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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 PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL OF BELLAMY'S AUSTRALIA LIMITED BY WAY OF A SCHEME OF ARRANGEMENT

The Board is pleased to announce that on 15 September 2019, the Company entered into the Scheme Implementation Deed with the Target, a globally recognised Australian organic infant formula and baby food provider whose shares are listed on the Australian Securities Exchange (ASX: BAL). Pursuant to the Scheme Implementation Deed, the Company proposes to acquire all the Scheme Shares for a Scheme Consideration of AUD12.65 (equivalent to approximately HK\$68.15) per Scheme Share. The Target Board intends to recommend the Proposed Acquisition to the Target Shareholders (other than the Excluded Shareholders) and implement the Scheme.

PRINCIPAL TERMS OF THE SCHEME IMPLEMENTATION DEED

The principal terms of the Scheme Implementation Deed are summarised as follows:

Date

15 September 2019

Parties

- (1) The Company
- (2) The Target

Save and except for the 3,248,482 Target Shares (representing approximately 2.9% of the issued share capital of the Target) held by the Company as at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target and its other ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

Implementation of the Scheme

Pursuant to the Scheme Implementation Deed, the Target Board intends to recommend the Proposed Acquisition to the Target Shareholders (other than the Excluded Shareholders) and implement the Scheme.

Subject to the Scheme becoming effective and upon satisfaction or waiver of the conditions of the Scheme:

- (1) all of the Scheme Shares will be transferred to the Bidder; and
- (2) the Scheme Shareholders will be entitled to receive the Scheme Consideration.

Scheme Consideration

The Scheme Consideration is AUD12.65 per Scheme Share. The Scheme Consideration was determined with reference to (i) the operating performance of the Target; (ii) the Target's historical trading price and the premia to trading price in recent comparable public takeover transactions in the ASX; (iii) the multiples of precedent transactions in the IMF space and the trading multiples of comparable public companies; and (iv) 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 Southeast Asia.

As at the date of this announcement, there were 110,119,815 Target Shares in issue (excluding the Excluded Shares) and 5,231,993 Target Options granted and outstanding. Pursuant to the Scheme Implementation Deed, all outstanding Target Options will be vested and exercised, or vested and settled, in accordance with the terms of the Target Options or cancelled in accordance with the Scheme Implementation Deed by the Scheme Record Date.

The total consideration payable by the Company for the Scheme Shares is up to AUD1.46 billion (equivalent to approximately HK\$7.86 billion). The Company expects to finance the Proposed Acquisition from a combination of internal resources and bank financing. Furthermore, under the Scheme Implementation Deed, Target is permitted to pay a special dividend of AUD0.60 per Scheme Share, conditional on the Scheme becoming effective.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

- Organic IMF and baby food market represents a highly attractive growth and margin expansion opportunity for the Group.
 - IMF is one of the largest and fastest growing segments amongst all dairy segments in China driven by increasing disposable income and growing child spend. Future growth is underpinned by continuous premiumisation and increasing penetration into lower tier cities, which have larger households and higher birth rates.
 - Organic IMF enjoys significantly faster growth and higher margins compared to the overall IMF market. Stronger demand for organic products is driven by consumer perception of higher quality and safety standards of organic ingredients. Organic share of the Chinese IMF market has increased noticeably in recent years.
- The Proposed Acquisition is in line with the Group's strategy and will enable us to capture the huge potential in organic IMF and baby food categories in China and Southeast Asia.
 - One of the Group's key growth strategy is to achieve break-through growth in the premium IMF segment.
 - In addition, the Target's operations in Australia, New Zealand and a number of Southeast Asia countries fit the Group's strategy to expand into overseas markets with near-term focus on Southeast Asia and Australia.

- The Target is a global leading organic IMF company with strong brand recognition and attractive profit margin.
 - Based in Australia, the Target is principally engaged in the sale of organic IMF and food products for babies and toddlers. It is the number one organic IMF brand in Australia and a leading organic IMF brand globally. It enjoys strong brand awareness in China and Southeast Asia markets.
 - The Target has a comprehensive range of premium and super premium organic baby milk formula and baby food products, which enjoys higher margins than the Group's existing business segments.
- The Group believes it is uniquely positioned to unlock the Target's brand potential especially in the overseas markets including China and Southeast Asia.
 - The Target's positioning, product and channel mix are highly complementary to the Group's existing IMF operations, and hence will enable the Group to expand its product range and customer base in both China and overseas markets.
 - While the Group will lend its full support to the Target in continuing to grow in existing markets, it will also assist the Target in fully penetrating the Chinese and other Southeast Asian markets by leveraging its experience, resources and existing platform.

