except for the aforementioned exercise of the Mengniu International Exchange Right and completion of the 25% Yashili Acquisition, there are no other changes to the issued share capital and holding of shares of Yashili):



*Note:* The Yashili Shares to be acquired by Mengniu from the 25% Yashili Acquisition will be held directly or indirectly by Mengniu. The Scheme Shares will be held indirectly by Mengniu through the Offeror.

### 3.2 Scheme Pre-Conditions

The making of the Privatization Proposal is, and the implementation of the Privatization Proposal and the Scheme will be, conditional upon the following pre-conditions having been satisfied:

- (a) the Independent Yashili Shareholders having approved the Proposed Transactions at the Yashili First EGM;
- (b) the 25% Yashili Acquisition having been completed in accordance with its terms; and
- (c) the consent from the Executive with respect to the Proposed Transactions as special deals under the Takeovers Code having been granted.

Further announcement(s) will be made as soon as practicable after the Scheme Pre-Conditions have been satisfied. **The Scheme Pre-Conditions cannot be waived. If the Scheme Pre-Conditions are not satisfied on or before the Pre-Conditions Long Stop Date, the Privatization Proposal will lapse.** Mengniu, the Offeror and Yashili will publish such announcement as is necessary in accordance with the Listing Rules and the Takeovers Code.

### 3.3 Comparison of Value

The Cancellation Price of HK\$1.20 for each Scheme Share represents:

- (a) a premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on March 11, 2022, being the Unaffected Price Date;
- (b) a premium of approximately 150.5% over the average closing price of HK\$0.479 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Unaffected Price Date;
- (c) a premium of approximately 138.5% over the average closing price of HK\$0.503 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Unaffected Price Date;

- (d) a premium of approximately 134.2% over the average closing price of HK\$0.512 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Unaffected Price Date;
- (e) a premium of approximately 127.3% over the average closing price of HK\$0.528 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Unaffected Price Date;
- (f) a premium of approximately 124.4% over the average closing price of HK\$0.535 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Unaffected Price Date;
- (g) a premium of approximately 30.4% over the closing price of HK\$0.920 per Yashili Share as quoted on the Stock Exchange on May 6, 2022, being the Yashili Last Trading Day;
- (h) a premium of approximately 38.6% over the average closing price of HK\$0.866 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Yashili Last Trading Day;
- (i) a premium of approximately 31.8% over the average closing price of HK\$0.911 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Yashili Last Trading Day;
- (j) a premium of approximately 64.4% over the average closing price of HK\$0.730 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Yashili Last Trading Day;
- (k) a premium of approximately 81.8% over the average closing price of HK\$0.660 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Yashili Last Trading Day;
- (l) a premium of approximately 89.5% over the average closing price of HK\$0.633 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Yashili Last Trading Day; and

- (m) a discount of approximately 15.3% to Yashili's audited net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.416 as at December 31, 2021, based on the Reference Exchange Rate.

### **3.4 No increase in the Cancellation Price**

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Yashili Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

As at the Announcement Date, Yashili has not declared or announced any dividend, distribution or other return of capital which remains unpaid. Yashili does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Scheme Effective Date or the date on which the Scheme is not approved or the Privatization Proposal otherwise lapses (as the case may be).

### **3.5 Highest and Lowest Prices of Yashili Shares**

During the six-month period preceding the Offer Period Commencement Date and up to the Announcement Date, the highest closing price of the Yashili Shares as quoted on the Stock Exchange was HK\$0.99 on March 29, 2022, and the lowest closing price of the Yashili Shares as quoted on the Stock Exchange was HK\$0.46 on March 11, 2022.

### 3.6 Confirmation of Financial Resources

As of the Announcement Date, the issued share capital of Yashili comprises 4,745,560,296 Yashili Shares, of which 2,422,117,713 and 1,186,390,074 Yashili Shares are held by Mengniu International and Danone Nutrition, respectively (representing approximately 51.04% and 25.00% of the Yashili Shares, respectively), and save for the Phantom Shares, holders of which do not own any Yashili Shares nor enjoy voting rights or allotment rights of Yashili Shares by virtue of holding the Phantom Shares, Yashili does not have any other outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue. For the avoidance of doubt, the Yashili Shares held by Mengniu International and the Yashili Shares to be acquired by Mengniu from Danone Nutrition through the 25% Yashili Acquisition will not form part of the Scheme Shares.

On the basis of the Cancellation Price of HK\$1.20 per Scheme Share:

- (a) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Time; and (ii) there is no exercise of the Mengniu International Exchange Right prior to the Scheme Record Time, the total number of Scheme Shares that will be subject to cancellation is 1,137,052,509 and the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,364,463,011; and
- (b) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Time; and (ii) all of the Mengniu International Exchange Right Recipients exercise their Mengniu International Exchange Right and become Yashili Shareholders at or prior to the Scheme Record Time, 1,214,006 Yashili Shares will be transferred by Mengniu International to the Mengniu International Exchange Right Recipients, the total number of Scheme Shares that will be subject to cancellation is 1,138,266,515 and the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,365,919,818 (being the maximum cancellation consideration).

The Offeror intends to finance the cash required for the Privatization Proposal from internal resources. In the event that the Offeror wishes to change its intended source of finance for the Privatization Proposal, the Offeror will comply with the Takeovers Code and further announcement(s) will be made where necessary.

HSBC, the financial adviser to the Offeror and Mengniu, is satisfied that sufficient financial resources are available to the Offeror for satisfying the maximum cancellation consideration payable under the Privatization Proposal in accordance with its terms.

### **3.7 Basis for determining the Cancellation Price**

The Cancellation Price was determined with reference to the price for the 25% Yashili Acquisition after taking into account the potential benefits of the Privatization Proposal for the Mengniu Shareholders and Yashili Shareholders and other privatization transactions in Hong Kong in recent years.

### **3.8 Conditions of the Privatization Proposal**

The implementation of the Privatization Proposal (including the effectiveness of the Scheme) will be subject to the satisfaction or waiver (as applicable) of the following conditions:

#### *Shareholders' approval*

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
  - (1) the Scheme is approved (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (2) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (b) the passing of:
  - (1) a special resolution by a majority of not less than three-fourths of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to approve and give effect to the reduction of the issued share capital of Yashili by cancelling and extinguishing the Scheme Shares; and



- (2) an ordinary resolution by the Yashili Shareholders at the Scheme EGM to simultaneously restore the number of issued Yashili Shares in the share capital of Yashili to the number prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid reduction of the issued share capital of Yashili to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror;

***Other Cayman law requirements***

- (c) the sanction of the Scheme (with or without modifications) by the Cayman Court and, to the extent necessary, its confirmation of the reduction of the issued share capital of Yashili involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Cayman Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of Yashili involved in the Scheme;

***Third party consents and other governmental or regulatory approvals***

- (e) all Approvals in connection with the Privatization Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, and all such Approvals remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by the relevant Authorities which are not expressly provided for, or are in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Privatization Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (f) all third party consents or waivers in relation to the Privatization Proposal and the Scheme which may be required under any existing contractual obligations of the Yashili Group having been obtained (and remaining in effect), where any failure to obtain such consent or waiver would have a material adverse effect on the implementation of the Privatization Proposal or the Scheme or the business, assets or liabilities of the Yashili Group;

- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or, made, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Privatization Proposal or the Scheme or the implementation thereof in accordance with their terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Privatization Proposal or the Scheme or the implementation thereof in accordance with their terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Privatization Proposal and the Scheme;
- (h) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Yashili Group (to an extent which is material in the context of the Yashili Group taken as a whole or in the context of the Privatization Proposal); and
- (i) save in connection with the implementation of the Privatization Proposal, the listing of Yashili on the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange, to the effect that the listing of the Yashili Shares on the Stock Exchange is or is likely to be withdrawn.

