

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



蒙牛

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 31 December 2014, the Company entered into the New Master Sale and Purchase Agreement with COFCO Corporation for a term of three years from 1 January 2015 to 31 December 2017.

With the continued development of the Group's operation and the enhanced co-operation with COFCO Corporation Group Companies, the Directors estimate that the aggregate transaction amount under the New Master Sale and Purchase Agreement for the year ending 31 December 2017 may exceed the relevant original annual cap. The Board therefore proposes to revise the annual cap for the year ending 31 December 2017.

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 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 exempted from independent shareholders' approval requirement.

THE EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement.

The New Master Sale and Purchase Agreement

As disclosed in the Announcement, on 31 December 2014, the Company entered into the New Master Sale and Purchase Agreement with COFCO Corporation for a term of three years from 1 January 2015 to 31 December 2017. The terms of the New Master Sale and Purchase Agreement were determined after arm's length negotiations on 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 shall purchase white sugar, edible oil, other raw materials and other related products (including packaging materials) from COFCO Corporation Group Companies from time to time during the term of the New Master Sale and Purchase Agreement. 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 parties in the specific sale and purchase agreements and purchase orders.

Pursuant to the New Master Sale and Purchase Agreement, the terms and conditions for the supply of white sugar, edible oil, other raw materials and other related products (including packaging materials) by COFCO Corporation Group Companies to the Group shall not be less favourable than those available to the Group from independent third parties. The price payable and other payment terms by the relevant 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.

Original Annual Caps

As disclosed in the Announcement, the original annual cap under the New Master Sale and Purchase Agreement for each of the three years ending 31 December 2015, 2016 and 2017 was expected to be not more than RMB800,000,000 (equivalent to approximately HK\$945,600,000).

Historical Amounts

For the year ended 31 December 2016, the actual transaction amount under the New Master Sale and Purchase Agreement amounted to RMB405,348,000 (equivalent to approximately HK\$479,121,000).

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 New Master Sale and Purchase Agreement from 1 January 2017 up to 30 September 2017 amounted to approximately RMB609,105,000 (equivalent to approximately HK\$719,962,000), representing approximately 76.14% 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 New Master Sale and Purchase Agreement has not exceeded the original annual cap for the year ending 31 December 2017.

REVISED ANNUAL CAPS

With the continued development of the Group's operation and the enhanced co-operation with COFCO Corporation Group Companies, the Directors estimate that the aggregate transaction amount under the New Master Sale and Purchase Agreement for the year ending 31 December 2017 may exceed the relevant original annual cap. The Board therefore proposes to revise the annual cap for the year ending 31 December 2017 to RMB1,000,000,000 (equivalent to approximately HK\$1,182,000,000).

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 2017; (ii) the Group's production plan for the fourth quarter of the year of 2017; (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.

The Group has decided to further 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. In addition, certain existing suppliers of the Group have become COFCO Corporation Group Companies. The Revised Annual Cap has included the Group's purchases from such suppliers.

The Board believes that it is for the benefit of the Group to increase its purchase of raw materials and other products from COFCO Corporation Group Companies. The Directors (including the independent non-executive Directors but excluding Mr. Ma Jianping and Ms. Wu Wenting) consider that the New Master Sale and Purchase Agreement and the Revised Annual Cap are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group 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.

Mr. Ma Jianping is a director of certain COFCO Corporation Group Companies. Ms. Wu Wenting was previously a director 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. Ma Jianping and Ms. Wu Wenting have voluntarily abstained 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 31.43% 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 New 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 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 exempted from independent shareholders' approval requirement.

CMD has purchased feedstuffs and other related materials from COFCO Corporation Group Companies during the year ending 31 December 2017. The transaction amount under the CMD Transactions for the year ending 31 December 2017 is not expected to exceed RMB200,000,000 (equivalent to approximately HK\$236,400,000). The aggregated amount of (i) the Revised Annual Cap and (ii) the transaction amount of the CMD Transactions for the year ending 31 December 2017 is not expected to exceed RMB1,200,000,000 (equivalent to approximately HK\$1,418,400,000). The applicable percentage ratios in respect of the aggregated amount of (i) the Revised Annual Cap and (ii) the transaction amount of the CMD Transactions for the year ending 31 December 2017 are more than 0.1% but less than 5%. As of the date of this announcement, the applicable percentage ratios in respect of the aggregated amount of (i) the actual transaction amount in relation to the New Master Sale and Purchase Agreement (based on the Group's latest unaudited management accounts and operational data) and (ii) the actual transaction amount of the CMD Transactions (based on information provided to the Group by CMD) for the year ending 31 December 2017 have not exceeded 5%.

DEFINITIONS

“Announcement”	the announcement of the Company dated 31 December 2014 in relation to the purchase of white sugar, edible oil, other raw materials and other related products (including packaging materials) from COFCO Corporation Group Companies under the New Master Sale and Purchase Agreement
“Board”	the board of directors of the Company
“CMD”	China Modern Dairy Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1117)
“CMD Transactions”	the purchase of feedstuffs and other related materials by CMD from COFCO Corporation Group Companies during the year ending 31 December 2017

“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)
“New Master Sale and Purchase Agreement”	the framework agreement entered into between the Company and COFCO Corporation dated 31 December 2014 in relation to the sales and purchase of white sugar, edible oil, other raw materials and other related products (including packaging materials)
“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 New Master Sale and Purchase Agreement for the year ending 31 December 2017 as disclosed in this announcement, which, for the avoidance of doubt, excludes the transaction amount of the CMD Transactions

“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\$1.182.

By order of the Board
China Mengniu Dairy Company Limited
中國蒙牛乳業有限公司*
Jeffrey, Minfang Lu
Chief Executive Officer and Executive Director

Hong Kong, 20 December 2017

As at the date of this announcement, the Board comprises: Mr. Jeffrey, Minfang Lu and Ms. Wu Wenting as executive directors, Mr. Ma Jianping, Mr. Niu Gensheng, Mr. Tim Ørting Jørgensen and Mr. Filip Kegels as non-executive directors, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya and Mr. Yau Ka Chi as independent non-executive directors.

* *For identification purposes only*