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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF LION-DAIRY & DRINKS PTY LTD

THE ACQUISITION

The Board is pleased to announce that on 24 November 2019, the Company as purchaser's guarantor and the Purchaser, which is an indirect wholly-owned subsidiary of the Company, entered into the Share Sale and Purchase Agreement with the Seller and the Seller's Guarantor for the acquisition of 100% of the shares of Lion-Dairy & Drinks Pty Ltd ("**Target**"), an Australia-based branded dairy and beverage company.

Pursuant to the Share Sale and Purchase Agreement, the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at an Initial Consideration of AUD600,000,000 (equivalent to approximately HK\$3,186,840,000), which is subject to Adjustments. Subject to the Acquisition becoming unconditional, upon Completion the Target will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction(s) contemplated under the Share Sale and Purchase Agreement exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

The Board is pleased to announce that on 24 November 2019, the Company as purchaser's guarantor, and the Purchaser, which is an indirect wholly-owned subsidiary of the Company, entered into the Share Sale and Purchase Agreement with the Seller and the Seller's Guarantor, pursuant to which the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell 100% of the shares of the Target at an Initial Consideration of AUD600,000,000 (equivalent to approximately HK\$3,186,840,000), which is subject to Adjustments.

PRINCIPAL TERMS OF THE SHARE SALE AND PURCHASE AGREEMENT

The principal terms of the Share Sale and Purchase Agreement are summarised below:

Date

24 November 2019

Parties

- 1) Purchaser: Monday Smoothie Pty Ltd
- 2) Purchaser's guarantor: the Company
- 3) Seller: Kirin Foods Australia Holdings Pty Ltd
- 4) Seller's Guarantor: Lion Pty Ltd

Assets to be acquired

The assets to be acquired by the Purchaser pursuant to the Share Sale and Purchase Agreement are the Sale Shares. Upon Completion the Target will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated into the financial statements of the Group, and the Group will own all tangible and intangible assets of the Target Group. The principal business of the Target is the production and sale of its iconic and prestigious branded dairy and beverage products. Please refer to the section headed "Information on the Target Group" of this announcement for more information on the subject matter of the Acquisition.

Consideration and Adjustments

The Consideration will be paid in cash to the Seller at Completion.

The Consideration payable by the Purchaser upon Completion will be the net amount after applying Adjustments to the Initial Consideration of AUD600,000,000 (equivalent to approximately HK\$3,186,840,000) on a cash-free and debt-free basis. The Adjustments are summarised below:

- 1) cash, debt and working capital completion adjustments, in a manner consistent with transactions of this nature;
- 2) an adjustment for the variance between specified forecast capital and one time item spending (in a specified period prior to Completion) and actual spending; and
- 3) a downward adjustment in specified instances (per the Share Sale and Purchase Agreement) in which the Target suffers financial loss due to the actions of one of its key customers.

The final adjustment amount will be paid to the Seller by the Purchaser, if it is a positive number, or to the Purchaser by the Seller, if it is a negative number, on a date that is 5 Business Days after the Completion accounts have been determined in accordance with the Share Sale and Purchase Agreement.

The amount of the Consideration may be more or less than the Initial Consideration. Based on the information currently available to the Company, the Board does not expect the variance to be material.

As at the date of this announcement, the Group intends that the Consideration will be funded by internal resources of the Group and bank financing.

Basis for determination of the Consideration

The Consideration has been determined after arm's length negotiations between the Seller and the Company with reference to, among others, the current operating conditions in the Australian dairy market, comparable listed company analysis, comparable market transactions, book value of the Target's net assets and the Company's assessment of the value of the Target to the Group, including the prospects of the Target's growth both domestically in Australia and internationally in China and South East Asia.

Parent guarantee and indemnity

Purchaser's Guarantor

Performance of the Purchaser's obligations under the Share Sale and Purchase Agreement is unconditionally and irrevocably guaranteed by the Company. The Company agrees to indemnify the Seller and the Seller's Guarantor against any liability or loss arising from, and any costs incurred if the Purchaser does not, or is unable to, comply with any of its obligations under the Share Sale and Purchase Agreement.

Seller's Guarantor

Performance of the Seller's obligations under the Share Sale and Purchase Agreement is unconditionally and irrevocably guaranteed by the Seller's Guarantor. The Seller's Guarantor agrees to indemnify the Purchaser and the Company as the Purchaser's guarantor against any liability or loss arising from, and any costs incurred if the Seller does not, or is unable to, comply with any of its obligations under the Share Sale and Purchase Agreement.