In the event that any amendments to the laws or regulations in the Cayman Islands, Hong Kong and any other relevant jurisdictions become effective after the Announcement Date and prior to the Court Meeting such that the Scheme Conditions above shall be amended to reflect such amendments, further announcement(s) will be made regarding such amendments to the Scheme Conditions above as soon as practicable and when necessary.

The Scheme Conditions in paragraphs (a) to (g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Scheme Conditions in paragraphs (h) to (i) (inclusive) above in whole or in part. Yashili does not have the right to waive any of the Scheme Conditions. All of the above Scheme Conditions must be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date, failing which the Privatization Proposal and the Scheme will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Privatization Proposal if the circumstances which give rise to the right to invoke such Scheme Condition are of material significance to the Offeror in the context of the Privatization Proposal.

As at the Announcement Date and based on the information available to the Offeror and Yashili, other than pursuant to the Scheme Pre-Conditions and the Scheme Conditions in paragraphs (a) to (d) (inclusive) above and the application for the withdrawal of the listing of the Yashili Shares on the Stock Exchange upon the Scheme becoming effective, each of the Offeror and Yashili is not aware of any circumstances which may result in any of the Scheme Conditions in paragraphs (e) to (f) (inclusive) above not being satisfied. As at the Announcement Date and based on the information available to the Offeror and Yashili, in relation to Scheme Condition (e) above and assuming that all Scheme Pre-Conditions have been satisfied, save for Scheme Conditions (c) and (d) above and the application for the withdrawal of the listing of the Yashili Shares on the Stock Exchange upon the Scheme becoming effective, neither the Offeror nor Yashili is aware of any other Approvals which are required for the Privatization Proposal and the Scheme.

If the Scheme Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Yashili Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Scheme EGM.

**Warning: The respective shareholders and potential investors of Yashili and Mengniu should be aware that the Privatization Proposal is subject to the Scheme Pre-Conditions and the Scheme Conditions being satisfied or waived, as applicable, and therefore the Privatization Proposal may or may not be implemented and the Scheme may not become effective. The respective shareholders and potential investors of Yashili and Mengniu should therefore exercise caution when dealing in the securities of Yashili and Mengniu. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

### **3.9 Reasons for and Benefits of the Privatization Proposal**

***(a) For the Scheme Shareholders — a proposal to unlock share value with limited liquidity and monetize investments on the same commercial terms as Danone Nutrition***

It has come to Mengniu's attention that the trading volume of the Yashili Shares has been at a relatively low level over an extended period of time. The average daily trading volume of the Yashili Shares for the trading days during the past 12 months up to and including the Unaffected Price Date was approximately 1.2 million Yashili Shares per day, representing only approximately 0.03% of the issued Yashili Shares as at the Unaffected Price Date. The low trading volume of the Yashili Shares could create difficulties for the Scheme Shareholders to sell their shareholdings in large volume on the secondary market without adversely affecting the share price. As discussed in the section headed "1. Background to the Proposed Transactions and the Privatization Proposal" of this Announcement, there is no obligation on the part of Mengniu to make any offer for the Yashili Shares following completion of the 25% Yashili Acquisition, as such, the Privatization Proposal is a one-off opportunity for the Scheme Shareholders to monetize their investments at an attractive premium to the market price immediately.

***(b) For the Scheme Shareholders — a proposal to realize gains in a challenging operating environment***

As disclosed in the 2021 annual report of Yashili, the decreasing birth rate in China in recent years, which has been in further decline due to the COVID-19 pandemic, has led to a decelerated growth in the total consumption of infant formula milk powder and the compliance with the New National Standards and the recipe re-registration requirement also accelerates and intensifies the market competition of quality. These developments have impacted the operating performance of Yashili. The gross profit margin of Yashili for the financial year ended December 31, 2021 was 32.9%, the lowest profit margin for a full financial year recorded since the financial year ended December 31, 2010. In light of the challenging market environment and significant market uncertainty, the Privatization Proposal could provide an opportunity for the Scheme Shareholders to realize their investment in Yashili for cash at a favorable premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on the Unaffected Price Date.

**(c) *For Mengniu and Yashili — a proposal to facilitate the long term growth of the Yashili Group more efficiently***

Mengniu launched and completed a voluntary general offer for Yashili Shares in 2013 with the intention to establish a partnership between Mengniu and Yashili which would enable both parties to leverage each other's capabilities and resources in various areas, for instance product offering, product innovation and distribution and sales channel development to capture the rapid growth of infant milk formula market in the PRC. Since completion of the voluntary general offer, Mengniu has continued to support the development of Yashili. As of the Announcement Date, Mengniu maintains 51.04% majority controlling interest in Yashili through Mengniu International and its equity interest in Yashili will further increase to 76.04% upon completion of the 25% Yashili Acquisition and assuming there is no exercise of the Mengniu International Exchange Right since the Announcement Date. Faced with increased market competition and a challenging operating environment, Yashili estimates that it needs to be very flexible in implementing new initiatives to adapt to the shifting market dynamics, which will also carry potential execution risks. The Privatization Proposal, if successfully implemented, would place Yashili effectively under 100% control of Mengniu without being subject to the requirements relevant to being a standalone listed company, and could facilitate Mengniu's contribution of further resources into Yashili to support the implementation of those new initiatives and Yashili's further growth in the long term.

**(d) *For Mengniu and Yashili — a proposal to improve corporate governance and resolve potential competition between Mengniu and Yashili***

The Privatization Proposal will simplify the structure of Mengniu and will enable Mengniu to eliminate the listing of a subsidiary which has not raised any money from public equity capital market since Mengniu's completion of acquiring a controlling stake in Yashili in 2013. Upon completion of the Privatization Proposal whereby Yashili would no longer be a separately listed company, it is expected that the decision-making process could be streamlined, the transactions between Mengniu and Yashili would no longer constitute connected transactions under the Listing Rules, and the potential competition between Mengniu and Yashili in the infant milk formula market could be resolved. These improvements will in turn lower compliance costs and enhance management efficiency of both Mengniu and Yashili.

### **3.10 The Offeror's Intention regarding the Yashili Group**

As at the Announcement Date, except for the Dumex China Disposal, it is the intention of the Offeror for the Yashili Group to continue to carry on its existing business after the implementation of the Privatization Proposal, and the Offeror does not have plans to make any material changes to (a) the business of the Yashili Group (including any redeployment of any fixed asset of the Yashili Group); or (b) the continued employment of the employees of the Yashili Group.

### **3.11 Information on Mengniu, Inner Mongolia Mengniu, the Offeror, Yashili and Yashili Guangdong**

#### *i. Yashili and Yashili Guangdong*

Yashili, a subsidiary of Mengniu, is listed on the Main Board of the Stock Exchange and a company incorporated in the Cayman Islands with limited liability. It is an investment holding company, which, along with other members of the Yashili Group, is primarily engaged in the manufacturing and sale of dairy and nourishment products. It operates in the following segments: (a) production and sale of milk powder products (including the development, manufacture and sale of milk powder products in the PRC and overseas); (b) production and sale of other milk powder products (including the production and sale of base powder); (c) sale of dissolvable products (including the development, manufacture and sale of soymilk powder, rice flour and cereal products); and (d) other operations (mainly including the sale of surplus raw materials and consigned processing operation).