Having considered the above, the Directors (other than those abstaining) are of the view that the terms of the Proposed Acquisition and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE TARGET

The Target is a limited liability company established in Australia whose shares are listed on the ASX, and is principally engaged in the sale of organic IMF and food products for babies and toddlers. Founded in Tasmania, the Target is a globally recognised Australian organic brand and has operations in Australia, New Zealand, the PRC and Southeast Asia. The Target offers Australian-made and certified organic products made with non-genetically modified ingredients, with essential vitamins and minerals that are tailored to the needs of babies and toddlers.

According to the published audited consolidated accounts of the Target as at 30 June 2019, the net assets of the Target was approximately AUD232.3 million. The audited net profits (before and after taxation) of the Target for the year ended 30 June 2018 were AUD61.2 million and AUD42.8 million, respectively, and the audited net profits (before and after taxation) of the Target for the year ended 30 June 2019 were AUD31.4 million and AUD21.7 million respectively.

Subject to the Proposed Acquisition becoming unconditional, upon closing, the Target will become an indirectly wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the accounts of the Group.

RECOMMENDATION BY THE TARGET BOARD

Pursuant to the Scheme Implementation Deed, in the absence of a Superior Proposal and subject to the Independent Expert opining at all times prior to the Second Court Date that the Scheme is in the best interests of the Target Shareholders, the Target must ensure that:

- (1) the Target Board unanimously recommends that the Target Shareholders (other than the Excluded Shareholders) vote in favour of the Scheme at the Scheme Meeting, and a Target

Director does not change, withdraw or modify, or make a recommendation that is inconsistent with, such recommendation; and

- (2) the Scheme Booklet will also include a statement to the effect that each Target Director will vote (or procure the voting of) all Target Shares held or controlled by him or her in favour of the Scheme at the Scheme Meeting, and a Target Director does not change, withdraw or modify, or make a statement that is inconsistent with, such statement.

CONDITIONS PRECEDENT TO THE PROPOSED ACQUISITION

The Proposed Acquisition is subject to, among others, the following Conditions being satisfied or waived:

- (1) before 8:00 a.m. (Australia time) on the Second Court Date, authorisations, clearance, consents, approvals or advice of no objections as may be required from any regulatory authority under applicable laws including the Treasurer of the Commonwealth of Australia (or his delegate) are granted, given, made or obtained, either unconditionally or subject to customary conditions or conditions which the Company reasonably considers to be acceptable, and not revoked or withdrawn (as the case may be) or the statutory period in which the Treasurer of the Commonwealth of Australia is empowered to make an order under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) has lapsed without such an order being made;
- (2) the Target Shareholders (other than the Excluded Shareholders) approve the Scheme by the requisite majorities under the Corporations Act at the Scheme Meeting;
- (3) the Court approves the Scheme in accordance with the Corporations Act;
- (4) no material adverse event as specified in the Scheme Implementation Deed occurs between the date of the Scheme Implementation Deed and 8:00 a.m. (Australia time) on the Second Court Date;
- (5) none of the prescribed occurrences as specified in the Scheme Implementation Deed occurs between the date of the Scheme Implementation Deed and 8:00 a.m. (Australia time) on the Second Court Date; and
- (6) other customary conditions as set out in the Scheme Implementation Deed.

INFORMATION ON THE BIDDER AND THE GROUP

The Bidder is an indirectly wholly-owned subsidiary of the Company to be established in Australia with limited liability after the date of the Scheme Implementation Deed, 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 in respect of the Proposed Acquisition exceed 5% but are all less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

OTHER INFORMATION

On 16 September 2019, the Target released an announcement on the ASX in relation to the Proposed Acquisition. Please refer to the website of the ASX (<https://www.asx.com.au/>) for further details and the full text of the Scheme Implementation Deed including the expected timetable for, inter alia, the despatch of the Scheme Booklet, the Scheme Meeting, the Court hearings and the Scheme Record Date.