Conditions

Completion of the Acquisition is subject to the fulfilment (or waiver, where applicable) of the Conditions on or before the date that is 9 months after the date of the Share Sale and Purchase Agreement, or any other date otherwise agreed in writing by the Purchaser and the Seller ("**Conditions Precedent End Date**"). A summary of the Conditions is set out below:

- (1) FIRB approval, as summarised below:
 - a. the Treasurer of the Commonwealth of Australia ("**Treasurer**") (or the Treasurer's delegate) has provided a written no objections notification to the proposed Acquisition, either without conditions or with conditions acceptable to the Purchaser (acting reasonably); or
 - b. following notice of the proposed Acquisition given by the Purchaser to the Treasurer, the statutory period in which the Treasurer is empowered to make any order under the FATA has expired without such an order being made.
- (2) ACCC approval, as summarised below:
 - a. the Purchaser has received notice in writing from ACCC stating that ACCC does not intend to conduct a public review of the proposed Acquisition or does not intend to oppose the proposed Acquisition, either on an unconditional basis or subject to any conditions or undertakings offered by the Purchaser which are reasonably acceptable to the Seller and the Purchaser (acting reasonably); and
 - b. ACCC or the Tribunal (where there is a valid application to the Tribunal for a review of the ACCC's determination) has made a final determination to authorise the proposed Acquisition, either on an unconditional basis or subject to any undertakings or conditions which are reasonably acceptable to the Purchaser and the Seller (each acting reasonably); or
 - c. the Purchaser has obtained a declaration from the Federal Court of Australia that the proposed Acquisition would not result in a contravention of section 50 of the *Competition and Consumer Act 2010 (Cth)* and a valid application for review of the declaration has not been lodged.

Condition (1) above cannot be waived. Condition (2) above may be waived with the written consent of the Purchaser and the Seller.

Completion

Subject to fulfilment (or waiver, where applicable) of the Conditions on or before the Conditions Precedent End Date, Completion will take place on the date which is:

- 1) the Business Day immediately following the Target Month End Date for the month in which the last Condition is satisfied or waived (or if the date on which the last Condition is satisfied or waived is less than 7 Business Days before the Target Month End Date, the date for Completion will be the Business Day immediately following the next Target Month End Date); or
- 2) any other date agreed in writing by the Seller and the Purchaser.

INFORMATION ON THE TARGET GROUP

The Target is a proprietary limited company incorporated in Australia and is wholly-owned by the Seller which, in turn, is an indirect subsidiary of Kirin Holdings Company Limited, a listed company in Japan (Stock Code: 25030). The Target Group is principally engaged in the production and sale of its iconic and prestigious branded dairy and beverage portfolios, including milk based beverages, yoghurt, white milk, chilled juice and drinks, ambient juice and drinks, water ice, culinary and plant-based products. The Target has a leading market share position for a number of its product categories within Australia. In addition, the Target procures approximately 825 million litres of milk equivalent and 50 million kilograms of fresh fruit from approximately 280 farmers and 85 fruit growers annually. It has extensive manufacturing and cold chain distribution capabilities across Australia, with a total of 13 manufacturing facilities (inclusive of two facilities operating as joint ventures) and a cold chain distribution network reaching 35,000 customers. The Target also has a presence in international markets including South East Asia and China (currently, primarily through yoghurt products).

Set out below is the unaudited pro forma and adjusted¹ consolidated profit before and after taxation of the Target Group for the two years ended 31 December 2017 and 31 December 2018.

	For the year ended 31 December 2017 (unaudited)	For the year ended 31 December 2018 (unaudited)
Profit before tax	AUD69.0 million (equivalent to approximately HK\$366.5 million)	AUD65.5 million (equivalent to approximately HK\$347.9 million)
Profit after tax ²	AUD48.3 million (equivalent to approximately HK\$256.5 million)	AUD45.8 million (equivalent to approximately HK\$243.3 million)

As at 30 August 2019, the unaudited pro forma and adjusted³ consolidated total assets and net assets of the Target Group were AUD909 million (equivalent to approximately HK\$4,828 million) and AUD596 million (equivalent to approximately HK\$3,166 million) respectively.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the Seller and its ultimate beneficial owner(s) are Independent Third Parties; and (ii) the Seller's Guarantor is an Independent Third Party.

INFORMATION ON THE SELLER AND SELLER'S GUARANTOR

The Seller is a proprietary limited company incorporated in Australia and the sole shareholder of the Target. The Seller's Guarantor is the sole beneficial owner of the Seller.

The Seller is principally engaged in the manufacture and distribution of food and beverage products and is based in Australia.

¹ Adjustments include, but are not limited to, the removal of discontinued operations and removal of corporate recharges and replacement with costs required for the Target Group to operate on a standalone basis.

² Based on an assumed Australian corporate tax rate of 30%

³ Adjusted to exclude intercompany loans and cash to reflect that the Target is being acquired on a cash-free and debt-free basis.

REASONS FOR AND BENEFITS OF THE ACQUISITION

1. Obtaining control of Target’s high-quality assets represents another important milestone in formulating a complete regional integrated player with a multi-category/multi-brands portfolio to serve consumers in Asia Pacific

The Target has a portfolio of iconic dairy brands with No.1 market position in milk-based beverages, yoghurt, chilled juice and plant-based beverages in Australia. Its access to the significant volume of highly regarded Australian milk pool, its large scale of 13 manufacturing facilities across Australia and the extensive cold chain distribution network that service 35,000 customers, all make the Target Group a strong comprehensive vertically integrated dairy player in Australia. Together with the infant milk formula products offered by Bellamy’s upon completion of its acquisition by the Group, this extensive business layout would equip the Group with a stronger foundation to excel in the Asia Pacific markets.