Yashili Guangdong is an indirect wholly-owned subsidiary of Yashili and a subsidiary of Mengniu, and is a company incorporated in the PRC with limited liability. Its principal business is primarily engaging in investment holding.

Based on the audited consolidated financial statements of Yashili, the financial information of Yashili for the years ended December 31, 2020 and December 31, 2021 are set out as follows:

	<b>For the year ended December 31, 2021 (audited) (RMB'000)</b>	<b>For the year ended December 31, 2020 (audited)</b>
Profit/(Loss) before taxation	(93,082)	129,679
Profit/(Loss) after taxation	(81,363)	101,081

Based on the audited consolidated financial statements of Yashili for the year ended December 31, 2021, the audited net asset value of Yashili is RMB5,528 million.

### ***Shareholding Structure of Yashili***

As at the Announcement Date, Yashili has 4,745,560,296 Yashili Shares in issue and, save for the Phantom Shares, Yashili does not have any other outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

As at the Announcement Date, Mengniu International, a subsidiary of Mengniu, directly holds 2,422,117,713 Yashili Shares, representing approximately 51.04% of the issued share capital of Yashili, and Danone Nutrition directly holds 1,186,390,074 Yashili Shares, representing 25.00% of the issued share capital of Yashili, which will be acquired by the Mengniu Group upon completion of the 25% Yashili Acquisition. Therefore, the remaining 1,137,052,509 Yashili Shares (representing approximately 23.96% of the Yashili Shares) constitute the Scheme Shares.



(1) *On the basis of no exercise of the Mengniu International Exchange Right:*

On the assumption that (a) there is no change in the number of Yashili Shares in issue, (b) there is no exercise of the Mengniu International Exchange Right since the Announcement Date, (c) Mengniu will acquire the Yashili Sale Shares from Danone Nutrition through the Offeror under the 25% Yashili Acquisition, and (d) there is no other change in the holding of Yashili Shares between the Announcement Date and the Scheme Record Date, the table below sets out the shareholding structure of Yashili as at the Announcement Date, immediately upon completion of the 25% Yashili Acquisition and immediately upon completion of the Scheme:

Shareholders	As at the Announcement Date		Immediately upon completion of the 25% Yashili Acquisition		Immediately upon completion of the Scheme	
	Number of Yashili Shares	Approximate % of total issued Yashili Shares	Number of Yashili Shares	Approximate % of total issued Yashili Shares	Number of Yashili Shares	Approximate % of total issued Yashili Shares
The Offeror	—	—	1,186,390,074	25.00%	2,323,442,583	48.96%
Mengniu International ( <i>Note 1</i> )	2,422,117,713	51.04%	2,422,117,713	51.04%	2,422,117,713	51.04%
<b>Mengniu Group</b>	2,422,117,713	51.04%	3,608,507,787	76.04%	4,745,560,296	100%
Mengniu Directors	—	—	—	—	—	—
Yashili Directors	—	—	—	—	—	—
Danone Nutrition ( <i>Note 2</i> )	1,186,390,074	25.00%	—	—	—	—
<b>Sub-total of Offeror</b>						
<b>Concert Parties (<i>Note 3</i>)</b>	<b>3,608,507,787</b>	<b>76.04%</b>	<b>3,608,507,787</b>	<b>76.04%</b>	<b>4,745,560,296</b>	<b>100%</b>
Other Public Yashili Shareholders	1,137,052,509	23.96%	1,137,052,509	23.96%	—	—
<b>Disinterested Scheme</b>						
<b>Shareholders</b>	<b>1,137,052,509</b>	<b>23.96%</b>	<b>1,137,052,509</b>	<b>23.96%</b>	—	—
<b>Scheme Shareholders</b>	<b>1,137,052,509</b>	<b>23.96%</b>	<b>1,137,052,509</b>	<b>23.96%</b>	—	—
<b>Total number of Yashili</b>						
<b>Shares</b>	<b>4,745,560,296</b>	<b>100%</b>	<b>4,745,560,296</b>	<b>100%</b>	<b>4,745,560,296</b>	<b>100%</b>

(2) *On the basis of full exercise of the Mengniu International Exchange Right:*

On the assumption that (a) there is no change in the number of Yashili Shares in issue, (b) there is no exercise of the Mengniu International Exchange Right since the Announcement Date and before the completion of the 25% Yashili Acquisition and the Mengniu International Exchange Right is fully exercised after the completion of the 25% Yashili Acquisition and before the Scheme Record Date, (c) Mengniu will acquire the Yashili Sale Shares from Danone Nutrition through the Offeror under the 25% Yashili Acquisition, and (d) there is no other change in the holding of Yashili Shares between the Announcement Date and the Scheme Record Date, the table below sets out the shareholding structure of Yashili as at the Announcement Date, immediately upon completion of the 25% Yashili Acquisition and immediately upon completion of the Scheme:

Shareholders	As at the Announcement Date		Immediately upon completion of the 25% Yashili Acquisition		Immediately upon completion of the Scheme	
	Number of Yashili Shares	Approximate % of total issued Yashili Shares	Number of Yashili Shares	Approximate % of total issued Yashili Shares	Number of Yashili Shares	Approximate % of total issued Yashili Shares
The Offeror	—	—	1,186,390,074	25.00%	2,324,656,589	48.99%
Mengniu International (Note 1, 4)	2,422,117,713	51.04%	2,422,117,713	51.04%	2,420,903,707	51.01%
<b>Mengniu Group</b>	<b>2,422,117,713</b>	<b>51.04%</b>	<b>3,608,507,787</b>	<b>76.04%</b>	<b>4,745,560,296</b>	<b>100%</b>
Mengniu Directors	—	—	—	—	—	—
Yashili Directors	—	—	—	—	—	—
Danone Nutrition (Note 2)	1,186,390,074	25.00%	—	—	—	—
<b>Sub-total of Offeror</b>						
<b>Concert Parties (Note 3)</b>	<b>3,608,507,787</b>	<b>76.04%</b>	<b>3,608,507,787</b>	<b>76.04%</b>	<b>4,745,560,296</b>	<b>100%</b>
Other Public Yashili Shareholders	1,137,052,509	23.96%	1,137,052,509	23.96%	—	—
<b>Disinterested Scheme</b>						
<b>Shareholders</b>	<b>1,137,052,509</b>	<b>23.96%</b>	<b>1,137,052,509</b>	<b>23.96%</b>	—	—
<b>Scheme Shareholders</b>	<b>1,137,052,509</b>	<b>23.96%</b>	<b>1,137,052,509</b>	<b>23.96%</b>	—	—
<b>Total number of Yashili Shares</b>	<b><u>4,745,560,296</u></b>	<b><u>100%</u></b>	<b><u>4,745,560,296</u></b>	<b><u>100%</u></b>	<b><u>4,745,560,296</u></b>	<b><u>100%</u></b>

Notes:

- (1) As of the Announcement Date, Mengniu International is a direct 99.95%-owned subsidiary of Mengniu, the parent company of the Offeror.

