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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)

REVISION OF ANNUAL CAP FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Announcement, on 20 January 2010, the Company entered into the Master Sale and Purchase Agreement with COFCO Corporation for a term of two years from 20 January 2010 to 19 January 2012.

With the continued development of the Group's operation and the continued co-operation with COFCO Corporation Group Companies, the Directors estimate that the aggregate transaction amount under the Master Sale and Purchase Agreement for the year ending 31 December 2011 may exceed the relevant original annual cap. The Board therefore proposes to revise the annual cap for the year ending 31 December 2011 to RMB450,000,000 (equivalent to approximately HK\$552,150,000).

Given that the applicable percentage ratios under Chapter 14A of the Listing Rules for the Revised Annual Cap are more than 0.1% but less than 5%, the transactions under the Master Sale and Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from independent shareholders' approval requirement.

THE EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement.

The Master Sale and Purchase Agreement

As disclosed in the Announcement, on 20 January 2010, the Company entered into the Master Sale and Purchase Agreement with COFCO Corporation for a term of two years from 20 January 2010 to 19 January 2012. The terms of the Master Sale and Purchase Agreement were determined after arm's length negotiations on normal commercial terms.

* For identification purpose only

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, edible oil, other raw materials and other related products from COFCO Corporation Group Companies from time to time. 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 parties of the specific transactions.

Under the Master Sale and Purchase Agreement, the terms and conditions for the supply of white sugar, edible oil, other raw materials and other related products by COFCO Corporation Group Companies to the Group 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.

Original Annual Caps

As disclosed in the Announcement, the original annual caps under the Master Sale and Purchase Agreement for each of the year ended 31 December 2010 and the year ending 31 December 2011 were expected to be not more than RMB290,000,000 (equivalent to approximately HK\$355,830,000).

Historical Amounts

For the year ended 31 December 2010, the actual transaction amount under the Master Sale and Purchase Agreement amounted to RMB110,963,000 (equivalent to approximately HK\$136,152,000).

Based on the Group's latest unaudited management accounts, the purchase of white sugar, edible oil, other raw materials and other related products by the Group from COFCO Corporation Group Companies under the Master Sale and Purchase Agreement from 1 January 2011 up to 30 September 2011 amounted to approximately RMB202,950,000 (equivalent to approximately HK\$249,020,000), representing approximately 70% of the relevant original annual cap.

As at the date of this announcement, based on the Group's latest unaudited management accounts and operational data, the actual transaction amount in relation to the Master Sale and Purchase Agreement has not exceeded the original annual cap for the year ending 31 December 2011.

REVISED ANNUAL CAPS

With the continued development of the Group's operation and the continued co-operation with COFCO Corporation Group Companies, the Directors estimate that the aggregate transaction amount under the Master Sale and Purchase Agreement for the year ending 31 December 2011 may exceed the relevant original annual cap. The Board therefore proposes to revise the annual cap for the year ending 31 December 2011 to RMB450,000,000 (equivalent to approximately HK\$552,150,000).

In determining the Revised Annual Cap, the Board took into account (i) the Group's actual purchase from COFCO Corporation Group Companies during the first three quarters of 2011; (ii) the Group's production plan for the fourth quarter of year 2011; (iii) the estimated increase of purchase from COFCO Corporation Group Companies; and (iv) current market prices of the relevant raw materials and products.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

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 have been reliable suppliers of white sugar, edible oil and other raw materials of the Group.

Although the Group has in the past purchased similar raw materials from other independent suppliers, it has decided to increase its purchases from COFCO Corporation Group Companies as COFCO Corporation Group Companies are able to offer the Group a stable supply of quality raw materials at a competitive price which are essential to the Group's production of quality dairy products.

The Board believes that it is for the benefit of the Group to continue sourcing raw materials and other products from COFCO Corporation Group Companies. The Directors, including the independent non-executive Directors, consider that the Master Sale and Purchase Agreement and the Revised Annual Cap are fair and reasonable and on normal commercial terms, and are in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP AND COFCO CORPORATION

The Group 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 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.

None of the Directors has a material interest in the transactions under the Master Sale and Purchase Agreement and no Director is required to abstain from voting on the board resolutions for approving the Revised Annual Cap.

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, it will have to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

COFCO Corporation indirectly holds an approximately 27.8% interest in the Company. As COFCO Corporation is a substantial shareholder of the Company and thus a connected person of the Company under Rule 14A.11(1) of the Listing Rules, the transactions under the Master Sale and Purchase Agreement constitute continuing connected transactions of the Company.

Given that the applicable percentage ratios under Chapter 14A of the Listing Rules for the Revised Annual Cap are more than 0.1% but less than 5%, the transactions under the Master Sale and Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from independent shareholders' approval requirement.

DEFINITIONS

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| “Announcement” | the announcement of the Company dated 20 January 2010 in relation to the purchase of white sugar, edible oil, other raw materials and other related products from COFCO Corporation Group Companies under the Master Sale and Purchase Agreement |
| “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 |
| “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 of Hong Kong Limited |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries, and “Group Company” shall be constructed accordingly |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| “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, edible oil, other raw materials and other related products |

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| “PRC or China” | the People’s Republic of China, which for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Revised Annual Cap” | the revised annual cap amount proposed by the Company in respect of the Master Sale and Purchase Agreement for the year ending 31 December 2011 as disclosed in this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent |

For illustration purpose in this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB1 = HK\$1.227

By order of the Board
China Mengniu Dairy Company Limited
Kwok Wai Cheong, Chris
Company Secretary

Hong Kong, 2 December 2011

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