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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)

FRAMEWORK AGREEMENT BETWEEN MENGNIU AND DANONE

The Board is pleased to announce that on 20 May 2013, Mengniu entered into the Framework Agreement with Danone for the proposed sino-foreign equity joint venture arrangement for the Chilled Business in the Territory.

Mengniu and Danone will each implement a restructuring plan for their respective Chilled Business in the Territory and it is proposed that the Joint Venture, which will effectively be held as to 80% and 20% by Mengniu and Danone respectively at Completion, will comprise 12 JV Companies and the JV Holdco.

The Joint Venture arrangement constitutes a deemed disposal of 20% of the Mengniu Chilled Business Subsidiaries and an acquisition by the Group of the Danone Chilled Business Subsidiaries, which, subject to the final terms of the Definitive JV Documents including finalization of the amount of contribution by each party and auditing of each party's Chilled Business in the Territory, may constitute a discloseable transaction of the Company under the Listing Rules. The terms of the Definitive JV Documents are subject to further negotiations and agreement between Mengniu and Danone. The Board will make appropriate announcement if and when necessary in accordance with the Listing Rules to keep the market informed of the development with regard to the Joint Venture.

The Board wishes to emphasize that the Joint Venture arrangement and the entering into the Definitive JV Documents between Mengniu and Danone are subject to conditions. Shareholders of the Company and/or investors should note that the Joint Venture contemplated under the Framework Agreement may or may not proceed. Accordingly, shareholders of the Company are advised to exercise caution when trading in the shares of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Board is pleased to announce that on 20 May 2013, the Company's principal operating subsidiary, Mengniu, entered into the Framework Agreement with Danone for the proposed sino-foreign equity joint venture arrangement for the Chilled Business in the Territory. The Joint Venture will be owned as to 80% and 20% by Mengniu and Danone, respectively.

Subject to conditions under the Framework Agreement being fulfilled or waived, the parties will enter into the Definitive JV Documents.

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

(a) Date

20 May 2013

(b) Parties

Mengniu
Danone

(c) Purposes of Cooperation

The purposes of the cooperation between the parties are to (i) reorganize and restructure their respective Chilled Business in the Territory and (ii) establish a long-term equity joint venture as the only platform to acquire, invest in and operate the Chilled Business in the Territory, with the aim of cooperatively developing an extensive chilled yoghurt product portfolio.

(d) Parties' Contributions

Mengniu and Danone will each implement a restructuring plan for their respective Chilled Business in the Territory and it is proposed that the Joint Venture, which will effectively be held as to 80% and 20% by Mengniu and Danone respectively at Completion, will comprise 12 JV Companies and the JV Holdco.

Mengniu's contribution to the Joint Venture

It is intended that Mengniu will contribute its assets and liabilities relating to its Chilled Business and subsequent to the restructuring of the Group's Chilled Business, by way of capital increase, the Mengniu Chilled Business Subsidiaries

will issue equity interest to Danone so that Danone will hold 20% equity interest in the increased total registered capital of each of the Mengniu Chilled Business Subsidiaries.

Danone's contribution to the Joint Venture

It is intended that Danone will contribute its assets and liabilities relating to its Chilled Business in the Territory, Danone Cash Contribution and its equity interest in the Danone Chilled Business Subsidiaries (subsequent to restructuring) to the Joint Venture.

Only a portion of Danone Cash Contribution will constitute an increase of registered capital for each of Mengniu Chilled Business Subsidiaries and the JV Holdco and the remaining portion will constitute capital surplus.

The Joint Venture arrangement constitutes a deemed disposal of 20% of the Mengniu Chilled Business Subsidiaries and an acquisition by the Group of the Danone Chilled Business Subsidiaries which, subject to the final terms of the Definitive JV Documents including finalization of the amount of contribution by each party and auditing of each party's Chilled Business in the Territory, may constitute a discloseable transaction of the Company under the Listing Rules.

(e) Term of Joint Venture

The parties intend that the initial term of each of the JV Companies shall be 30 years.

(f) Conditions to the execution of the Definitive JV Document

The execution of the Definitive JV Documents is subject to, inter alia, the satisfaction or waiver of the following conditions:

(i) completion of each of Mengniu and Danone of due diligence, including financial due diligence (to its reasonable satisfaction) on the Chilled Business in the Territory of the Danone Group and the Group, respectively;

(ii) Mengniu and Danone shall approve each other's disclosure statements of specific facts and circumstances with respect to the relevant warranties respectively given;

(iii) Mengniu and Danone shall approve each other's plan of restructuring of their respective existing Chilled Business in the Territory;

(iv) warranties given by Mengniu and Danone being true, accurate and not misleading in all material respects;

(v) there has been no material breach by Mengniu and Danone of their respective covenants, agreements and undertakings under the Framework Agreement, save for those that would not give rise to a material adverse change in the Chilled Business or the Chilled Business in the Territory (as the case may be) of the party in breach;

(vi) there has been no material adverse change to the Chilled Business in the Territory of the Group and Danone Group;

(vii) Mengniu and Danone shall agree on the form and terms of the relevant management service agreement, brand license agreement and the know-how licence agreement;

(viii) completion of Danone's investment in the Company by forming a joint venture to be owned as to 51% and 49% by COFCO Corporation (through its wholly-owned subsidiaries) and Danone Group (through its wholly-owned subsidiary) holding approximately 8.3% interest in the Company; and

(ix) Mengniu and Danone shall have delivered to each other the relevant financial statements for the Mengniu Chilled Business Subsidiaries, JV Holdco and Danone Chilled Business Subsidiaries (as the case may be), respectively.