- (2) By virtue of being an associated company (as defined under the Takeovers Code) of Yashili, Danone Nutrition is presumed to be acting in concert with the Offeror under class (1) in the definition of “acting in concert” under the Takeovers Code. As part of the 25% Yashili Acquisition, Danone Nutrition proposes to complete the transfer of all of the Yashili Shares held by it to Mengniu (or its Affiliate) after the Announcement Date but prior to the despatch of the Scheme Document.
- (3) The Yashili Shares held directly and indirectly by Mengniu and Danone Nutrition will not form part of the Scheme Shares. The Yashili Shares held by Danone Nutrition as of the Announcement Date form the subject sale shares under the 25% Yashili Acquisition and will be acquired by Mengniu or Mengniu’s Affiliate upon completion of the 25% Yashili Acquisition.
- (4) Following the full exercise of the Mengniu International Exchange Right, Mengniu International will become a wholly-owned subsidiary of Mengniu.
- (5) As of the Announcement Date, Yashili has 80,594,166 granted but not yet realized Phantom Shares. As disclosed in the announcement of Yashili dated July 16, 2020, the Phantom Share Incentive Scheme of Yashili was adopted on July 15, 2020 for certain key personnel of Yashili, and the Phantom Share Recipients do not own any Yashili Shares nor enjoy voting rights or allotments rights of the Yashili Shares by virtue of holding the Phantom Shares. Also, the Phantom Shares are not securities convertible into the Yashili Shares. Under the Phantom Share Incentive Scheme, each Phantom Share entitles its holder to receive the corresponding proceeds to be paid by Yashili in cash, subject to the conditions and arrangements in relation to the grant and vesting of the Phantom Shares and realization of the proceeds. The amount of the proceeds in respect of the Phantom Shares is determined taking into account, among others, the Phantom Share Benchmark Price and the number of vested Phantom Shares. The number of the Phantom Shares which shall vest is subject to the achievement of performance indicators of Yashili in the preceding fiscal year of the Vest Day. If the Phantom Share Benchmark Price on the Vest Day is lower than or equivalent to the Phantom Share Benchmark Price on the Grant Day, the proceeds to be received by the Phantom Share Recipients shall be the Phantom Share Benchmark Price on the Grant Day multiplied by the number of vested Phantom Shares held by such holders. If the Phantom Share Benchmark Price on the Vest Day is higher than the Phantom Share Benchmark Price on the Grant Day, the proceeds to be received by the Phantom Share Recipients shall be the lower of: (i) the Phantom Share Benchmark Price on the Vest Day multiplied by the number of vested Phantom Shares held by such Phantom Share Recipients; and (ii) the sum of (a) the actual Responsible Profit in the preceding fiscal year of the Vest Day minus the target Responsible Profit in the same year (where the actual Responsible Profit is lower than the target Responsible Profit in such year, (a) shall be 0), and (b) the Phantom Share Benchmark Price on the Grant Day multiplied by the number of vested Phantom Shares held by such Phantom Share Recipients.

- (6) HSBC is the financial adviser to the Offeror and Mengniu in relation to the Privatization Proposal. Accordingly, HSBC and members of the HSBC Group are presumed to be acting in concert with the Offeror and Mengniu in relation to Yashili by virtue of class 5 of the definition of “acting in concert” under the Takeovers Code (except in respect of the Yashili Shares held by exempt principal traders and/or exempt fund managers, in each case recognized by the Executive as such for the purpose of the Takeovers Code, and excluding Yashili Shares held on behalf of non-discretionary investment clients of the HSBC Group). HSBC Group does not own, control or have discretion over any voting rights in Yashili or rights over Yashili Shares as of the Announcement Date except for any exempt principal trader recognized by the Executive as not presumed to be acting in concert with the Offeror and Mengniu for the purposes of the Takeovers Code in respect of Yashili Shares which it has voting discretion.
- (7) The percentages of the Yashili Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

***ii. Mengniu, Inner Mongolia Mengniu, Mengniu International and the Offeror***

Mengniu is listed on the Main Board of the Stock Exchange and a company incorporated in the Cayman Islands with limited liability. It is an investment holding company, which together with other members of the Mengniu Group, is principally engaged in the manufacturing and distribution of quality dairy products including liquid milk, ice-cream and other dairy products. Mengniu Group is one of the leading dairy product manufacturers in the PRC.

Inner Mongolia Mengniu, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Mengniu, is principally engaged in manufacture and sale of dairy products.

Mengniu International, a 99.95%-owned subsidiary of Mengniu and a company incorporated in the British Virgin Islands with limited liability, is principally engaged in investment holding.

The Offeror, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Mengniu, is principally engaged in investment holding.

### **3.12 Information on Danone, Danone Nutrition, Danone Shanghai and Danone APAC**

Danone Nutrition and Danone APAC, companies incorporated under the laws of Singapore, and Danone Shanghai, a company incorporated in the PRC with limited liability, are indirect wholly-owned subsidiaries of Danone, a company incorporated under the laws of France and whose primary listing is on Euronext Paris. Danone Nutrition, Danone APAC and Danone Shanghai are investment holding companies which form part of the Danone Group. Danone, together with its subsidiaries, is one of the world's leading food and beverage company and principally engaged in international businesses of essential dairy and plant-based products, specialized nutrition and waters.

### **3.13 Implementation of the Privatization Proposal and Withdrawal of Listing of Yashili Shares**

#### ***(a) If the Scheme becomes effective***

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. Yashili will apply to the Stock Exchange for withdrawal of the listing of the Yashili Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The holders of Scheme Shares will be notified by way of an announcement of the exact date of the last day for dealing in the Yashili Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Yashili Shares on the Stock Exchange will be effective. A detailed timetable of the implementation of the Privatization Proposal will be included in the Scheme Document, which will also contain, inter alia, further details of the Privatization Proposal.

#### ***(b) If the Scheme is not approved or if the Privatization Proposal otherwise lapses***

The Privatization Proposal will lapse if the Scheme Pre-Conditions are not satisfied on or before the Pre-Conditions Long Stop Date.

The Privatization Proposal will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Privatization Proposal otherwise lapses, the listing of Yashili Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Privatization Proposal otherwise lapses, neither the Offeror nor any of the Offeror Concert Parties nor any person who is subsequently acting in concert with any of them may, within 12 months thereafter, announce an offer or possible offer for Yashili Shares, except with the consent of the Executive. In accordance with the Takeovers Code, the Offeror will not put forward any proposal for the privatization of Yashili within 12 months from the date of non-approval or lapse of the Privatization Proposal.

If the Yashili Independent Board Committee or the Independent Financial Adviser does not recommend the Privatization Proposal, and the Scheme is not approved, all expenses incurred by Yashili in connection therewith will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

### **3.14 Scheme Shares, Court Meeting and Scheme EGM, Scheme Document, and Overseas Scheme Shareholders**

#### **(a) *Scheme Shares***

As of the Announcement Date:

- (i) Mengniu International, a 99.95%-owned subsidiary of Mengniu, directly holds 2,422,150,437 Yashili Shares, representing approximately 51.04% of the issued share capital of Yashili; and
- (ii) Danone Nutrition, an indirect wholly-owned subsidiary of Danone, directly holds 1,186,390,074 Yashili Shares, representing 25.00% of the issued share capital of Yashili.

