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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

On 20 February 2012, the Company entered into the New Master Sale and Purchase Agreement with COFCO Corporation, a connected person of the Company, pursuant to which the Group will continue to, subject to the Group's regular review and at the Group's option, purchase white sugar, edible oil, other raw materials and related products from COFCO Corporation Group Companies for a term commencing from 20 January 2012 and ending on 31 December 2014.

As the applicable percentage ratios in respect of the transaction value under the New Master Sale and Purchase Agreement are on an annual basis more than 0.1% but less than 5%, the continuing connected transactions under the New Master Sale and Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement.

BACKGROUND

On 20 February 2012, the Company entered into the New Master Sale and Purchase Agreement with COFCO Corporation to replace the Existing Master Sale and Purchase Agreement for the Group's continuous purchase (subject to the Group's regular review and at the Group's option) of white sugar, edible oil, other raw materials and related products from COFCO Corporation Group Companies, for a term commencing from 20 January 2012 and ending on 31 December 2014.

As COFCO Corporation indirectly holds an approximately 28.06% interest in the Company, 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 New Master Sale and Purchase Agreement constitute continuing connected transactions of the Company.

** For identification purpose only*

THE NEW MASTER SALE AND PURCHASE AGREEMENT AND ANNUAL CAP

The New Master Sale and Purchase Agreement

Date : 20 February 2012
Parties : The Company
COFCO Corporation
Term : 20 January 2012 to 31 December 2014

The New 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 and agreed between the parties in the specific sale and purchase agreements and purchase orders. The terms of the New Master Sale and Purchase Agreement were determined after arm's length negotiations and represent normal commercial terms. Under the New Master Sale and Purchase Agreement, subject to the Group's regular review and at the Group's option, the Group may purchase white sugar, edible oil, other raw materials and related products from COFCO Corporation Group Companies from time to time in accordance with the principles set out in the New Master Sale and Purchase Agreement.

Pursuant to the New Master Sale and Purchase Agreement, the terms and conditions of the supply of white sugar, edible oil, other raw materials and 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 Group Company to COFCO Corporation Group Companies shall be fair and reasonable, and shall be fixed by reference to the reasonable market price at which the relevant Group Company could obtain the same type of supplies from independent third parties.

The Annual Cap

The annual transaction amount under the New Master Sale and Purchase Agreement for each of the three years ending 31 December 2012, 2013 and 2014 is not expected to exceed RMB600,000,000 (equivalent to approximately HK\$739,380,000). 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; (iii) anticipated growth in the market demand for such products taking into account of the typical life cycle of white sugar, edible oil and other raw materials production and sales; and (iv) the Group's production plan for each of the three years ending 31 December 2012, 2013 and 2014. 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 they 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 historical transaction amount under the Existing Master Sale and Purchase Agreement for each of the two years ended 31 December 2010 and 2011 was RMB110,963,000 (audited (equivalent to approximately HK\$136,740,000) and RMB268,420,000 (unaudited) (equivalent to approximately HK\$330,774,000) respectively.

Based on the Group's latest unaudited management accounts and operational data, the purchase of white sugar, edible oil, other raw materials and related products by the Group from COFCO Corporation Group Companies in the period between 1 January 2012 to the date of this announcement amounted to approximately RMB17,340,000 (equivalent to approximately HK\$21,368,000), representing less than 0.1% of the relevant percentage ratios.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW 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 have been reliable suppliers of white sugar, edible oil and other raw materials of the Group. The entering into the New Master Sale and Purchase Agreement will enable the Company having a continuous stable supply of quality raw materials at a competitive price which is 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 white sugar, edible oil, other raw materials and related products from COFCO Corporation Group Companies. The Directors, including the independent non-executive Directors, consider that the terms of New Master Sale and Purchase Agreement, the transactions thereunder and the annual cap set are fair, reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON 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 and one of the largest sugar beet and edible oil producers and distributors in the PRC, engaging in a wide array of businesses, including, amongst others, agricultural products trading and processing, food and beverages, in the PRC.

Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Ma Jianping and Mr. Ma Wangjun are directors of certain COFCO Corporation Group Companies. None of the Directors have a material interest in the transactions under the New Master Sale and Purchase Agreement, however, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Ma Jianping and Mr. Ma Wangjun have voluntarily abstained from voting on the board resolutions for approving the New Master Sale and Purchase Agreement and the annual cap.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the transaction value under the New Master Sale and Purchase Agreement are on an annual basis more than 0.1% but less than 5%, the continuing connected transactions under the New Master Sale and Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement.

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
“COFCO Corporation Group Companies”	COFCO Corporation, its direct and indirect subsidiaries from time to time 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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Sale and Purchase Agreement”	the framework agreement entered into between the Company and COFCO Corporation dated 20 January 2010 in relation to the sale and purchase of white sugar, edible oil, other raw materials and related products, which has an initial term of two years from 20 January 2010 as disclosed in the Company's announcement dated 20 January 2010
“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)
“New Master Sale and Purchase Agreement”	the framework agreement entered into between the Company and COFCO Corporation dated 20 February 2012 in relation to the sales and purchase of white sugar, edible oil, other raw materials and related products, which has a term commencing from 20 January 2012 and ending on 31 December 2014
“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
“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\$1.2323

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

Hong Kong, 20 February 2012

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. Ning Gaoning, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Niu Gensheng, 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.