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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)

CONNECTED TRANSACTIONS SUBSCRIPTION OF TRUST UNITS BY INNER MONGOLIA MENGNIU AND YASHILI (GUANGDONG) WITH COFCO TRUST AS TRUSTEE

On 28 January 2014, Inner Mongolia Mengniu, a subsidiary of the Company, subscribed for 100 million trust units in the amount of the Mengniu Entrusted Sum under the Fujian Project Trust Plan with COFCO Trust acting as the trustee. The term of the Fujian Project Trust Plan is two years with an anticipated highest annualized rate of return of 11%.

On 14 May 2014, Yashili (Guangdong), a subsidiary of the Company, subscribed for 150 million preferential trust units in the amount of the Yashili Entrusted Sum under the Qingdao Project Trust Plan with COFCO Trust acting as the trustee. The preferential trust units which Yashili (Guangdong) subscribed for shall mature one year after the Yashili Effective Date with an anticipated highest annualized rate of return of 9.5%.

As COFCO Trust is a subsidiary of COFCO, a substantial shareholder and connected person of the Company, COFCO Trust is a connected person of the Company. As each of Inner Mongolia Mengniu and Yashili (Guangdong) is a subsidiary of the Company, accordingly, each of the Mengniu Transaction and the Yashili Transaction constitutes a connected transaction of the Company. As the highest applicable percentage ratio for each of the Mengniu Transaction and the Yashili Transaction is lower than 5% but higher than 0.1%, both the Mengniu Transaction and the Yashili Transaction are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purposes only

I. INTRODUCTION

On 28 January 2014, Inner Mongolia Mengniu subscribed for 100 million trust units in the amount of the Mengniu Entrusted Sum under the Fujian Project Trust Plan with COFCO Trust acting as the trustee.

On 14 May 2014, Yashili (Guangdong) subscribed for 150 million trust units in the amount of the Yashili Entrusted Sum under the Qingdao Project Trust Plan with COFCO Trust acting as the trustee.

The details of the Mengniu Transaction and the Yashili Transaction are set out as follows.

II. DETAILS OF THE MENGNIU TRANSACTION

Date

28 January 2014

Parties

- 1) Inner Mongolia Mengniu as the principal and beneficiary
- 2) COFCO Trust as the trustee

Description of the Fujian Project Trust Plan

According to the Fujian Project Trust Plan, a maximum of 625,600,000 trust units at a subscription price of RMB1 per trust unit will be issued to eligible subscribers. Pursuant to the Fujian Project Trust Plan Agreement, COFCO Trust, as trustee, shall acquire, in its own name but in accordance with the principals' instruction, interests in certain commercial properties in Putian, Fujian Province (the "**Fujian Project**") using the subscription monies. On 28 January 2014, Inner Mongolia Mengniu subscribed for 100 million trust units in the amount of the Mengniu Entrusted Sum.

The term of the Fujian Project Trust Plan shall be two years. The trust income under the Fujian Project Trust Plan shall be the profits generated from the Fujian Project and other income generated under the Fujian Project Trust Plan, excluding trust expenses, taxes and other expenses to be borne by the trust assets. Pursuant to the Fujian Project Trust Plan, Inner Mongolia Mengniu is entitled to receive a return of 11% (being the anticipated highest annualized rate of return under the Fujian Project Trust Plan) which will be calculated and distributed every six months starting from the Mengniu Effective Date. Upon expiration of the Fujian Project Trust Plan, Inner Mongolia Mengniu shall be entitled to receive its entitled portion of the trust assets after deductions of any trust expenses, taxes and other expenses to be borne by the trust assets.

Trust Expenses

Trust expenses include, among others, trust fees, custody fees and other administrative expenses. Trust expenses will be paid out of the trust assets and will not involve any additional cash outflow by Inner Mongolia Mengniu. According to the Fujian Project Trust Plan Agreement, COFCO Trust is entitled to a fixed and floating trust fee to the extent that it does not affect Inner Mongolia Mengniu's anticipated return on its investment. The fixed trust fee per year shall be 3.4% of the Mengniu Entrusted Sum. The fixed trust fee shall be paid either every six months starting from the Mengniu Effective Date or any day after the Mengniu Effective Date, at COFCO Trust's election.

The floating trust fee shall be the total distributable trust assets plus all investment return generated thereon minus (i) all taxes payable in relation to the Fujian Project Trust Plan; (ii) all trust expenses payable in relation to the Fujian Project Trust Plan (excluding the floating trust fees); and (iii) the anticipated rate of return to be paid to the beneficiaries under the Fujian Project Trust Plan.