2. Target’s portfolio of iconic household dairy brands with strong Australian heritage is highly attractive to consumers in the One-Belt-One-Road markets, and therefore provides significant market opportunities for the Company to unlock

Established in Australia, Target Group owns a portfolio of longstanding heritage household brands. Reputable for their quality and heritage, these products and brands will be well received by South East Asian and Chinese consumers. These iconic household brands will allow the Group to continue developing market-tailored, premium product offerings to customers in both existing and new markets and as such, realize tremendous market potentials in these regions.

3. Support high end UHT milk growth opportunity and synergies in supply chain

By producing the Group’s increasing ultra-heat treatment (UHT) milk products in Target Group’s manufacturing facilities in Australia, the Group could capture the profit margin previously reaped by third-party services providers. The Acquisition further opens-up potential raw milk and other ingredient sourcing opportunities which will bring about additional synergies within the Group. From a supply chain perspective, the collaboration between Target Group, Burra Foods and Bellamy’s will potentially generate even greater synergies while providing better products to consumers across the Asia-Pacific region.

Having considered the above, the Board concluded that the terms of the Share Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is an indirect wholly-owned subsidiary of the Company in Australia with limited liability which will principally engage in investment holding activities.

The Group is principally engaged in the manufacture and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products and is based in the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction(s) contemplated under the Share Sale and Purchase Agreement exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“ACCC”	Australian Competition and Consumer Commission
“Acquisition”	the acquisition by the Purchaser of all of the shares of the Target in accordance with the terms and conditions set out in the Share Sale and Purchase Agreement
“Adjustments”	the adjustments to be applied to the Initial Consideration in accordance with the provisions of the Share Sale and Purchase Agreement in order to arrive at the Consideration
“AUD”	Australian dollars, the lawful currency of Australia
“Bellamy’s”	Bellamy’s Australia Limited (ASX: BAL), a globally recognised Australian organic infant formula and baby food provider whose shares are listed on the Australian Stock Exchange. Information on this company can be found in the Company’s announcement dated 16 September 2019 regarding its acquisition.
“Board”	the board of Directors
“Burra Foods”	Burra Foods Pty Ltd, a dairy ingredient processor in Australia and an associate of the Company

“Business Day”	a day on which banks are open for general banking business in Sydney, New South Wales, Australia and Melbourne, Victoria, Australia and Beijing, the PRC (not being a Saturday, Sunday or public holiday in any of those places).
“Company”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2319)
“Completion”	completion of the purchase of the Sale Shares pursuant to the terms and conditions of the Share Sale and Purchase Agreement
“Conditions”	the conditions precedent to Completion
“Consideration”	the total amount payable by the Purchaser to the Seller upon Completion after applying Adjustments to the Initial Consideration
“Director(s)”	the director(s) of the Company
“FATA”	the Foreign Acquisitions and Takeovers Act 1975 (Cth) of the laws of Australia
“FIRB”	Foreign Investment Review Board of Australia
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is independent of, and not connected with, the Company or any of its connected persons (as defined in the Listing Rules)
“Initial Consideration”	AUD600,000,000 (equivalent to approximately HK\$3,186,840,000)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Purchaser”	Monday Smoothie Pty Ltd (ACN 637 634 121), a proprietary limited company incorporated in Australia

“Sale Shares”	all issued shares in the capital of the Target, being 542,339,995 ordinary shares in the Target
“Seller”	Kirin Foods Australia Holdings Pty Ltd (ABN 31 112 009 917), a proprietary limited company incorporated in Australia
“Seller’s Guarantor”	Lion Pty Ltd (ABN 50 128 004 268), a proprietary limited company incorporated in Australian
“Share Sale and Purchase Agreement”	the Share Sale and Purchase Agreement dated 24 November 2019 and entered into among the Purchaser, the Company (as purchaser’s guarantor), the Seller, and the Seller’s Guarantor for sale and purchase of the Sale Shares
“Target”	Lion-Dairy & Drinks Pty Ltd (ABN 65 004 486 631), a proprietary limited company incorporated in Australia
“Target Group”	the Target and its subsidiaries
“Target Month End Date”	the date on which the relevant month end (for accounting purposes) used by the Target Group occurs
“Tribunal”	the Australian Competition Tribunal

By order of the Board
China Mengniu Dairy Company Limited
Jeffrey, Minfang Lu
Chief Executive Officer and Executive Director

Hong Kong, 25 November 2019

As at the date of this announcement, the Board comprises Mr. Jeffrey, Minfang Lu and Mr. Meng Fanjie as executive Directors, Mr. Chen Lang, Mr. Niu Gensheng, Mr. Tim Ørting Jørgensen and Mr. Pascal De Petrini as non-executive Directors, and Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya and Mr. Yau Ka Chi as independent non-executive Directors.

For the purpose of this announcement only, the conversion of Australian dollars to Hong Kong dollars is based on the exchange rate of AUD1.00 to HK\$5.3114.

* *For identification purpose only*