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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)

CONTINUING CONNECTED TRANSACTIONS

On 31 December 2014, the Company entered into the New Master Sale and Purchase Agreement with COFCO Corporation, a connected person of the Company, pursuant to which the Group will continue to, subject to the Group's regular review and at the Group's option, purchase white sugar, edible oil, other raw materials and related products (including packaging materials) from COFCO Corporation Group Companies for a term commencing from 1 January 2015 and ending on 31 December 2017, which may be extended, at the Company's option, for a further period of not more than three continuous years, subject to compliance with any relevant requirements under the Listing Rules.

As the applicable percentage ratios in respect of the transaction value under the New Master Sale and Purchase Agreement are on an annual basis more than 0.1% but less than 5%, the continuing connected 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 exempt from the independent shareholders' approval requirement.

BACKGROUND

On 31 December 2014, the Company entered into the New Master Sale and Purchase Agreement with COFCO Corporation to renew the Existing Master Sale and Purchase Agreement for a term of three years. Pursuant to the New Master Sale and Purchase Agreement, the Group will continue to purchase (subject to the Group's regular review and at the Group's option) white sugar, edible oil, other raw materials and related products (including packaging materials) from COFCO Corporation Group Companies for a term commencing from 1 January 2015 and ending on 31 December 2017.

* For identification purposes only

As COFCO Corporation indirectly holds an approximately 31.52% interest in the Company, COFCO Corporation is a substantial shareholder of the Company and thus a connected person of the Company under Rule 14A.07 of the Listing Rules. The transactions under the New Master Sale and Purchase Agreement therefore constitute continuing connected transactions of the Company.

THE NEW MASTER SALE AND PURCHASE AGREEMENT AND ANNUAL CAP

The New Master Sale and Purchase Agreement

Date: 31 December 2014

Parties: The Company

COFCO Corporation

Term: 1 January 2015 to 31 December 2017

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 and agreed between the parties in the specific sale and purchase agreements and purchase orders. The terms of the New Master Sale and Purchase Agreement were determined after arm's length negotiations and represent 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 may purchase white sugar, edible oil, other raw materials and related products (including packaging materials) from COFCO Corporation Group Companies from time to time in accordance with the principles set out in the New Master Sale and Purchase Agreement.

Pursuant to the New Master Sale and Purchase Agreement, the terms and conditions of the supply of white sugar, edible oil, other raw materials and 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 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.

Pursuant to the provisions under the New Master Sale and Purchase Agreement, the Company may extend the term of the New Master Sale and Purchase Agreement for a further period of not more than three continuous years on the same terms contained in the New Master Sale and Purchase Agreement by giving notice to COFCO Corporation at least 30 days prior to the scheduled expiry of the term of the New Master Sale and Purchase Agreement, subject to compliance with any relevant requirements under the Listing Rules.

The Annual Cap

The annual transaction amount under the New Master Sale and Purchase Agreement for each of the three years ending 31 December 2015, 2016 and 2017 is not expected to exceed RMB800,000,000 (equivalent to approximately HK\$1,009,578,000). The above annual cap amount is determined by reference to (i) historical value of transactions between the Group and COFCO Corporation Group Companies, other customers or suppliers in relation to similar product types; (ii) average market prices of the relevant products; (iii) anticipated growth in the market demand for such products taking into account of the typical life cycle of white sugar, edible oil and other raw materials production and sales; and (iv) the Group's production plan for each of the three years ending 31 December 2015, 2016 and 2017.

The transaction amount under the Existing Master Sale and Purchase Agreement for each of the two years ended 31 December 2012 and 2013 was RMB408,977,000 (equivalent to approximately HK\$516,118,000) and RMB325,155,000 (equivalent to approximately HK\$410,337,000) respectively, and the transaction amount under the Existing Master Sale and Purchase Agreement for the six months ended 30 June 2014 was approximately RMB177,995,000 (equivalent to approximately HK\$224,625,000).

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MASTER SALE AND PURCHASE AGREEMENT

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 entering into of the New Master Sale and Purchase Agreement will enable the Company to have continuous and stable supply of quality raw materials at a competitive price which is essential to the Group's production of quality dairy products.

The Board believes that it is for the benefit of the Group to continue sourcing white sugar, edible oil, other raw materials and related products (including packaging materials) from COFCO Corporation Group Companies. The Directors (including the independent non-executive Directors but excluding Mr. Ning Gaoning, Mr. Yu Xubo and Ms. Liu Ding) consider that the terms of New Master Sale and Purchase Agreement, the transactions thereunder and the annual cap are fair, reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND COFCO CORPORATION

The Group is one of the leading dairy product manufacturers in China and is 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 and 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. Ning Gaoning, Mr. Yu Xubo and Ms. Liu Ding are directors 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. Ning Gaoning, Mr. Yu Xubo and Ms. Liu Ding have voluntarily abstained from voting on the board resolutions for approving the New Master Sale and Purchase Agreement and the annual cap.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the transaction value under the New Master Sale and Purchase Agreement are on an annual basis more than 0.1% but less than 5%, the continuing connected 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 exempt from the independent shareholders' approval requirement.

DEFINITIONS

“Board”	the board of directors of the Company
“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 direct and indirect subsidiaries from time to time 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 (stock code: 2319)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Sale and Purchase Agreement”	the master sale and purchase agreement entered into between the Company and COFCO Corporation on 20 February 2012 in relation to the sale and purchase of white sugar, edible oil, other raw materials and related products, which has a term commencing from 20 January 2012 and ending on 31 December 2014 as disclosed in the announcement of the Company dated 20 February 2012
“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 master sale and purchase agreement entered into between the Company and COFCO Corporation on 31 December 2014 in relation to the sales and purchase of white sugar, edible oil, other raw materials and related products (including packaging materials), which has a term commencing from 1 January 2015 and ending on 31 December 2017
“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
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

In this announcement, for the purpose of illustration only, RMB amounts have been translated into HK\$ at the following rate HK\$1:RMB0.79241. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

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

Hong Kong, 31 December 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.

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