The Scheme is subject to certain conditions precedent which may or may not be satisfied and therefore, completion of the Proposed Acquisition may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“ASX”	ASX Limited (trading as the Australian Securities Exchange)
“AUD”	Australian dollars, the lawful currency of Australia
“Bidder”	an indirectly wholly-owned subsidiary of the Company to be established in Australia with limited liability after the date of the Scheme Implementation Deed
“Board”	the board of Directors
“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)
“Competing Proposal”	<p>a transaction or arrangement, or any proposal, offer or expression of interest in relation to a transaction or arrangement, pursuant to which a third party will, if the transaction or arrangement is entered into or completed:</p> <ul style="list-style-type: none">(a) acquire (whether directly or indirectly) or become the holder of a legal, beneficial and/or economic interest in, all or a substantial part of the business or assets of the Target Group taken as a whole;(b) acquire a relevant interest in, or otherwise acquire or have a right to acquire a legal, beneficial and/or economic interest in, 20% or more of the Target Shares; or(c) acquire control of the Target within the meaning of the Corporations Act or otherwise acquire or merge with the Target, <p>whether by way of takeover bid, scheme of arrangement, shareholder approved transaction, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement</p>
“Condition(s)”	the condition(s) of the Proposed Acquisition stated under the section headed “Conditions” in this announcement, with details set out in the Scheme Implementation Deed
“Corporations Act”	the <i>Corporations Act 2001</i> (Cth)

“Court”	the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed to in writing between the Company and the Target
“Director(s)”	the director(s) of the Company
“Excluded Share(s)”	the Target Share(s) held by or on behalf of a member of the Group
“Excluded Shareholder(s)”	the holder(s) of the Excluded Share(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“IMF”	infant milk formula
“Independent Expert”	an independent expert to be engaged by the Target
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition by the Bidder of all of the Scheme Shares through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed
“Scheme”	a scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders in the form specified in the Scheme Implementation Deed, or such other form agreed to in writing between the Company and the Target
“Scheme Booklet”	a scheme booklet to be prepared by the Target and to be approved by the Court and despatched to the Target Shareholders (other than the Excluded Shareholders) and which must include the Scheme, an explanatory statement complying with the requirements of the Corporations Act, a report of the Independent Expert stating whether or not in its opinion the Scheme is in the best interests of the Target Shareholders, notice of the Scheme Meeting and a proxy form for the Scheme Meeting
“Scheme Consideration”	AUD12.65 per Scheme Share, payable by the Company
“Scheme Implementation Deed”	the scheme implementation deed dated 15 September 2019 between the Company and the Target in relation to the Proposed Acquisition
“Scheme Meeting”	the meeting of the Target Shareholders (other than the Excluded Shareholders) ordered by the Court to be convened under the Corporations Act
“Scheme Record Date”	7:00 p.m. (Australia time) on the fifth business day after the date on which the Scheme becomes effective, or such other time and date agreed to in writing between the Company and the Target
“Scheme Share(s)”	the Target Share(s) in issue as at the Scheme Record Date, other than the Excluded Share(s)
“Scheme Shareholder(s)”	the holder(s) of the Scheme Share(s)
“Second Court Date”	the first day on which an application made to the Court for an order under the Corporations Act approving the Scheme is heard or, if the

	application is adjourned for any reason, the day on which the adjourned application is heard
“Superior Proposal”	a bona fide, written Competing Proposal received after the date of the Scheme Implementation Deed that the Target Board determines (acting in good faith) would, if completed substantially in accordance with its terms, be more favourable to the Target Shareholders than the Scheme, provided that any such determination may only be made after consultation with the Target’s legal and financial advisers, taking into account all material legal, financial, regulatory and other aspects of the Competing Proposal and the identity of the relevant third party
“Target”	Bellamy’s Australia Limited (ASX:BAL), a limited liability company established in Australia, the shares of which are listed on the ASX
“Target Board”	the board of the Target Directors
“Target Director(s)”	the director(s) of the Target
“Target Group”	the Target and its subsidiaries (as defined in the Corporations Act)
“Target Option(s)”	option(s) issued by the Target carrying rights to subscribe for new Target Shares subject to the terms and conditions of such option(s)
“Target Share(s)”	the fully paid ordinary share(s) in the capital of the Target
“Target Shareholder(s)”	the holder(s) of the Target Share(s) from time to time
“%”	per cent.

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

Hong Kong, 16 September 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 Hong Kong dollars to Australian dollars is based on the exchange rate of HK\$1.00 to AUD5.3873.

** For identification purpose only*