

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)

CONTINUING CONNECTED TRANSACTIONS EXTENSION OF THE 2014 MASTER SALE AND PURCHASE AGREEMENT WITH COFCO CORPORATION

EXTENSION OF THE 2014 MASTER SALE AND PURCHASE AGREEMENT

In view of the anticipated expiration of the term of the 2014 Master Sale and Purchase Agreement on 31 December 2017, the Company has delivered an Extension Notice to COFCO Corporation to exercise its right to extend the term of the 2014 Master Sale and Purchase Agreement for a further three years. The Company received a confirmation from COFCO Corporation on 27 December 2017 acknowledging receipt of the Extension Notice. Following the extension of the term of the 2014 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 2018 and ending on 31 December 2020.

LISTING RULES IMPLICATIONS

As COFCO Corporation indirectly holds an approximately 31.43% 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 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction value under the 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) are on an annual basis more than 0.1% but less than 5%, the continuing connected transactions under the 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

EXTENSION OF THE 2014 MASTER SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 31 December 2014 in relation to the entering into of the 2014 Master Sale and Purchase Agreement. Pursuant to the 2014 Master Sale and Purchase Agreement, the Company may extend the term of the 2014 Master Sale and Purchase Agreement for a further period of not more than three continuous years on the same terms as set forth in the 2014 Master Sale and Purchase Agreement by written notice, subject to compliance with any relevant requirements under the Listing Rules.

In view of the anticipated expiration of the term of the 2014 Master Sale and Purchase Agreement on 31 December 2017, the Company has delivered an Extension Notice to COFCO Corporation to exercise its right to extend the term of the 2014 Master Sale and Purchase Agreement for a further three years. The Company received a confirmation from COFCO Corporation on 27 December 2017 acknowledging receipt of the Extension Notice. Following the extension of the term of the 2014 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 2018 and ending on 31 December 2020.

Save for the extension of the term, all other terms of the 2014 Master Sale and Purchase Agreement remain unchanged.

THE 2014 MASTER SALE AND PURCHASE AGREEMENT

Key terms of the 2014 Master Sale and Purchase Agreement are summarized below.

| | |
|------------------------------------|---|
| Date | 31 December 2014 |
| Parties | The Company COFCO Corporation |
| Original Term | 1 January 2015 to 31 December 2017 |
| Description of Transactions | Purchase (subject to the Group's regular review and at the Group's option) of white sugar, edible oil, other raw materials and related products (including packaging materials) by the Group from COFCO Corporation Group Companies |

Pricing Basis and Payment Terms

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. 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 2014 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 2014 Master Sale and Purchase Agreement were determined after arm's length negotiations and represent normal commercial terms.

HISTORICAL FIGURES AND ANNUAL CAP

Below sets forth (i) the transaction amount under the 2014 Master Sale and Purchase Agreement for each of the two years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017; and (ii) the annual cap of the transaction amount under the 2014 Master Sale and Purchase Agreement for each of the three years ending 31 December 2018, 2019 and 2020. For the avoidance of doubt, the transaction amounts set forth below do not include the transaction amount of the purchase of feedstuffs and other related materials by CMD from COFCO Corporation Group Companies. Please refer to the section headed "Listing Rules Implications" in this announcement for further information about the CMD Transactions.

Historical Figures

The transaction amount under the 2014 Master Sale and Purchase Agreement for each of the two years ended 31 December 2015 and 2016 was RMB225,660,000 (equivalent to approximately HK\$266,730,000) and RMB405,348,000 (equivalent to approximately HK\$479,121,000) respectively, and the transaction amount under the 2014 Master Sale and Purchase Agreement for the nine months ended 30 September 2017 was approximately RMB609,105,000 (equivalent to approximately HK\$719,962,000).

Annual Cap

The annual transaction amount under the 2014 Master Sale and Purchase Agreement for each of the three years ending 31 December 2018, 2019 and 2020 is not expected to exceed RMB1,500,000,000 (equivalent to approximately HK\$1,773,000,000). 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; (iv) the Group's production plan for each of the three years ending 31 December 2018, 2019 and 2020; and (v) the possible increase of the volume and percentage of products to be purchased from COFCO Corporation Group Companies.

REASONS FOR AND BENEFITS OF THE 2014 MASTER SALE AND PURCHASE AGREEMENT AND THE EXTENSION OF ITS TERM

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 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 extension of the term of the 2014 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 Directors (including the independent non-executive Directors but excluding Mr. Ma Jianping and Ms. Wu Wenting) consider that the terms of 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice), 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. 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 2014 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 Extension Notice and the annual cap.

LISTING RULES IMPLICATIONS

As COFCO Corporation indirectly holds an approximately 31.43% 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 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction value under the 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) are on an annual basis more than 0.1% but less than 5%, the continuing connected transactions under the 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CMD has purchased feedstuffs and other related materials from COFCO Corporation Group Companies in the past and will continue to purchase feedstuffs and other related materials from COFCO Corporation Group Companies commencing from 1 January 2018. The annual transaction amount under the CMD Transactions for each of the three years ending 31 December 2018, 2019 and 2020 is not expected to exceed RMB500,000,000 (equivalent to approximately HK\$591,000,000). The aggregated annual transaction amount (i) under the 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) and (ii) of the CMD Transactions for each of the three years ending 31 December 2018, 2019 and 2020 is not expected to exceed RMB2,000,000,000 (equivalent to approximately HK\$2,364,000,000). The applicable percentage ratios in respect of the aggregated transaction value (i) under the 2014 Master Sale and Purchase Agreement (as extended by the Extension Notice) and (ii) of the CMD Transactions for each of the three years ending 31 December 2018, 2019 and 2020 are on an annual basis more than 0.1% but less than 5%.

DEFINITIONS

| | |
|---|--|
| “2014 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 an original term commencing from 1 January 2015 and ending on 31 December 2017 |
| “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 Shares” | ordinary share(s) of par value HK\$0.10 each in the share capital of CMD |
| “CMD Transactions” | the purchase of feedstuffs and other related materials by CMD from COFCO Corporation Group Companies commencing from 1 January 2018 |
| “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 |
| “Extension Notice” | the written notice delivered by the Company to COFCO Corporation to extend the term of the 2014 Master Sale and Purchase Agreement for a further three years |
| “Group” | the Company and its subsidiaries, and “Group Company” shall be construed 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) |
| “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 RMB1:HK\$1.182. 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*
Jeffrey, Minfang Lu
Chief Executive Officer and Executive Director

Hong Kong, 28 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. Pascal De Petrini 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*