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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)

**PROPOSED BONUS ISSUE OF SHARES
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

PROPOSED BONUS ISSUE OF SHARES

The Board is pleased to announce that it has resolved to recommend a Bonus Issue to the Qualifying Shareholders on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The Bonus Shares will be credited as fully paid at par by way of capitalisation of the amount equal to the total par value of the Bonus Shares standing to the credit of the share premium account of the Company. Upon issuance, the Bonus Shares will rank pari passu in all respect with the Shares then in issue.

The register of members of the Company will be closed from Thursday, 15 October 2015 to Monday, 19 October 2015 (both days inclusive), to ascertain and determine the entitlement of the Shareholders under the Bonus Issue, during which period no transfer of Shares will be registered. To qualify for the Bonus Issue, all transfer of Shares must be lodged for registration no later than 4:30 p.m. on Wednesday, 14 October 2015.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to allow the Bonus Issue and any possible further issues of Shares, the Board proposes to increase the authorised share capital of the Company from HK\$300,000,000 divided into 3,000,000,000 Shares to HK\$600,000,000 divided into 6,000,000,000 Shares by creating 3,000,000,000 new Shares.

EGM

The Bonus Issue will be subject to (i) the approval of the Shareholders at the EGM in relation to the proposed increase in the authorised share capital of the Company; (ii) the approval of the Shareholders at the EGM in relation to the Bonus Issue; (iii) the approval of the listing of, and permission to deal in, the Bonus Shares being granted by the Stock Exchange; and (iv) compliance with the relevant legal

procedures and requirements (if any) under the applicable laws of the Cayman Islands and articles of association of the Company to effect the proposed increase in the authorised share capital of the Company and the Bonus Issue.

GENERAL

An EGM will be convened and held to approve the proposed increase in the authorised share capital of the Company and the Bonus Issue. A circular containing, among other things, further details of the proposed increase in the authorised share capital of the Company and the Bonus Issue and a notice of the EGM will be despatched to the Shareholders as soon as practicable.

PROPOSED BONUS ISSUE OF SHARES

The Board is pleased to announce that it has resolved to recommend a Bonus Issue to the Qualifying Shareholders on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. Details of the Bonus Issue are set out below:

Basis of Bonus Issue

Subject to the conditions set out under the paragraph headed “Conditions of the Bonus Issue” below having been fulfilled, the Bonus Shares will be issued and credited as fully paid at par on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date.

On the basis of 1,961,292,388 existing Shares in issue as at the date of this announcement, and assuming (i) no further Shares will be issued or repurchased before the Record Date; and (ii) there are no Non-Qualifying Shareholders, it is anticipated that 1,961,292,388 Bonus Shares will be allotted and issued under the Bonus Issue. The Bonus Shares will be credited as fully paid at par by way of capitalisation of the amount equal to the total par value of the Bonus Shares standing to the credit of the share premium account of the Company. Immediately upon the completion of the Bonus Issue, there will be a total of 3,922,584,776 Shares in issue as enlarged by the Bonus Issue.

Record Date and Closure of Register of Members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Non-Qualifying Shareholders are further elaborated in the paragraph headed “Overseas Shareholders” below.

The register of members of the Company will be closed from Thursday, 15 October 2015 to Monday, 19 October 2015 (both days inclusive), to ascertain and determine the entitlement of the Shareholders under the Bonus Issue, during which period no transfer of Shares will be registered.

Shareholders are reminded that in order to qualify for the Bonus Issue, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F,

Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 October 2015.

Overseas Shareholders

If, as at the close of business on the Record Date, a Shareholder's address as recorded on the register of members of the Company is in a place outside Hong Kong, the Board will make enquiries as to whether the Bonus Issue to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that there is no legal restriction(s) under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, such Overseas Shareholders will be permitted to participate in the Bonus Issue. If, however, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restriction(s) under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer to such Overseas Shareholders, no issue of the Bonus Shares will be made to such Overseas Shareholders.

Overseas Shareholders receiving a copy of the circular concerning the Bonus Issue may not treat the same as an invitation to participate in the Bonus Issue unless such invitation could lawfully be made to him/her/it without having to comply with any registration or other legal requirements in the relevant territory.

In circumstances where any Overseas Shareholders are not permitted to participate in the Bonus Issue, arrangements will then be made for the Bonus Shares which would otherwise have been issued to those Overseas Shareholders to be sold in the market as soon as practicable after dealings in Bonus Shares commence, if a premium, net of expenses, can be obtained. Any net proceeds of such sale, after deduction of expenses, of HK\$100 or more will be distributed in Hong Kong dollars to the Non-Qualifying Shareholders, if any, pro rata to the respective shareholding and remittances will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

All Shareholders residing outside Hong Kong should consult their bankers or other professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to receive the Bonus Shares.