All of the Yashili Shares in issue and such further Yashili Shares as may be issued prior to the Scheme Record Date, other than those held by Mengniu (directly or indirectly) and by Danone Nutrition, will form part of the Scheme Shares. As of the Announcement Date, there are 1,137,052,509 Scheme Shares. The Yashili Shares held by Mengniu International and the Yashili Shares to be acquired by Mengniu (or Mengniu's Affiliate) from Danone Nutrition through the 25% Yashili Acquisition will not form part of the Scheme Shares. They will not be cancelled upon the Scheme becoming effective. For the avoidance of doubt, if the Mengniu International Exchange Right Recipients exercise their exchange rights and become Yashili Shareholders at or prior to the Scheme Record Time, those Yashili Shares held by such recipients will form part of the Scheme Shares.

**(b) *Court Meeting and Scheme EGM***

The Court Meeting and Scheme EGM will only be convened after the Scheme Pre-Conditions are satisfied and will be convened in accordance with the requirements imposed by the Cayman Court, the Executive and the Stock Exchange.

All Yashili Shareholders will be entitled to attend the Scheme EGM and vote on (a) the special resolution to approve and give effect to, amongst other things, the reduction of the issued share capital of Yashili by cancelling and extinguishing the Scheme Shares, and (b) the ordinary resolution to approve and give effect to, amongst other things, simultaneous restoration of the number of issued Yashili Shares in the share capital of Yashili to the number prior to the cancellation and extinguishment of the Scheme Shares and application of the reserve created as a result of the aforesaid reduction of the issued share capital of Yashili to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror, upon the Scheme becoming effective.

Under the Takeovers Code, the Offeror Concert Parties will be required to abstain from voting on the Scheme at the Court Meeting and only Disinterested Scheme Shareholders will be permitted to vote on the Scheme at the Court Meeting. It is expected that on the date the Court Meeting and Scheme EGM are convened, Danone Nutrition will no longer be a Yashili Shareholder and will not be entitled to attend and vote at the Court Meeting or the Scheme EGM.

**(c) *Scheme Document***

The Scheme Document containing, among other things, (i) further details of the Privatization Proposal and the Scheme; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Companies Act and the Rules of the Cayman Court; (iv) information regarding the Yashili Group; (v) the recommendations from the Yashili Independent Board Committee with respect to the Privatization Proposal and the Scheme; (vi) the advice of the Independent Financial Adviser to the Yashili Independent Board Committee; (vii) an independent valuation report of the properties of Yashili prepared in accordance with Rule 11.1(f) of the Takeovers Code; and (viii) notices of the Court Meeting and the Scheme EGM together with forms of proxy in relation thereto, will be despatched to the Scheme Shareholders as soon as practicable following the satisfaction of the Scheme Pre-Conditions in compliance with the requirements of the Takeovers Code, the Companies Act, the Rules of the Cayman Court and any other applicable laws and regulations.



The Scheme Document will contain important information and the Scheme Shareholders are urged to read it carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting and the Scheme EGM.

***(d) Overseas Scheme Shareholders***

The making and implementation of the Privatization Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Privatization Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any action taken by the overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to Mengniu, the Offeror and Yashili and their respective advisers that those laws and regulatory requirements have been complied with. If such overseas Scheme Shareholders are in doubt as to their positions, they should consult their own professional advisers.

In the event that the despatch and/or receipt of the Scheme Document to or by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected upon compliance with conditions or requirements that the Mengniu Board, the Offeror Board or Yashili Board regards as unduly onerous or burdensome or otherwise not in the best interests of Mengniu, the Offeror or Yashili or their respective shareholders, the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, Yashili will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholder(s). In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders.

### **3.15 Recommendation of the Yashili Independent Board Committee**

The Yashili Independent Board Committee will also make a recommendation to the Disinterested Scheme Shareholders as to: (a) whether the terms of the Privatization Proposal and the Scheme are fair and reasonable; and (b) whether to vote in favor of the resolutions of the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal at the Scheme EGM.

### **3.16 Appointment of the Independent Financial Adviser**

In addition to advising on the Proposed Transactions and the transactions contemplated thereunder, Somerley Capital Limited, the independent financial adviser appointed by Yashili with the approval of the Yashili Independent Board Committee, will also advise the Yashili Independent Board Committee in connection with the Privatization Proposal and the Scheme.

### **3.17 Listing Rules Implications in relation to the Privatization Proposal**

As the highest of all applicable percentage ratios (as such term is defined under Rule 14.07 of the Listing Rules) in respect of the Privatization Proposal for Mengniu is less than 5%, the Privatization Proposal and the Scheme will not constitute a notifiable transaction of Mengniu under Chapter 14 of the Listing Rules.

Subject to the satisfaction of the Scheme Pre-Conditions, Mengniu will make the Privatization Proposal to all Scheme Shareholders, including Mr. Meng Fanjie, to privatize Yashili. Mr. Meng Fanjie, who holds 100,000 Yashili Shares as of the Announcement Date, is a connected person of Mengniu by virtue of being a former director of Mengniu. As the highest of all applicable percentage ratios with respect to the cancellation of the Scheme Shares from Mr. Meng Fanjie to be settled in cash in accordance with the arrangement in place as set forth in the section headed “3.1 The Privatization Proposal” of this Announcement and as part of the Privatization Proposal and the Scheme is less than 0.1% and conducted on normal commercial terms or better for Mengniu, such connected transaction of Mengniu is fully exempt under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(a) of the Listing Rules.

### **3.18 Other Arrangements**

Mengniu and the Offeror confirm that, as at the Announcement Date:

- (a) save as disclosed in the section headed “3.11 Information on Mengniu, Inner Mongolia Mengniu, the Offeror, Yashili and Yashili Guangdong — i. Yashili and Yashili Guangdong” of this Announcement, none of Mengniu, the Offeror or other Offeror Concert Parties own, control or have direction over any voting rights in Yashili or rights over Yashili Shares;

- (b) none of Mengniu, the Offeror or other Offeror Concert Parties have received any irrevocable commitment to vote for or against the Privatization Proposal and the Proposed Transactions;
- (c) none of Mengniu, the Offeror or other Offeror Concert Parties hold any convertible securities, warrants or options in respect of the Yashili Shares;
- (d) save for the Phantom Share Incentive Scheme, none of Mengniu, the Offeror or other Offeror Concert Parties have entered into any derivatives in respect of the securities of Yashili;
- (e) there are no arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or Mengniu or the Yashili Shares and which might be material to the Privatization Proposal;
- (f) save for the pre-conditions and conditions set out in the sections headed “3.2 Scheme Pre-Conditions” and “3.8 Conditions of the Privatization Proposal”, there is no agreement or arrangement to which the Offeror or Mengniu is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Privatization Proposal;
- (g) none of Mengniu, the Offeror or other Offeror Concert Parties have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Yashili;
- (h) save for the Cancellation Price, there is no other consideration, compensation or benefit in whatever form paid or to be paid by Mengniu, the Offeror or other Offeror Concert Parties to the Scheme Shareholders or any party acting in concert with them in connection with the cancellation of the Scheme Shares under the Scheme;
- (i) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between Mengniu, the Offeror or other Offeror Concert Parties on the one hand, and the Scheme Shareholders and any persons acting in concert with them on the other hand; and
- (j) save for the Proposed Transactions, there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between any Yashili Shareholder on the one hand and Mengniu, the Offeror and other Offeror Concert Parties on the other hand.

As of the Announcement Date, save for the Proposed Transactions, Yashili confirms that there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between any Yashili Shareholder on the one hand and the Yashili Group or Yashili's associated companies on the other hand.

