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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
PURCHASE OF SHARES IN MODERN DAIRY**

The Board is pleased to announce that on 7 May 2013 after the market closes, the Company has entered into separate sale and purchase agreements with Advanced Dairy and Crystal Dairy in relation to the Share Purchase.

As the applicable percentage ratios exceed 5% but are less than 25%, the Share Purchase constitutes a discloseable transaction of the Company under the Listing Rules.

The Board of China Mengniu Dairy Company Limited (the **Company**, together with its subsidiaries, the **Group**) is pleased to announce that on 7 May 2013 after the market closes, the Company has entered into the Advanced Dairy SPA and the Crystal Dairy SPA with Advanced Dairy and Crystal Dairy respectively, to acquire in aggregate 1,296,000,000 shares in Modern Dairy, representing approximately 26.92% of the issued share capital of Modern Dairy as at the date of this announcement, the key terms of which are set out below.

(1) Advanced Dairy SPA

Date

7 May 2013

Parties

The Company as the purchaser

Advanced Dairy as the seller

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Advanced Dairy and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Shares to be Purchased

984,000,000 existing shares in Modern Dairy, representing approximately 20.44% of the issued share capital of Modern Dairy as at the date of this announcement.

(2) Crystal Dairy SPA

Date

7 May 2013

Parties

The Company as the purchaser

Crystal Dairy as the seller

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Crystal Dairy and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Shares to be Purchased

312,000,000 existing shares in Modern Dairy, representing approximately 6.48% of the issued share capital of Modern Dairy as at the date of this announcement.

Purchase Price and Completion

The Share Purchase will be completed in two stages - on the First Completion Date and the Second Completion Date, unless otherwise agreed between the parties of the Share Purchase.

On the First Completion Date, a total purchase price of HK\$999.60 million (based on a HK\$2.45 per share in Modern Dairy, (the **First Completion Consideration**)) shall be payable by the Company in cash (of which HK\$759.50 million and HK\$240.10 million shall be payable to Advanced Dairy and Crystal Dairy respectively) and 310,000,000 shares and 98,000,000 shares in Modern Dairy shall be transferred to the Company by Advanced Dairy and Crystal Dairy respectively, free from all encumbrances and together with all rights attached or accruing to them as of the First Completion Date (the **First Completion**).

On the Second Completion Date, a total purchase price of HK\$2,175.60 million, being the base consideration, plus an interest on such base consideration calculated at the rate of 3% per annum accrued from day to day and on the basis of the actual number of days elapsed and a year of 365 days for the period from the First Completion Date up to but excluding the Second Completion Date (the **Second Completion Consideration**) shall be payable by the Company in cash, and 674,000,000 shares and 214,000,000 shares in Modern Dairy shall be transferred to the Company by Advanced Dairy and Crystal Dairy respectively, free from all encumbrances and together with all rights attached or accruing to them as of the Second Completion Date (the **Second Completion**).

For illustration purposes only, if the First Completion Consideration is paid in full on the First Completion Date and the Second Completion Consideration is paid in full on 22 May 2013, the aggregate purchase price (together with all interests) for the Share Purchase will be approximately HK\$3,177.52 million (with the purchase price for the Advanced Dairy Purchase and the Crystal Dairy Purchase being approximately HK\$2,412.56 million and HK\$764.96 million respectively, based on a purchase price per share in Modern Dairy of approximately HK\$2.4518 taking into account the interest payments.

The purchase price of HK\$2.45 per share in Modern Dairy was determined after arm's length negotiations between the Company, Advanced Dairy and Crystal Dairy with reference to the prevailing market price of the shares of Modern Dairy and based on a discount of approximately 3.63% to the average closing price of the shares of Modern Dairy as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to this announcement. The payment for the aggregate purchase price will be funded by a term facility arranged by the Company and internal resources of the Group.

If the First Completion does not take place on or before 9 May 2013 due to any default of the Company, the First Completion Consideration shall bear interest at the rate of 3% per annum accrued from day to day on the basis of the actual number of days elapsed and a year of 365 days for the period from 10 May 2013 up to but excluding the date of actual payment by the Company. If the Second Completion does not take place on or before 22 May 2013 due to any default of the Company, the Second Completion Consideration shall bear interest at the rate of 5% per annum accrued from day to day on the basis of the actual number of days elapsed and a year of 365 days for the period from 23 May 2013 up to but excluding the date of actual payment by the Company.

The Company holds 51,903,000 existing shares in Modern Dairy, representing approximately 1.078% of its issued share capital as at the date of this announcement. Immediately after Completion, the Company, together with its existing interest in Modern Dairy, will in aggregate hold 1,347,903,000 shares in Modern Dairy, representing approximately 27.99% of its issued share capital. The Company will become the single largest shareholder and a substantial shareholder (as defined under the Listing Rules) of Modern Dairy.

Information on the Parties

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

Modern Dairy is the largest dairy farming company in terms of herd size as well as the largest raw milk producer in China.

Advanced Dairy is a subsidiary of KKR Asian Fund L.P., which focuses on private equity investments in Asia. The general partner of KKR Asian Fund L.P. is KKR Associates Asia L.P. KKR Asian Fund L.P. is advised by Kohlberg Kravis Roberts & Co.

