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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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 20 January 2010, the Company entered into the Master Sale and Purchase Agreement with COFCO Corporation, pursuant to which the Group will, subject to the Group's regular review and at the Group's option, purchase white sugar, oil, other raw materials and other related products from COFCO Corporation Group Companies and COFCO Corporation Group Companies will supply white sugar, oil, other raw materials and other related products to the Group, for a period commencing from 20 January 2010 to 19 January 2012.

COFCO Corporation indirectly holds an approximately 20.03% interest in the Company. COFCO Corporation is therefore a connected person of the Company under the Listing Rules.

Hence the transactions contemplated under the Master Sale and Purchase Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the transaction value under the Master Sale and Purchase Agreement are on an annual basis more than 0.1% but less than 2.5% under Rule 14A.34 of the Listing Rules, the transactions under the Master Sale and Purchase Agreement are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 but do not require the approval by independent shareholders of the Company.

THE MASTER SALE AND PURCHASE AGREEMENT

On 20 January 2010, the Company entered into the Master Sale and Purchase Agreement with COFCO Corporation with key terms as follows:

Date : 20 January 2010

Parties : The Company
COFCO Corporation

Term : 20 January 2010 to 19 January 2012

The Master Sale and Purchase Agreement is a framework agreement which sets out the principles upon which detailed terms (including payment terms) are to be determined by the parties to specific transactions pursuant to their agreements. Under the Master Sale and Purchase Agreement, subject to the Group's regular review and at the Group's option, the Group shall purchase white sugar, oil, other raw materials and other related products from COFCO Corporation Group Companies from time to time in accordance with the principles set out in the Master Sale and Purchase Agreement. The terms and conditions of the supply of white sugar, oil, other raw materials and other related products by COFCO Corporation Group Companies shall not be less favourable than those offered by COFCO Corporation Group Companies to independent third parties. The price payable and other payment terms by the relevant Group Company to COFCO Corporation Group Companies will be agreed between the relevant parties, where applicable, by reference to the prevailing market price. The terms of the Master Sale and Purchase Agreement were determined after arm's length negotiations and represent normal commercial terms.

The annual value of the transactions amount under the Master Sale and Purchase Agreement for each of the two years ending 31 December 2010 and 2011 is not expected to exceed RMB290,000,000 (equivalent to approximately HK\$329,774,000).

The above annual cap amount is determined by reference to (i) historical value of transactions between the Group and COFCO Corporation Group Companies, other customers or suppliers in relation to similar product types, (ii) average market prices of the relevant products and (iii) anticipated growth in the market demand for such products taking into account of the typical life cycle of white sugar, oil and other raw materials production and sales.

CONNECTED PERSON RELATIONSHIP

COFCO Corporation indirectly holds an approximately 20.03% interest in the Company. COFCO Corporation is therefore a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the Master Sale and Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the transaction value under the Master Sale and Purchase Agreement are on an annual basis more than 0.1% but less than 2.5% under the relevant percentage ratios under Rule 14A.34 of the Listing Rules, the continuing connected transactions under the Master Sale and Purchase Agreement are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47, but are exempt from the independent shareholders' approval requirements under Rule 14A.48.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SALE AND PURCHASE AGREEMENT

The core business of the Company is to manufacture and distribute quality dairy products. COFCO Corporation is one of the largest sugar beet and edible oil producers and distributors in the PRC and COFCO Corporation Group Companies are expected to be reliable white sugar, oil and other raw materials suppliers of the Company. The entering into the Master Sale and Purchase Agreement will enable the Company to have a stable supply of raw materials and thus maintain the production and quality of its dairy products.

Accordingly, the Directors (including the independent non-executive Directors) consider that the transactions under the Master Sale and Purchase Agreement are conducted in the ordinary and usual course of business of the Company after arm's length negotiations and the terms thereof represent normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION ON THE COMPANY AND COFCO CORPORATION

The Company is one of the leading dairy product manufacturers in China, principally engaged in the manufacturing and distribution of quality dairy products including liquid milk, ice-cream and other dairy products.

COFCO Corporation is a state-owned enterprise under the purview of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. COFCO Corporation is one of the largest sugar beet and edible oil producers and distributors in the PRC and is engaged in a wide array of businesses, including, amongst others, agricultural products trading and processing, food and beverages, in the PRC.

DEFINITIONS

“Board”	the board of directors of the Company
“COFCO Corporation”	COFCO Corporation** (中糧集團有限公司), a wholly state-owned company incorporated in the PRC currently under the purview of the State owned Assets Supervision and Administration Commission of the State Council of the PRC
“COFCO Corporation Group Companies”	COFCO Corporation, its subsidiaries and certain associated companies
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries and “Group Company” shall be constructed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sale and Purchase Agreement”	the framework agreement entered into between the Company and COFCO Corporation dated 20 January 2010 in relation to the sales and purchase of white sugar, oil, other raw materials and other related products

“PRC or China”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By Order of the Board of
China Mengniu Dairy Company Limited
Yang Wenjun
Chief Executive Officer

Hong Kong, 20 January 2010

As at the date of this announcement, the Board comprises: Mr. Niu Gensheng, Mr. Yang Wenjun, Mr. Yao Tongshan and Mr. Bai Ying as executive directors, Mr. Ning Gaoning, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Yu Xubo, Mr. Ma Jianping, Mr. Fang Fenglei as non-executive directors, Mr. Zhang Julin, Mr. Liu Fuchun and Mr. Zhang Xiaoya as independent non-executive directors.

* *For identification purposes only*

** *The English translation of the company name is for reference only. The official name of the company is in Chinese.*

For illustration purpose in this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB1 = HK\$1.137.