### **3.19 Taxation and Independent Advice**

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to their position or the taxation implications of accepting the Privatization Proposal. It is emphasized that none of Mengniu, the Offeror, Yashili or any of their respective directors, officers or associates or professional advisers or any other person involved in the Privatization Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Privatization Proposal.

## **4. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical facts included in this Announcement, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “seek”, “expect”, “envisage”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect Mengniu's, the Offeror's or Yashili's (as the case may be) current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements as a result of a number of factors, including, without limitation:

- (a) the satisfaction or waiver (as applicable) of the condition precedents to each of the Proposed Transactions;
- (b) the satisfaction or waiver (as applicable) of the Scheme Pre-Conditions;
- (c) the satisfaction or waiver (as applicable) of the Scheme Conditions;
- (d) any changes in the regulatory regime and significant policies for the industries in which the Mengniu Group and/or the Yashili Group respectively operates, or any in the regulatory policies of the relevant government authorities of the PRC;

- (e) any changes in the effects of competition on the market demand and sale price of the products provided by the Mengniu Group and the Yashili Group; and
- (f) any changes in political, economic, legal and social conditions in the PRC and other countries in which the Mengniu Group and/or the Yashili Group operates.

Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Shareholders and respective investors of Mengniu and Yashili should not place undue reliance on such forward-looking statements.

All written and oral forward-looking statements attributable to Mengniu, the Offeror and/or Yashili or persons acting on behalf of either of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as at the Announcement Date. Subject to the requirements of the applicable laws, rules and regulations, including the Takeovers Code, Mengniu, the Offeror and Yashili do not undertake any obligation to update publicly or revise any forward-looking statements contained in this Announcement. No statement in this Announcement is intended to be a profit forecast or to imply that the earnings of Mengniu or Yashili for the current year or future years will necessarily match or exceed the historical or published earnings of Mengniu or Yashili.

## 5. DISCLOSURE OF DEALINGS

The respective associates (as such term is defined in the Takeovers Code) of Mengniu, the Offeror and Yashili, including persons holding 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Mengniu, the Offeror or Yashili, are hereby reminded to disclose their dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yashili under Rule 22 of the Takeovers Code.

Save for the 25% Yashili Acquisition, none of Mengniu, the Offeror or other Offeror Concert Parties have dealt for value in any Yashili Shares or any options, convertible securities, warrants, options or derivatives in respect of the securities of Yashili during the six months prior to the Announcement Date.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## 6. DEFINITIONS

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

“25% Yashili Acquisition”	the proposed acquisition by Mengniu from Danone Nutrition of the Yashili Sale Shares in accordance with the terms and conditions of the 25% Yashili Acquisition SPA
“25% Yashili Acquisition LSD”	the 6th business day after the Dumex CP Deadline, provided that if the completion of the Dumex China Disposal is deferred pursuant to the Dumex China SPA, the 16th business day after the Dumex CP Deadline
“25% Yashili Acquisition SPA”	the sale and purchase agreement dated May 6, 2022 entered into between Mengniu and Danone Nutrition in respect of the sale and purchase of the Yashili Sale Shares
“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “Concert Party(ies)” shall be construed accordingly
“Affiliate”	any natural person or an entity which is directly or indirectly, Controlled by, under common Control with, or in Control of, such person
“Announcement”	this announcement
“Announcement Date”	May 6, 2022, being the date of this Announcement
“Anti-Trust Clearance Authority”	the anti-trust department of the PRC Ministry of Commerce
“Approvals”	licences, approvals, permits, consents, permissions, clearances and registrations required by any Authority



“Authority(ies)”	any relevant government, administrative or regulatory body, or court, tribunal, arbitrator or governmental agency or authority or department (including any relevant securities exchange) and whether supra-national, national, regional or local
“Cancellation Price”	the cancellation price of HK\$1.20 per Scheme Share payable in cash to the Scheme Shareholders for each Scheme Share pursuant to the Scheme
“Cayman Court”	the Grand Court of the Cayman Islands
“Chilled Business”	means the production, promotion, marketing and sale of chilled yoghurt, chilled yoghurt drinks and chilled spoonable dairy-based products in the PRC, Hong Kong and Macau
“Chilled Business Completion”	closing of the Chilled Business JVs Acquisition
“Chilled Business HoldCo JV Contract”	the equity joint venture contract dated August 9, 2013 between Inner Mongolia Mengniu and Danone Asia to establish and govern the Chilled Business JVs Holdco
“Chilled Business Initial Price”	has the meaning ascribed to it in the section headed “2.1 Chilled Business JVs Acquisition”
“Chilled Business JV(s)”	collectively, Chilled Business JVs Holdco and the Individual Chilled Business JVs
“Chilled Business JVs Holdco”	Inner Mongolia Mengniu Danone Dairy Co. Ltd.* (內蒙古蒙牛達能乳製品有限公司), a company incorporated in the PRC with limited liability
“Chilled Business JVs Acquisition”	the proposed acquisition by Inner Mongolia Mengniu of the Chilled Business Sale Shares
“Chilled Business Reports”	has the meaning ascribed to it in the section headed “2.1 Chilled Business JVs Acquisition”
“Chilled Business SPA”	the master equity transfer agreement dated May 6, 2022 and entered into between Inner Mongolia Mengniu and Danone Shanghai (among others) with respect to the Chilled Business JVs Acquisition

“Chilled Business Sale Shares”	the 20% equity interest in each of the Chilled Business JVs held by Danone Shanghai
“Chilled Business Unaudited Information”	has the meaning ascribed to it in the section headed “2.1 Chilled Business JVs Acquisition”
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Control” or “Controlling” or “Controlled”	the ownership of fifty percent (50%) or more of the voting shares or the registered capital of a company, or the power to appoint or elect a majority of the directors or the power to direct the management of a company
“Court Meeting”	the meeting of the Scheme Shareholders to be convened at the direction of the Cayman Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Danone”	Danone S.A., a company incorporated under the laws of France and whose shares are listed on Euronext Paris
“Danone Asia”	Danone Asia Pte Ltd, a corporation incorporated and existing under the Laws of Singapore with limited liability and an indirect wholly-owned subsidiary of Danone
“Danone APAC”	Danone Asia Pacific Holdings Pte. Ltd., a company incorporated under the laws of Singapore with limited liability and an indirect wholly-owned subsidiary of Danone
“Danone Group”	Danone and its subsidiaries
“Danone Mengniu Disposal”	Danone’s disposal of all of its equity interest in the issued share capital of Mengniu in May 2021

“Danone Nutrition”	Danone Asia Baby Nutrition Pte. Ltd., a company incorporated under the laws of Singapore with limited liability and an indirect wholly-owned subsidiary of Danone
“Danone Shanghai”	Danone (Shanghai) Holding Co., Ltd.* (達能(上海)投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Danone
“Dumex China”	Dumex Baby Food Co., Ltd.* (多美滋嬰幼兒食品有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Yashili
“Dumex China Anti-Trust Approval”	approval by the Anti-Trust Clearance Authority pursuant to PRC Anti-Monopoly Law in respect of the Dumex China Disposal
“Dumex China Anti-Trust Filing”	a filing to the Anti-Trust Clearance Authority pursuant to the Anti-Monopoly Law of the PRC in connection with the Dumex China Disposal
“Dumex China Buyer Key Obligation”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex China CP Unconditional Date”	the first business day following the date of satisfaction (and/or, if applicable, the waiver) of all conditions precedent to the Dumex China Disposal
“Dumex China Disposal”	the proposed disposal by Yashili Guangdong of its 100% equity interest in Dumex China to Danone APAC
“Dumex China Draft Closing Statement”	the draft statements containing calculations of cash and cash equivalents, indebtedness and working capital of Dumex China at the completion date of Dumex China Disposal based on the financial information of Dumex China and in accordance with PRC GAAP