L.P., a subsidiary of KKR & Co. L.P., whose common units are traded on the New York Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Advanced Dairy and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Crystal Dairy is an indirect wholly-owned subsidiary of CDH China Fund III, L.P., which focuses on private equity investments. The general partner of CDH China Fund III, L.P. is CDH III Holdings Company Limited. CDH China Fund III, L.P. is managed by CDH Investment Advisory Private Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Crystal Dairy and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Financial Information on Modern Dairy Group

Based on the unaudited consolidated interim results of Modern Dairy Group for the six months ended 31 December 2012 prepared in accordance with the international financial reporting standards, the unaudited net asset value of Modern Dairy Group as at 31 December 2012 was RMB5,328,751,000 (equivalent to approximately HK\$6,660,405,875), based on which the unaudited net asset value of the Purchase Shares was approximately RMB1,434,499,769 (equivalent to approximately HK\$1,792,981,262).

The following table sets out the audited consolidated net profits of Modern Dairy Group for the years ended 30 June 2011 and 2012 prepared in accordance with the international financial reporting standards:

	For the financial years ended 30 June	
	2011('000)	2012('000)
Profit before taxation	RMB243,906 (equivalent to approximately HK\$304,858)	RMB407,451 (equivalent to approximately HK\$509,273)
Profit after taxation	RMB243,898 (equivalent to approximately HK\$304,848)	RMB407,308 (equivalent to approximately HK\$509,094)

Reasons for the Transaction

The source of milk is the first gatekeeper of quality control for dairy enterprises. Enhancing supply of quality milk sources has been the Group's key focus in recent years. Since its establishment, in order to secure a long-term and stable source of premium milk supply, the Group has adopted various means of enhancing its milk sources, such as construction of modernised ranch facilities, investment in large-scale ranches, provision of entrusted loans and raw milk prepayment, to accelerate scaled ranching development and enhance the overall quality level and quality control of milk supply.

Modern Dairy has been a long-term partner of the Group. The Company considers an investment in its raw milk supplier is consistent with its strategy in enhancing the quality of its milk sources and securing long-term premium milk supply. The Share Purchase will strengthen the cooperation between the Group and Modern Dairy and provide the Group with a stable source of premium milk supply.

Mr. Julian Juul Wolhardt, an independent non-executive Director, is also a non-executive director and chairman of the board of directors of Modern Dairy. Mr. Wolhardt is a member of KKR Asia Limited, which is an affiliate of KKR Asian Fund L.P., which wholly-owns Advanced Dairy. Mr. Jiao Shuge (alias Jiao Zhen), an independent non-executive Director, is also (i) a member of an investment committee of CDH III Holdings Company Limited, which indirectly controls Crystal Dairy, and (ii) a non-executive director of CDH Investment Advisory Private Limited, the manager of CDH China Fund III, L.P. Both Mr. Jiao and Mr. Wolhardt have abstained from voting on the resolutions of the Board for approving the Share Purchase.

The Directors (including all other independent non-executive Directors) believe that the terms of the Share Purchase are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Listing Rules Implications

As the applicable percentage ratios exceed 5% but are less than 25%, the Share Purchase constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules.

Definitions

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

Advanced Dairy	Advanced Dairy Company Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, an independent third party
Advanced Dairy Purchase	the proposed purchase of 984,000,000 shares in Modern Dairy by the Company pursuant to the terms and conditions under the Advanced Dairy SPA
Advanced Dairy SPA	the sale and purchase agreement dated 7 May 2013 entered into between the Company and Advanced Dairy
Board	the board of directors of the Company
Completion	completion of the Share Purchase, which will take place in two stages on the First Completion Date and Second Completion Date
Crystal Dairy	Crystal Dairy Holdings (CDH) Limited, a company incorporated in the Cayman Islands with limited liability, an independent third party
Crystal Dairy	the proposed purchase of 312,000,000 shares in Modern Dairy by the Company pursuant to the terms and conditions under the

Purchase	Crystal Dairy SPA
Crystal Dairy SPA	the sale and purchase agreement dated 7 May 2013 entered into between the Company and Crystal Dairy
Director(s)	the director(s) of the Company
First Completion Date	9 May 2013, or such other date as the parties to the Share Purchase may agree
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Modern Dairy	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1117)
Modern Dairy Group	Modern Dairy and its subsidiaries
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 People's Republic of China and Taiwan
Purchase Shares	an aggregate of 1,296,000,000 shares in Modern Dairy
RMB	Renminbi, the lawful currency of the PRC
Second Completion Date	a business day on or before 22 May 2013 as designated by the Company, or such other date as the parties to the Share Purchase may agree
Stock Exchange	The Stock Exchange of Hong Kong Limited
Share Purchase	the Advanced Dairy Purchase and Crystal Dairy Purchase
%	per cent

For the purpose of this announcement, unless otherwise indicated, exchange rates of RMB1.00 = HK\$1.2499 have been used for currency conversion purposes. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such rates or any other exchange rates or at all.

By Order of the Board
China Mengniu Dairy Company Limited
Sun Yiping
Chief Executive Officer and Executive Director

Hong Kong, 7 May 2013

As at the date of this announcement, the Board comprises: Ms. Sun Yiping, Mr. Bai Ying, Mr. Wu Jingshui and Mr. Ding Sheng as executive directors, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Niu Gensheng, Mr. Ma Jianping, Mr. Tim Ørting Jørgensen, Mr. Finn S. Hansen and Ms. Liu Ding as non-executive directors, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Liu Fuchun, Mr. Zhang Xiaoya, Mr. Andrew Y. Yan and Mr. Wu Kwok Keung Andrew as independent non-executive directors.

** For identification purposes only*