(g) Completion

It is contemplated that the Completion will take place in various stages including:

(1) Danone's contribution of its equity interest in Danone Chilled Business Subsidiaries (subsequent to the restructuring) together with the relevant portion of the Danone Cash Contribution and the Mengniu's contribution of its relevant assets and related liabilities in its Chilled Business to the Joint Venture on or before 31 December 2013;

(2) conversion of the Mengniu Chilled Business Subsidiaries (subsequent to the restructuring) into sino-foreign joint ventures, by way of capital increase, pursuant to which Danone will make the relevant portion of Danone Cash Contribution and hold 20% equity interest in all Mengniu Chilled Business Subsidiaries on or before the eighteenth (18th) month anniversary of the date of the Framework Agreement. Such capital increase and conversion into sino-foreign joint ventures is contemplated to be carried out in two parts: the first part involving at least five (5) of the Mengniu Chilled Business Subsidiaries ("**Subsequent Closing Mengniu Chilled Business Subsidiaries**") and the second part ("**Final Closing**") involving the remaining Mengniu Chilled Business Subsidiaries ("**Final Closing Mengniu Chilled Business Subsidiaries**"), after the completion of which Mengniu (and its affiliates) and Danone will respectively own 80% and 20% equity interests in the registered capital of each of the Subsequent Closing Mengniu Chilled Business Subsidiaries and the Final Closing Mengniu Chilled Business Subsidiaries; and

(3) as soon as practicable after the Final Closing, parties shall use their best effort to transfer the equity interest owned by Mengniu and Danone respectively in the Mengniu Chilled Business Subsidiaries to the JV Holdco by no later than 31 December 2017, so that the all the JV Companies will be wholly-owned by the JV Holdco.

Completion is subject to the satisfaction and fulfillment of certain conditions by the parties at different stages, including the following:

(i) each of the Definitive JV Documents of the JV Holdco or relevant applicable Mengniu Chilled Business Subsidiaries (as the case may be) has been duly executed by the relevant parties;

(ii) all the relevant regulatory approvals , including but not limited those required for approving the relevant Definitive JV Documents of the JV Holdco, the restructuring of the relevant applicable Mengniu Chilled Business Subsidiaries (as the case may be) and the transfer of Danone Chilled Business Subsidiaries to JV Holdco, relevant production permits and licences (including business licences) required under the PRC law have been obtained and/or delivered;

(iii) the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC has cleared the contemplated transactions under the Framework Agreement;

(iv) no government order or injunction preventing the consummation of the Completion;

(v) all the warranties given by Mengniu and Danone remain true, accurate and not misleading in all material respects;

(vi) no material breach by Mengniu or Danone in respect of any covenants, agreements or undertakings under the relevant Framework Agreement, the joint venture contracts, the articles of association and investment contracts (as the case may be);

(vii) completion of restructuring of the Mengniu Chilled Business Subsidiaries and Danone Chilled Business Subsidiaries are completed in accordance with the plans stipulated in the Framework Agreement;

(viii) the relevant ancillary contracts including management service agreement, brand license agreement, know-how license agreement, milk supply agreements and other ancillary agreements shall have been properly and validly entered into by each of the parties thereto;

(ix) all necessary corporate authorizations for both Mengniu and Danone to perform their respective duties under the Framework Agreement and the Definitive JV Documents have been obtained;

(x) no Group member shall have developed or acquired a business in any of chilled yoghurt, chilled yoghurt drinks or chilled spoonable dairy based dessert in a country where Danone has either a top three market share position or 10% or more market share determined by a reputable market research company in such product category;

(xi) Mengniu shall have delivered to Danone a capital verification report issued by a duly licensed PRC accounting firm certifying the due and sufficient contribution by the Group into the registered capital of the relevant applicable Subsequent Closing Mengniu Chilled Business Subsidiaries and Final Closing Mengniu Chilled Business Subsidiaries (as the case may be);

(xii) the strategic business plan of the Joint Venture shall have been delivered to Danone;

(xiii) the cost allocation principles and pricing mechanism on all continuous agreement between any JV Company on one hand and one or more of its connected persons (as defined under the Listing Rules) on the other hand, has been agreed between Mengniu and Danone; and

(xiv) there has been no material adverse change to the Group's Chilled Business in the Territory.

