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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)

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board resolved on 26 March 2013 to adopt the restricted share award scheme as an incentive to encourage the Participants for the continual operation and development of the Group, pursuant to which existing Shares will be purchased by the Trustee(s) from the market out of cash contributed by the Group and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

The Administration Committee will implement the Scheme in accordance with the terms of the Scheme Rules, including providing necessary funds to the Trustee(s) for the purchase of Shares not exceeding 5% of the issued share capital of the Company as at the Adoption Date or such other limit as determined by the Administration Committee.

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board resolved on 26 March 2013 to adopt the Scheme, pursuant to which existing Shares will be purchased by the Trustee(s) from the market out of cash contributed by the Group and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

Reasons for the Adoption of the Scheme

The Directors believe that the future success and rapid development of the Company is closely tied with the efforts of the employees of the Group. The Board proposes the Scheme to share the enhanced value of the Company in future with the employees so as to link the interests of the employees directly with those of the Company and the Shareholders. The Restricted Shares to be awarded will be calculated and awarded on the basis of specific pre-defined criteria that directly links to the Company's operating performance. The employees will be motivated to maximize the value of and share the results with the Company in order to achieve sustainable development of the Group.

Listing Rules Implication

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

Pursuant to the Scheme, existing Shares will be purchased by the Trustee(s) and be held in trust for the relevant Selected Participants. Participants (excluding any Excluded Employee) include the Directors, directors and employees of members of the Group. Pursuant to the Scheme, where any grant of Restricted Shares is proposed to be made to any Selected Participant who is a chief executive, a director of the Group or a member of the Administration Committee (or any of their respective associates as defined in the Listing Rules), such grant must first be approved by the remuneration committee of the Company, and in each case excluding any member of the remuneration committee who is the proposed Selected Participant.

In addition, the grant of the Restricted Shares to any Director may constitute a connected transaction under Chapter 14A of the Listing Rules. If the Restricted Shares are granted to the Directors and/or connected persons of the Company, the Company will observe the applicable provisions under the Listing Rules to ensure compliance with the relevant reporting, announcement and/or shareholders' approval requirements for connected transactions.

A summary of the Scheme Rules is set out below in this announcement.

SUMMARY OF THE SCHEME RULES

Administration

The Scheme shall be subject to the administration of the Administration Committee in accordance with the Scheme Rules.

Maximum Limit

The Administration Committee will implement the Scheme in accordance with the terms of the Scheme Rules, including providing necessary funds to the Trustee(s) for the purchase of Shares not exceeding 5% of the issued share capital of the Company as at the Adoption Date or such other limit as determined by the Administration Committee.

In addition, the maximum number of Restricted Shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 0.5% of the issued share capital of the Company as at the Adoption Date.

Operation

The Administration Committee may, subject always to the Scheme Rules, from time to time, determine the number of Restricted Shares to be granted and at its absolute discretion select any Participant (excluding any Excluded Employee) to be a Selected Participant under the Scheme. The Trustee(s) shall hold such Shares until they are vested in accordance with the Scheme Rules.

Vesting and Lapse

A Selected Participant becomes qualified to receive the Restricted Shares held by the Trustee(s) upon the Trust(s) and which are referable to him after all the qualifying conditions as specified in the grant letter having been fulfilled.

Pursuant to the Scheme Rules, Restricted Shares held by the Trustee(s) upon the Trust(s) and which are referable to a Selected Participant shall not vest in the Selected Participant if, amongst others, the Selected Participant has been terminated by the Company or any Subsidiary because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty.

In the event that any Restricted Shares do not vest, the grant of such Restricted Shares shall automatically lapse and all such Restricted Shares shall not vest on the relevant vesting date but shall become Unvested Shares pursuant to the Scheme Rules. Where Shares, referable to a Selected Participant, do not vest in accordance with the Scheme Rules or where the grant of the Restricted Shares has not been accepted by a Selected Participant in accordance with the Scheme Rules, the Trustee(s) shall, after having taken into account the recommendations of the Administration Committee; (i) hold such Unvested Shares, Unaccepted Shares and all income derived therefrom for the benefit of the relevant Selected Participants, as the Trustee(s) shall at any time grant; or (ii) sell such Unaccepted or Unvested Shares on the Stock Exchange and remit the proceeds of sale of the same, net of all appropriate expenses in connection with such sale, to the Company forthwith after the sale; or (iii) or in such other manner as the Trustee(s) may decide after consultation with the Board.