Basis for Determining the Mengniu Entrusted Sum

The Mengniu Entrusted Sum is based on the per unit subscription price of trust unit under the Fujian Project Trust Plan and is determined by Inner Mongolia Mengniu with reference to, among others, the anticipated rate of return, the associated risks of the Fujian Project Trust Plan and the quoted price or subscription price offered to independent third parties for similar trust products by COFCO Trust in its ordinary and usual course of business. The terms of the Fujian Project Trust Plan are no less favorable than those offered to independent third parties for similar trust products by COFCO Trust.

III. DETAILS OF THE YASHILI TRANSACTION

Date

14 May 2014

Parties

- 1) Yashili (Guangdong) as the principal and beneficiary
- 2) COFCO Trust as the trustee

Description of the Qingdao Project Trust Plan

The Qingdao Project Trust Plan consists of preferential trust units in the maximum sum of RMB350,000,000 and secondary trust units in the maximum sum of RMB230,000,000. The subscription price for each trust unit (preferential or secondary) is RMB1. Pursuant to the Qingdao Project Trust Plan Agreement, COFCO Trust, as trustee, shall purchase, in its own name but according to the principals' instruction, the entire equity interest in Qingdao QingTe HuaSheng Real Estate Limited Company (青島青特華盛置業有限公司) (the "**Project Company**"), a project company which is engaged in a development project in Zhongcun, Chengyang District, Qingdao, Shandong Province using part of the subscription monies. The remaining subscription monies shall be used as capital injection into the Project Company. On 14 May 2014, Yashili (Guangdong) subscribed for 150 million preferential trust units in the amount of the Yashili Entrusted Sum.

The term of the Qingdao Project Trust Plan shall be three years while the preferential trust units which Yashili (Guangdong) subscribed for shall mature (the "**Maturity**") one year after the Yashili Effective Date. Upon Maturity, Yashili (Guangdong) shall be entitled to receive a return of 9.5% (being the anticipated highest annualized rate of return under the Qingdao Project Trust Plan) and its entitled portion of distributable trust assets after deductions of any trust expenses, taxes and other expenses to be borne by the trust assets.

Trust Expenses

Trust expenses include, among others, trust fees, custody fees and other administrative expenses. Trust expenses will be paid out of the trust assets and will not involve any additional cash outflow by Yashili (Guangdong). According to the Qingdao Project Trust Plan Agreement, COFCO Trust is entitled to a trust fee which shall be the total distributable trust assets plus all investment return generated thereon minus (i) all taxes payable in relation to the Qingdao Project Trust Plan; (ii) all trust expenses payable in relation to the Qingdao Project Trust Plan (excluding the trust fees payable to COFCO Trust); (iii) all other debts payable to third parties in relation to the management, operation and distribution of trust assets; and (iv) the anticipated rate of return to be paid to all preferential beneficiaries (including Yashili (Guangdong)).

Basis for Determining the Yashili Entrusted Sum

The Yashili Entrusted Sum is based on the per unit subscription price of trust unit under the Qingdao Project Trust Plan and is determined by Yashili (Guangdong) with reference to, among others, the anticipated rate of return, the associated risks of the Qingdao Project Trust Plan and the quoted price or subscription price offered to independent third parties for similar trust products by COFCO Trust in its ordinary and usual course of business. The terms of the Qingdao Project Trust Plan are no less favorable than those offered to independent third parties for similar trust products by COFCO Trust.

IV. REASONS FOR AND BENEFITS OF THE MENGNIU TRANSACTION AND THE YASHILI TRANSACTION

The Directors (including the independent non-executive Directors) are of the view that the Mengniu Transaction and the Yashili Transaction are entered into on normal commercial terms and fair and reasonable basis under market conditions. The Directors believe that the Mengniu Transaction and the Yashili Transaction provide good fund management opportunities to the Company, Inner Mongolia Mengniu and Yashili (Guangdong) with satisfactory return. Therefore, the Directors (including the independent non-executive Directors) are of the view that the Mengniu Transaction and the Yashili Transaction are in the interests of the Company and its shareholders as a whole.

Mr. Ning Gaoning, Mr. Yu Xubo and Ms. Liu Ding, each a non-executive Director, hold office(s) in COFCO and may be considered to have a material interest in each of the Mengniu Transaction and the Yashili Transaction. Accordingly, the aforementioned non-executive Directors have abstained from voting on the board resolution approving and/or ratifying the Mengniu Transaction and the Yashili Transaction.

V. INFORMATION RELATING TO THE COMPANY, INNER MONGOLIA MENGNIU, YASHILI (GUANGDONG) AND COFCO TRUST

The Company is a company incorporated in the Cayman Islands with limited liability. It is one of the leading dairy product manufacturers in China and is principally engaged in manufacturing and distribution of quality dairy products including liquid milk, ice-cream, milk formula and other dairy products.