(h) Termination

The Framework Agreement may be terminated by any of the following events:

(i) by mutual written consent at any time;

(ii) by either party if, on or before 1 September 2013, the parties fail to enter into the joint venture contracts and investment contracts for each of the JV Holdco and JV Companies;

(iii) by either party if Danone's contribution of Danone's equity interest in Danone Chilled Business Subsidiaries (together with relevant application of Danone's Cash Contribution) and the Mengniu's contribution of its relevant assets on Chilled Business to the Joint Venture fails to take place on or before 31 December 2013, provided that such right shall not be available to the party whose failure to fulfill any obligation under the Framework Agreement has led to the relevant events failed to occur;

(iv) by Danone if the conversion of the Mengniu Chilled Business Subsidiaries into sino-foreign joint ventures with Danone holding 20% equity interest fails to take place on or before the eighteen (18) month anniversary of the date of the Framework Agreement, provided that such right shall not be available to Danone if its failure to fulfill any obligation under the Framework Agreement has led to the relevant event failed to occur;

(v) by Mengniu in the event of a breach by Danone, or by Danone in the event of a breach by Mengniu, of any representation, warranty, covenant or agreement of the breaching party under the Framework Agreement, and such breach is not cured by the breaching party within ninety (90) days after receiving the relevant written notice; and

(vi) by either party in the event that relevant governmental authority issued an final and non-appealable order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the Framework Agreement.

INFORMATION ON DANONE GROUP

Danone Group is a multi-national corporation and a global leader in food products, including fresh dairy products and other health and nutrition food products. To the best of the Board's knowledge, Danone and its ultimate beneficial owner are independent third parties of the Company and its connected persons.

INFORMATION ABOUT THE GROUP

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.

GENERAL

The Joint Venture arrangement constitutes a deemed disposal of 20% of the Mengniu Chilled Business Subsidiaries and an acquisition by the Group of the Danone Chilled Business Subsidiaries, which subject to the final terms of the Definitive JV Documents including finalization of the amount of contribution by each party and auditing of each party's Chilled Business in the Territory, may constitute a discloseable transaction of the Company under the Listing Rules.

The terms of the Definitive JV Documents are subject to further negotiations and agreement between Mengniu and Danone. The Board will make appropriate announcement if and when necessary in accordance with the Listing Rules to keep the

market informed of the development with regard to the Joint Venture.

The Board wishes to emphasize that the Joint Venture arrangement and the entering into the Definitive JV Documents between Mengniu and Danone are subject to conditions. Shareholders of the Company and/or investors should note that the Joint Venture contemplated under the Framework Agreement may or may not proceed. Accordingly, shareholders of the Company are advised to exercise caution when trading in the shares of the Company.

DEFINITIONS

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

Board	the board of directors of the Company
Chilled Business	the production, promotion, marketing and sale of chilled yoghurt, chilled yoghurt drinks and chilled spoonable dairy based desserts
Company	China Mengniu Dairy Company Limited
Completion	completion of the Joint Venture
Danone	Danone Asia Pte Ltd, a company established and existing under the laws of Singapore
Danone Cash Contribution	the contribution of RMB 1.25 billion in cash by Danone (subject to adjustments)
Danone Chilled Business subsidiaries	the two wholly-owned subsidiaries of Danone Group in relation to the Chilled Business in the Territory subsequent to the restructuring
Danone Group	Groupe Danone S.A., Danone and other companies directly or indirectly controlled by Groupe Danone S.A.
Definitive JV Documents	the joint venture contracts, the investment contracts, the articles of association and such other documents for the setting up of the Joint Venture
Director(s)	the director(s) of the Company
Framework Agreement	the legally binding framework agreement entered into between Mengniu and Danone in relation to the Joint Venture
Group	the Company and its subsidiaries
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
Joint Venture	the proposed sino-foreign equity joint venture arrangement for the Chilled Business in the Territory under the Framework Agreement, which include JV Holdco and the JV Companies
JV Companies	Danone Chilled Business Subsidiaries and Mengniu Chilled Business Subsidiaries which will be converted into 12 joint venture companies under the Joint Venture

JV Holdco	the holding company of the JV Companies under the Framework Agreement, to be established under the laws of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Mengniu	Inner Mongolia Mengniu Dairy (Group) Co., Ltd (內蒙古蒙牛乳業(集團)股份有限公司), a principal operating subsidiary of the Company established in the PRC
Mengniu Chilled Business Subsidiaries	the ten existing subsidiaries of Mengniu in relation to the Chilled Business in the Territory subsequent to the restructuring
PRC	the People's Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
RMB	Renminbi, the lawful currency of the PRC
Stock Exchange	The Stock Exchange of Hong Kong Limited
Territory	The PRC, Hong Kong and Macau Special Administrative Region of the People's Republic of China
%	per cent

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

Hong Kong, 20 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*