Voting Rights

The Trustee(s) shall not exercise the voting rights in respect of any Shares held under the Trust(s) (including but not limited to the Restricted Shares, the Unaccepted Shares, the Unvested Shares, any bonus Shares and scrip Shares).

Duration and Termination

The Scheme shall be valid and effective from the Adoption Date until the later of (i) the 5th anniversary of the Adoption Date (namely 26 March 2018); and (ii) the date on which the audited financial results of the Company for the year ended 31 December 2017 are published in accordance with the Listing Rules. The termination shall not affect any subsisting rights of any Selected Participant thereunder and the Scheme can be terminated and extended by a resolution of the Board.

Definition

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Administration Committee”	a sub-committee of the Board, including the Chief Executive Officer, the chairman of the remuneration committee and other senior management of the Company, delegated with the power and authority by the Board to administer the Scheme
“Adoption Date”	26 March 2013, being the date on which the Board adopted the Scheme
“Board”	the board of directors of the Company, such committee or such subcommittee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme
“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 (Stock Code: 2319)
“Director(s)”	directors of the Company
“Excluded Employee”	any employee who resides in any country or jurisdiction where the grant or transfer of any Restricted Shares or making of any payment to him under the Scheme would not be permitted under the laws and regulations of such country or jurisdictions or would be subject to such requirements under those laws and regulations compliance with which would, in the sole view of the Board, be unduly burdensome or impractical and the Board, in its sole discretion, considers it necessary or expedient to exclude such employee from the benefit of such act
“Grant”	individually or collectively, a grant of Restricted Shares under the Scheme
“Grant Date”	in relation to any Restricted Share, the date on which the Restricted Share was or is to be granted

“Group”	the Company and its Subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant(s)”	any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its Subsidiaries
“Restricted Shares”	the Shares granted under the Scheme
“Scheme”	the restricted share award scheme of the Company adopted by the Board whereby awards of Shares may be made to Selected Participants (such Shares being purchased by the Trustee(s) from the market) pursuant to the Scheme Rules
“Scheme Rules”	the rules relating to the Scheme adopted by the Board in its present or any amended form
“Selected Participant(s)”	any Participant selected by the Administration Committee in accordance with the terms of and entitled to receive a Grant under the Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) with a par value of HK\$0.10 each (or such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	subsidiary(ies) of the Company from time to time within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), whether incorporated in Hong Kong or elsewhere
“Trust(s)”	the irrevocable trust(s) from which Restricted Shares may be granted to a Selected Participant pursuant to the Scheme
“Trust Fund”	all the property (including Shares, cash, non-cash income and such other scrip income (including but not limited to bonus shares and scrip dividends) declared by the Administration Committee) for the time being and from time to time held or deemed to be held upon the trust whether contributed by the Company or any other person
“Trust Period”	the period beginning from 26 March 2013 and ending upon: (a) until the later of (i) 26 March 2018; and (ii) the date

on which the audited financial results of the Company for the year ended 31 December 2017 are published in accordance with the Listing Rules; or

(b) the date the Board terminates the Scheme pursuant to the Scheme Rules, subject to extension of the duration of the Scheme by the Board

“Trustee(s)” professional trustee(s) (which is/are independent of and not connected with the Company) to be appointed by the Company for the administration of the Scheme pursuant to the Trust(s)

“Unaccepted Shares” such Shares pursuant to a Grant which are not accepted by the Selected Participants within 7 days after the Grant Date and have been or will be dealt with in accordance with terms of the Scheme Rules

“Unvested Shares” such Shares which do not vest in the Selected Participants and have been or will be forfeited in accordance with the terms of the Scheme Rules

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

Hong Kong, 26 March 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. Xie Tao and Mr. Andrew Y. Yan as independent non-executive directors.

** For identification purposes only*