“Dumex China Final Closing Statement”	the financial statements of Dumex China as at completion of the Dumex China Disposal and as prepared according to PRC GAAP
“Dumex China Final Consideration”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex China Initial Consideration”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex China Material Closing Obligations”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex China Post-Closing Determination Date”	the date on which the Dumex China Draft Closing Statement is deemed final and binding or the date on which the Dumex China Final Closing Statement is delivered, as applicable
“Dumex China Seller Key Obligations”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex China SPA”	the equity transfer agreement dated May 6, 2022 and entered into between Yashili Guangdong and Danone APAC with respect to the Dumex China Disposal
“Dumex China Target Business”	the business of Dumex China as conducted on the date of the Dumex China SPA, plus (i) the production and distribution of ALL IN ONE, which as of the date of the Dumex China SPA is carried out by members of the Yashili Group on behalf of Dumex China; and (ii) the distribution of DIAMOR infant milk formula products and Dumex Goat infant milk formula products, which as of the date of the Dumex China SPA is carried out by members of the Yashili Group on behalf of Dumex China, excluding (a) the Yashili Trade Business; and (b) any business conducted under the Transferred Brands which is not part of the transactions contemplated by the Dumex China SPA
“Dumex China’s Auditors”	Ernst & Young or any other “Big Four” accounting firm jointly designated by Yashili Guangdong and Danone APAC

“Dumex CP Deadline”	February 22, 2023 or, if the Dumex CP Deadline Extension occurs pursuant to the Dumex China SPA, June 15, 2023
“Dumex CP Deadline Extension”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Key Conditions”	collectively, Dumex Key Condition 1, Dumex Key Condition 2, Dumex Key Condition 3, Dumex Key Condition 4, Dumex Key Condition 5 and Dumex Key Condition 6
“Dumex Key Condition 1”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Key Condition 2”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Key Condition 3”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Key Condition 4”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Key Condition 5”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Key Condition 6”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Reports”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Dumex Unaudited Information”	has the meaning ascribed to it in the section headed “2.2 Dumex China Disposal”
“Disinterested Scheme Shareholder(s)”	all of the Scheme Shareholders other than the Offeror and the Offeror Concert Parties
“Disinterested Scheme Share(s)”	Yashili Share(s) held by the Disinterested Scheme Shareholders

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Existing Mengniu-Danone Relationships”	the existing relationships between Mengniu and Danone as described in the section headed “1. Background to the Proposed Transactions and the Privatization Proposal” of this Announcement
“Governmental Entities”	any supra-national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, Tax imposition or collection, importing or other governmental or quasi-governmental authority, including but not limited to the Stock Exchange and the Executive
“Grant Day”	the day on which Yashili grants the Phantom Shares to the relevant Phantom Share Recipients
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror and Mengniu, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“HSBC Group”	HSBC and persons controlling, controlled by or under the same control as HSBC

“Hybrid Option”	the option to accept the Yashili 2013 VGO for consideration partly in cash and partly in shares of Mengniu International under the Yashili 2013 VGO
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by Yashili, with the approval of the Yashili Independent Board Committee, to advise the Yashili Independent Board Committee and the Independent Yashili Shareholders (as applicable) in respect of the Proposed Transactions and the transactions contemplated thereunder, the Privatization Proposal and the Scheme
“Independent Yashili Shareholders”	Yashili Shareholders other than (i) the Offeror and the Offeror Concert Parties and (ii) those who are interested in or involved in the Proposed Transactions
“Individual Chilled Business JVs”	Mengniu Dairy (Jiaozuo) Co., Ltd.* (蒙牛乳製品(焦作)有限公司), Mengniu Dairy (Meishan) Co., Ltd.* (蒙牛乳業(眉山)有限公司), Tongliao Mengniu Dairy Co., Ltd.* (通遼市蒙牛乳製品有限責任公司), Mengniu High-Tech Dairy (Ma’anshan) Co., Ltd.* (蒙牛高科乳製品(馬鞍山)有限公司), Ningxia Mengniu Dairy Co., Ltd.* (寧夏蒙牛乳製品有限責任公司), Mengniu Dairy (Tianjin) Co., Ltd.* (蒙牛乳製品(天津)有限責任公司), Mengniu Dairy (Qingyuan) Co., Ltd.* (蒙牛乳業(清遠)有限公司), Mengniu Dairy (Tai’an) Co., Ltd.* (蒙牛乳製品(泰安)有限責任公司), Hubei Frealth Dairy Co., Ltd.* (湖北友芝友乳業有限責任公司) and Mengniu High-Tech Dairy (Beijing) Co., Ltd.* (蒙牛高科乳製品(北京)有限責任公司), companies incorporated in the PRC with limited liability
“Individual Chilled Business JV Contracts”	each of the equity joint venture contracts between Mengniu and/or Inner Mongolia Mengniu on the one hand, and Danone Shanghai on the other hand, in respect of each of the Individual Chilled Business JVs



“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Co., Ltd.* (內蒙古蒙牛乳業(集團)股份有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Mengniu
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region
“Mengniu”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability, the Mengniu Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319)
“Mengniu Board”	the board of directors of Mengniu
“Mengniu International”	China Mengniu International Company Limited, a company incorporated in the British Virgin Islands with limited liability and a 99.95%-owned direct subsidiary of Mengniu as of the Announcement Date
“Mengniu International Exchange Right”	has the meaning ascribed to it in the section headed “3.1 The Privatization Proposal”
“Mengniu International Exchange Right Recipients”	shareholders of Mengniu International other than Mengniu.  As of the Announcement Date, apart from Mengniu, Mengniu International has 44 shareholders, being HKSCC Nominees Limited and 43 individual shareholders. To the best of the knowledge of the Offeror, these 44 shareholders are former Yashili Shareholders who opted for the Hybrid Option under the Yashili 2013 VGO, and they are not acting in concert with Mengniu or the Offeror.
“Mengniu Directors”	the director(s) of Mengniu
“Mengniu Group”	Mengniu and its subsidiaries

“Mengniu Shareholder(s)”	holder(s) of the Mengniu Shares
“Mengniu Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of Mengniu
“New National Standards”	the National Food Safety Standard — Infant Formula (GB10765–2021), the National Food Safety Standard — Older Infants Formula (GB10766–2021), and the National Food Safety Standard — Young Children Formula (GB10767–2021)
“Offer Period Commencement Date”	March 16, 2022
“Offeror”	Star Future Investment Company Limited 星萊投資有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Mengniu
“Offeror Board”	the board of directors of the Offeror
“Offeror Concert Party(ies)”	party(ies) acting in concert with the Offeror in relation to Yashili, including Mengniu, Mengniu International, Danone Nutrition, the Mengniu Directors and the HSBC Group (except for members of the HSBC Group, which are exempt principal traders and/or exempt fund managers in their capacity as such, in each case recognized by the Executive as such for the purposes of the Takeovers Code)
“Phantom Share Benchmark Price”	the average closing price of the Yashili Shares as stated in the Stock Exchange’s daily quotations sheets for the 30 trading days immediately preceding the relevant date (inclusive of the relevant date)
“Phantom Share Incentive Scheme”	the phantom share incentive scheme of Yashili as adopted by the Yashili Board on July 15, 2020
“Phantom Share Recipient(s)”	the parties who are granted the Phantom Shares under the Phantom Share Incentive Scheme
“Phantom Share(s)”	the phantom share(s) issued or to be issued to the recipients under the Phantom Share Incentive Scheme