Status of the Bonus Shares

The Bonus Shares, upon issuance, will rank *pari passu* in all respects with the Shares then in issue, including the entitlement to receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

Conditions of the Bonus Issue

The completion of the Bonus Issue is conditional upon:

- (1) the approval of the proposed increase in the authorised share capital of the Company at the EGM;
- (2) the approval of the Bonus Issue by the Shareholders at the EGM;
- (3) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Bonus Shares; and
- (4) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of the Cayman Islands and articles of association of the Company to effect the proposed increase in the authorised share capital of the Company and the Bonus Issue.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Bonus Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board does not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares. No new class of securities is to be listed pursuant to the Bonus Issue and that all necessary arrangements will be made to enable the Bonus Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

Reasons for the Proposed Bonus Issue

The Board proposes the Bonus Issue in recognition of the continual support of the Shareholders and will also enhance the liquidity of the Shares in the market and thereby enlarge the shareholder and capital base of the Company. The Directors are of the view that the Bonus Issue will allow the Shareholders to participate in the business growth of the Company by way of capitalisation of a portion of the share premium account and be a return to the long-term support of the Shareholders.

Adjustments of Exercise Price of Share Options

As at the date of this announcement, save for share options issued under the share option scheme of the Company (the “**Share Options**”), the Company has no outstanding options, warrants or securities which are convertible or exchangeable into Shares. The Bonus Issue may lead to adjustments to the exercise price of the outstanding share options. The Company will notify the respective holders of the Share Options regarding the adjustments to be made pursuant to the respective terms and conditions of the Share Options and notify the Shareholders by way of announcement(s). Such adjustments will be certified by the auditor of the Company.

Certificates for the Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on Friday, 30 October 2015, after all the conditions having been fulfilled, at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on Monday, 2 November 2015.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 Shares, of which 1,961,292,388 Shares are in issue and fully paid. Under the Bonus Issue, the Company will issue 1,961,292,388 Shares on the assumption that there will be no change in the number of the issued Shares up to (and including) the Record Date. In order to allow the Bonus Issue and any possible further issues of Shares, the Board proposes to increase the authorised share capital of the Company from HK\$300,000,000 divided into 3,000,000,000 Shares to HK\$600,000,000 divided into 6,000,000,000 Shares by creating 3,000,000,000 new Shares.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

EXPECTED TIMETABLE

The expected timetable for the proposed Bonus Issue is set out below:

Despatch of the Circular (including the notice of the EGM) and the related form of proxy to the Shareholders	(Hong Kong time) Tuesday, 22 September 2015
Date and time of the EGM	10:00 a.m. on Friday, 9 October 2015
Date of publication of the EGM poll results announcement	Friday, 9 October 2015
Last day of dealing in the Shares on a cum-entitlement basis	Monday, 12 October 2015
First day of dealing in the Shares on an ex-entitlement basis	Tuesday, 13 October 2015
Latest time for lodging transfers of the Shares for registration in order to qualify for the Bonus Issue	4:30 p.m. on Wednesday, 14 October 2015
Closure of register of members of the Company for determination of entitlement under the Bonus Issue	Thursday, 15 October 2015 to Monday, 19 October 2015 (both days inclusive)
Record date for determination of entitlements under the Bonus Issue	Monday, 19 October 2015
Despatch of share certificates for Bonus Shares	Friday, 30 October 2015
Dealing in Bonus Shares commence	9:00 a.m. on Monday, 2 November 2015

All times stated in this announcement refer to Hong Kong times. The above timetable is indicative only and is subject to change and the fulfilment of the conditions of the Bonus Issue. The Company will issue an announcement in compliance with the Listing Rules should there be any changes to the above timetable.

GENERAL

An EGM will be convened and held to approve the proposed increase in the authorised share capital of the Company and the Bonus Issue. A circular containing, among other things, further details of the

proposed increase in the authorised share capital of the Company and the Bonus Issue, will be despatched to the Shareholders as soon as practicable.

To the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions regarding the proposed increase in the authorised share capital of the Company and the Bonus Issue at the EGM.

DEFINITIONS

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

“Board”	means the board of directors of the Company
“Bonus Issue”	means the proposed allotment and issue of Bonus Shares to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Bonus Share for every one existing Share held
“Bonus Shares”	means the new Shares to be allotted and issued by way of Bonus Issue by the Company as described in this announcement
“Company”	means 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)
“Director(s)”	means director(s) of the Company
“EGM”	means the extraordinary general meeting of the Company to be convened and held for approving, among other things, the proposed increase in the authorised share capital of the Company and the Bonus Issue
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholders”	means overseas Shareholder(s) who is(are) excluded from participating in the Bonus Issue, details of which have been included in the paragraph headed “Overseas Shareholders” in this announcement (if any)
“Overseas Shareholders”	means Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown in the register of members on that date is(are) outside Hong Kong (if any)

“Qualifying Shareholders”	means holders of Shares, not being Non-Qualifying Shareholders, whose addresses as shown on the register of members of the Company on the Record Date and are entitled to the Bonus Issue
“Record Date”	means Monday, 19 October 2015, being the date for ascertaining and determining the entitlement of the Shareholders to the Bonus Issue
“Share(s)”	means the ordinary share(s) of the Company of par value HK\$0.10 each
“Share Option(s)”	has the meaning as defined in the paragraph headed “Adjustments of Exercise Price of Share Options” in this announcement
“Shareholder(s)”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 4 September 2015

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.

** For identification purpose only*