Inner Mongolia Mengniu is a company established in the PRC and is a subsidiary of the Company. It is primarily engaged in the manufacturing and sale of dairy products.

Yashili (Guangdong) is a company established in the PRC and is a wholly-owned subsidiary of Yashili International Holdings. Yashili (Guangdong) is primarily engaged in the production and sale of dairy products. Yashili International Holdings is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. As at the date of the Qingdao Project Trust Plan Agreement and this announcement, approximately 76.58% of the issued share capital of Yashili International Holdings is held by Mengniu International, a subsidiary of the Company.

COFCO Trust is a company incorporated in the PRC with limited liability. It engages in financial management services through financial equity investment management, agricultural financial service and wealth management platforms. The main businesses of COFCO Trust include: business operation financing, property trust, securities investment trust, real estate investment and financing, private equity investment trust, agricultural commodities investment trust, special agricultural finance trust, investment banking business and financial advisory services.

VI. IMPLICATIONS UNDER THE LISTING RULES

As COFCO Trust is a subsidiary of COFCO, a substantial shareholder and connected person of the Company, COFCO Trust is a connected person of the Company. As each of Inner Mongolia Mengniu and Yashili (Guangdong) is a subsidiary of the Company, accordingly, each of the Mengniu Transaction and the Yashili Transaction constitutes a connected transaction of the Company.

As the highest applicable percentage ratio for each of the Mengniu Transaction and the Yashili Transaction is lower than 5% but higher than 0.1%, both the Mengniu Transaction and the Yashili Transaction are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

VII. DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Board”	the board of directors of the Company
“COFCO”	COFCO Corporation (中糧集團有限公司), a state-owned company incorporated in the PRC
“COFCO Trust”	COFCO Trust Company Limited (中糧信託有限責任公司), a company incorporated in the PRC and a subsidiary of COFCO
“Company”	China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 2319)
“connected person”	has the meaning ascribed to it by Chapter 14A of the Listing Rules
“connected transaction”	has the meaning ascribed to it by Chapter 14A of the Listing Rules
“Director(s)”	the director(s) of the Company
“Fujian Project Trust Plan”	the trust plan in relation to the Mengniu Transaction, the details of which are set out in the Fujian Project Trust Plan Agreement

“Fujian Project Trust Plan Agreement”	the trust plan agreement entered into between Inner Mongolia Mengniu and COFCO Trust on 28 January 2014 in relation to the Mengniu Transaction
“Group”	the Company and its subsidiaries
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC and a subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mengniu Effective Date”	the effective date of the Fujian Project Trust Plan
“Mengniu Entrusted Sum”	the cash amount of RMB100 million
“Mengniu International”	China Mengniu International Company Limited, a company incorporated in the British Virgin Islands and a subsidiary of the Company
“Mengniu Transaction”	the transaction between Inner Mongolia Mengniu and COFCO Trust pursuant to which Inner Mongolia Mengniu subscribed for 100 million trust units in the amount of the Mengniu Entrusted Sum with COFCO Trust acting as the trustee
“percentage ratios”	has the meaning ascribed to it by Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Qingdao Project Trust Plan”	the trust plan in relation to the Yashili Transaction, the details of which are set out in the Qingdao Project Trust Plan Agreement
“Qingdao Project Trust Plan Agreement”	the trust plan agreement entered into between Yashili (Guangdong) and COFCO Trust on 14 May 2014 in relation to the Yashili Transaction
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yashili Effective Date”	the date when the preferential trust units subscribed by Yashili (Guangdong) pursuant to the Qingdao Project Trust Plan becomes effective
“Yashili Entrusted Sum”	the cash amount of RMB150 million
“Yashili International Holdings”	Yashili International Holdings Ltd (雅士利國際控股有限公司), a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 1230) and a subsidiary of the Company
“Yashili Transaction”	the transaction between Yashili (Guangdong) and COFCO Trust pursuant to which Yashili (Guangdong) subscribed for 150 million preferential trust units in the amount of the Yashili Entrusted Sum with COFCO Trust acting as the trustee
“Yashili (Guangdong)”	Yashili International Group Limited (雅士利國際集團有限公司), a company established in the PRC and a wholly-owned subsidiary of Yashili International Holdings

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

Hong Kong, 30 September 2014

As at the date of this announcement, the Board comprises: Ms. Sun Yiping and Mr. Bai Ying as executive directors, Mr. Ning Gaoning, Mr. Yu Xubo, Mr. Niu Gensheng, Mr. Finn S. Hansen, Ms. Liu Ding and Mr. Christian Neu as non-executive directors, Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya, Mr. Wu Kwok Keung Andrew and Dr. Liao Jianwen as independent non-executive directors.