“PRC”	the People’s Republic of China, but for the purpose of this Announcement, excluding Hong Kong, Macau and Taiwan
“PRC GAAP”	generally accepted accounting principles as in effect in the PRC, applied on a consistent basis
“Pre-Conditions Long Stop Date”	July 31, 2023 (or any other date as may be agreed by the Offeror and Yashili and as permitted by the Executive)
“Privatization Proposal”	the proposal for the privatization of Yashili by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act, on the terms and subject to the pre-conditions and conditions as described in this Announcement
“Proposed Transactions”	the Chilled Business JVs Acquisition, the Dumex China Disposal, and the 25% Yashili Acquisition
“Reference Exchange Rate”	RMB: 1.0000: HK\$1.2157
“Responsible Profit”	an internal performance indicator of Yashili as set by the Yashili Board for the purpose of evaluating the performance of Yashili and its management team
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	State Administration for Market Supervision of the PRC
“Scheme”	the scheme of arrangement to be proposed under section 86 of the Companies Act involving, among other things, the cancellation of all of the Scheme Shares
“Scheme Condition(s)”	the condition(s) to the Privatization Proposal as set out in the section headed “3.8 Conditions of the Privatization Proposal” of this Announcement

“Scheme Document”	the composite scheme document to be jointly published by Mengniu, the Offeror and Yashili containing, among other things, further details of the Privatization Proposal together with the additional information specified in the section headed “3.14 Scheme Shares, Court Meeting and Scheme EGM, Scheme Document, and Overseas Scheme Shareholders — (c) Scheme Document” of this Announcement
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Scheme EGM”	an extraordinary general meeting of Yashili to be convened as soon as practicable following the conclusion or adjournment of the Court Meeting for the purposes of passing all necessary resolution(s) for, among other things, the implementation of the Scheme or any adjournment thereof
“Scheme Long Stop Date”	January 31, 2024 (or any other date as may be agreed by the Offeror and Yashili or, to the extent applicable, as permitted by the Executive and/or the Cayman Court may direct)
“Scheme Pre-Conditions”	the pre-conditions to the making of the Privatization Proposal and implementation of the Scheme, as set out in the section headed “3.2 Scheme Pre-Conditions” of this Announcement
“Scheme Record Date”	the record date to be announced for determining entitlements of the Scheme Shareholders under the Scheme
“Scheme Record Time”	the record time to be announced for determining entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	all of the Yashili Shares in issue and such further Yashili Shares as may be issued prior to the Scheme Record Date, other than those held by Mengniu (directly or indirectly) and by Danone Nutrition
“Scheme Shareholder(s)”	the holder(s) of the Scheme Shares

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“special deal(s)”	means special deal(s) under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Transferred Brands”	the brand of TruYn (初穎 in Chinese) (including relevant trademarks) and the brand of Nainiujiadao (奶牛駕到 in Chinese) (including relevant trademarks)
“Unaffected Price Date”	March 11, 2022, being the last trading day prior to March 14, 2022 when there were irregular trading volumes and price movements in the Yashili Shares
“Vest Day”	the day on which the Phantom Shares shall vest
“Yashili”	Yashili International Holdings Ltd, a company incorporated in the Cayman Islands with limited liability, the Yashili Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1230)
“Yashili 2013 VGO”	the conditional voluntary offer by Mengniu International to acquire all of the then outstanding Yashili Shares in accordance with the terms and conditions as set out in the composite document issued jointly by Mengniu, Mengniu International and Yashili dated July 23, 2013, which was closed on August 13, 2013
“Yashili Board”	the board of directors of Yashili
“Yashili Directors”	the director(s) of Yashili
“Yashili First EGM”	the extraordinary general meeting of the shareholders of Yashili to be convened by Yashili to approve the Proposed Transactions as special deals and (as applicable) a major and connected transaction
“Yashili Group”	Yashili and its subsidiaries

“Yashili Guangdong”	Yashili International Group Co. Ltd.* (雅士利國際集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Yashili
“Yashili Independent Board Committee”	the independent board committee of Yashili established by the Yashili Board to make a recommendation to the Independent Yashili Shareholders in respect of the Proposed Transactions, and to the Disinterested Scheme Shareholders in respect of the Privatization Proposal and the Scheme
“Yashili Last Trading Day”	May 6, 2022, being the last day on which the Yashili Shares were traded on the Stock Exchange prior to the publication of this Announcement
“Yashili Sale Shares”	1,186,390,074 Yashili Shares, representing 25.00% of the total issued share capital of Yashili, held by Danone Nutrition
“Yashili Shareholder(s)”	holder(s) of the Yashili Shares
“Yashili Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of Yashili
“Yashili Trade Business”	(a) the procurement or importation of ingredients, materials, finished products or other products supplied to members of the Yashili Group other than Dumex China and the resale of such products to members of the Yashili Group other than Dumex China; (b) the production of any products other than the DIAMOR infant milk formula products, Dumex Goat infant milk formula products and All in ONE products and sale of such products to the members of Yashili Group other than Dumex China and third parties; (c) the research and development activities conducted by Dumex China including those in support of the members of the Yashili Group other than Dumex China; and (d) other businesses and/or functions (including personnel) carried out by Dumex China for the Yashili Group (excluding Dumex China)
“%”	per cent

*In this Announcement, the Reference Exchange Rate of RMB: 1.0000: HK\$1.2157 is used for illustration purposes only. There is no assurance that any sum in RMB can be converted to HK dollars at the Reference Exchange 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\*  
**Jeffrey, Minfang Lu**  
*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  
**Yan Zhiyuan**  
*Chief Executive Officer and  
Executive Director*

By order of the board of directors of  
**Star Future Investment Company Limited**  
星萊投資有限公司  
**Kwok Wai Cheong**  
*Executive Director*

Hong Kong, May 6, 2022

*As at the Announcement Date, the Mengniu Board comprises: Mr. Jeffrey, Minfang Lu, Ms. Wang Yan and Mr. Zhang Ping as executive directors; Mr. Chen Lang, Mr. Wang Xi and Mr. Simon Dominic Stevens as non-executive directors; and Mr. Yih Dieter (alias Yih Lai Tak, Dieter), Mr. Li Michael Hankin and Mr. Ge Jun as independent non-executive directors.*

*The Mengniu Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than that relating to the Yashili Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than those expressed by the Yashili Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.*

*As at the Announcement Date, the board of directors of the Offeror comprises: Mr. Kwok Wai Cheong and Mr. Fung Kwun Sum.*

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

*As at the Announcement Date, the Yashili Board comprises: Mr. Jeffrey, Minfang Lu (Chairman of Yashili), Mr. Qin Peng, Mr. Zhang Ping and Mr. Gu Peiji (alias Philip Gu) as non-executive directors; Mr. Yan Zhiyuan as executive director; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.*

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