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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)

JOINT ANNOUNCEMENT
MEMORANDUM OF UNDERSTANDING IN RESPECT OF
(1) THE PROPOSED ACQUISITION BY YASHILI
AND
(2) THE PROPOSED ISSUANCE OF NEW SHARES BY MENGNIU DAIRY

Financial Advisor to Mengniu Dairy and Yashili



Deutsche Bank

This joint announcement is made by Mengniu Dairy and Yashili pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On July 24, 2015, the MOU was entered into among Mengniu Dairy, Yashili and Danone in relation to the Proposed Acquisition and the Proposed Share Subscription. Except for the provisions in relation to confidentiality, governing law and dispute resolution, the entering into of the MOU does not constitute the parties' legally binding commitment in relation to the Proposed Transactions which are subject to the execution of the relevant definitive transaction agreement(s) in relation thereto by the relevant parties.

Pursuant to the MOU, Danone intends to (1) sell to Yashili (or one of its affiliates) its entire ownership interest in Dumex China, and (2) use the proceeds to be received by it from the Proposed Acquisition to subscribe, through CDI, for such number of shares in Mengniu Dairy provided that no mandatory general offer obligation on COFCO (Hong Kong) Limited or Danone or their respective associates will be triggered pursuant to the Hong Kong Code on Takeovers and Mergers.

* For the purpose of identification only

The respective shareholders of Mengniu Dairy and Yashili and/or potential investors should note that the Proposed Acquisition and/or the Proposed Share Subscription may or may not materialize. The Proposed Acquisition, if materializes, may constitute a notifiable and connected transaction for Yashili under Chapters 14 and 14A of the Listing Rules. The Proposed Share Subscription, if materializes, may constitute a connected transaction of Mengniu Dairy pursuant to Chapter 14A of the Listing Rules and Mengniu Dairy will obtain a specific mandate from its independent shareholders in relation to such issuance of Mengniu Shares. Mengniu Dairy and/or Yashili will comply with the relevant disclosure and/or shareholders' approval requirements where appropriate. Further announcement(s) will be made by Mengniu Dairy and/or Yashili in accordance with the Listing Rules as and when appropriate. **The respective shareholders of Mengniu Dairy and Yashili and/or potential investors are advised to exercise caution when dealings in the securities of Mengniu Dairy and/or Yashili.**

This joint announcement is made by Mengniu Dairy and Yashili pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

On July 24, 2015, the MOU was entered into among Mengniu Dairy, Yashili and Danone in relation to the Proposed Transactions involving the Proposed Acquisition and the Proposed Share Subscription. Except for the provisions in relation to confidentiality, governing law and dispute resolution, the entering into of the MOU does not constitute the parties' legally binding commitment in relation to the Proposed Transactions which are subject to the execution of the relevant definitive transaction agreement(s) in relation thereto by the relevant parties.

Set out below are the principal terms of the MOU.

Proposed Acquisition and Proposed Share Subscription

Pursuant to the MOU, Danone intends to (1) sell to Yashili (or one of its affiliates) its entire ownership interest in Dumex China, and (2) use the proceeds to be received by it from the Proposed Acquisition to subscribe, through CDI, for such number of shares in Mengniu Dairy provided that no mandatory general offer obligation on COFCO (Hong Kong) Limited or Danone or their respective associates will be triggered pursuant to the Hong Kong Code on Takeovers and Mergers.

Conditions Precedent

The execution of definitive agreements in relation to the Proposed Transactions is subject to (i) Mengniu Dairy, Yashili and Danone reaching mutual agreement on the definitive terms of the Proposed Transactions; (ii) Yashili's completion of due diligence on Dumex China; and (iii) the receipt of all applicable approvals of Mengniu Dairy, Yashili and Danone.

In addition, the Proposed Transactions will also need to comply with the relevant filings, disclosure and approval requirements, including the applicable anti-trust filings and the requirements under the Listing Rules.

Others

Furthermore, Yashili and Danone intend to, among other things, collaborate in New Zealand with respect to a manufacturing facility with an aim to achieve synergies and support in various areas.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, Danone Asia Baby Nutrition Pte. Ltd (“**Danone Asia**”) has a 25.0% shareholding interest in Yashili and therefore Danone, being an associate of Danone Asia, is a connected person of Yashili. As such, the Proposed Acquisition, if materializes, may constitute a notifiable and connected transaction for Yashili under Chapters 14 and 14A of the Listing Rules.

As at the date of this joint announcement, Yashili is a 51.04% indirectly owned subsidiary of Mengniu Dairy. Since Danone Asia is a substantial shareholder of Yashili, Danone, being an associate of Danone Asia, is a connected person of Mengniu Dairy. In addition, Danone will conduct the Proposed Share Subscription through CDI, a substantial shareholder of Mengniu Dairy. As such, the Proposed Share Subscription, if materializes, may constitute a connected transaction of Mengniu Dairy pursuant to Chapter 14A of the Listing Rules and Mengniu Dairy will obtain a specific mandate from its independent shareholders in relation to such issuance of Mengniu Shares.

GENERAL

The respective shareholders of Mengniu Dairy and Yashili and/or potential investors should note that the Proposed Acquisition and/or the Proposed Share Subscription may or may not materialize. Mengniu Dairy and/or Yashili will comply with the relevant disclosure and/or shareholders’ approval requirements where appropriate. Further announcement(s) will be made by Mengniu Dairy and/or Yashili in accordance with the Listing Rules as and when appropriate. **The respective shareholders of Mengniu Dairy and Yashili and/or potential investors are advised to exercise caution when dealings in the securities of Mengniu Dairy and/or Yashili.**

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it by the Listing Rules
“CDI”	COFCO Dairy Investments Limited, a substantial shareholder of Mengniu Dairy
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Danone”	Danone Asia Pte Ltd, a company established and existing under the laws of Singapore
“Dumex China”	Dumex Baby Food Co., Ltd., a wholly-owned subsidiary of Danone dedicated to Danone’s IMF business in the PRC
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IMF”	infant milk formula
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mengniu Dairy”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 2319)
“Mengniu Share(s)”	the share(s) of Mengniu Dairy
“MOU”	the memorandum of understanding entered into among Mengniu Dairy, Yashili and Danone in relation to the Proposed Transactions
“PRC”	the People’s Republic of China, not including Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China for the purpose of this joint announcement
“Proposed Acquisition”	the proposed acquisition of the entire equity interests in Dumex China by Yashili from Danone
“Proposed Share Subscription”	the proposed subscription for Mengniu Shares by Danone through CDI
“Proposed Transactions”	collectively, the Proposed Acquisition and the Proposed Share Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules
“subsidiaries”	has the meaning ascribed to it by the Listing Rules

“Yashili” Yashili International Holdings Ltd, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 1230)

“%” per cent

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

By order of the board of directors of
China Mengniu Dairy Company Limited
中國蒙牛乳業有限公司*
Sun Yiping
Chief Executive Officer and Executive Director

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

Hong Kong, July 24, 2015

As at the date of this joint announcement, the board of directors of Mengniu Dairy comprises: Ms. Sun Yiping and Mr. Bai Ying as executive directors, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Niu Gensheng, Mr. Finn S. Hansen, Ms. Liu Ding and Mr. Christian Neu as non-executive directors, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya, Mr. Wu Kwok Keung Andrew and Dr. Liao Jianwen as independent non-executive directors.

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