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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)

**BUSINESS UPDATE IN RELATION TO
OUTBREAK OF COVID-19
AND PROFIT WARNING**

This announcement is made by China Mengniu Dairy Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 of the Laws of Hong Kong).

As disclosed in the Company’s announcement dated 25 March 2020, the Group’s sales between February and March 2020 had been affected by the outbreak of Coronavirus disease (COVID-19) (the “**Outbreak**”). Since the Outbreak, the Group has actively taken measures to minimize its impact on the Group, including among others, increasing the Group’s promotional efforts to help its distribution channels reduce their inventories, and accelerating the resumption of normal sales through e-commerce, O2O home delivery and close cooperation with fresh food e-commerce platforms. These measures had been effective, and the overall business operations of the Group had recovered in April and May 2020. The Group’s revenue in April and May 2020 had recovered and recorded a double-digit growth compared to the same period in 2019 (excluding the impact of Shijiazhuang Junlebao Dairy Co., Ltd. (“**JLB**”), which was disposed of in 2019 and Bellamy’s Australia Limited (“**Bellamy**”), which was acquired in 2019). As of the date of this announcement, all production bases of the Group have resumed normal operation and production. The cash flows and inventory levels of the Group have resumed to a healthy level. The recovery of the overall operations of the Group has been continuously improving.

Based on the preliminary assessment of the Group’s recent unaudited consolidated management accounts and the information currently available to the board of directors of the Company (the “**Board**”), for the first half of 2020, the Group’s revenue is expected to record a growth compared to the same period in 2019 (excluding the impact of disposal of JLB and acquisition of Bellamy). Notwithstanding the aforesaid growth in revenue, the Group expects that it will record a decrease of between 45% to 60% in profit attributable to owners of the Company in the first half of 2020 compared to the same period in 2019. To the best knowledge of the Board, the aforesaid decrease in profit is mainly attributed to an increase in the costs of the Group due to the following measures taken in the first quarter of 2020: (i) the Group had

incurred additional expenses on epidemic prevention and control to safeguard the health and safety of the employees, and to ensure the resumption of work and production; (ii) the Group had incurred additional marketing expenses to accelerate the Group's sales efforts, with a view to reducing inventories in its distribution channels; and (iii) the Group had actively fulfilled its corporate social responsibilities and had made cash and supply donations to those in need.

Despite the impact of the Outbreak on the dairy industry, the epidemic has led to growing consumer desire to focus on health and in particular, boosting the immune system. In light of the continuing focus by consumers on health and nutrition, the Board expects an increasing demand for high quality dairy products, which the Board believes will benefit the development of China's dairy industry and the Group's business. In addition, the Group has strengthened its efforts in upgrading its products, diversifying, digitalizing and internationalizing its operations in recent years, which the Board believes has improved the Group's ability to control and manage its exposure to significant risks.

The information contained in this announcement is a preliminary assessment by the Board based on the information available to the Board as of the date of this announcement, and has not been reviewed or audited by the Group's auditors. The unaudited interim results of the Group for the six months ending on 30 June 2020 may differ from the information contained in this announcement. The Company will keep monitoring closely the development of the situation and take appropriate measures as necessary and make further announcement(s) as and when necessary.

Detailed financial information of the Group will be disclosed in the announcement of the unaudited interim results for the six months ending on 30 June 2020 which is expected to be published by the Company by the end of August 2020. Shareholders and potential investors are advised to read the unaudited interim results announcement of the Group when it is published.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Mengniu Dairy Company Limited
Jeffrey, Minfang Lu
Chief Executive Officer and Executive Director

Hong Kong, 8 June 2020

As at the date of this announcement, the Board comprises Mr. Jeffrey, Minfang Lu and Mr. Meng Fanjie as executive directors; Mr. Chen Lang, Mr. Niu Gensheng, Mr. Tim Ørting Jørgensen and Mr. Pascal De Petrini as non-executive directors; and Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya and Mr. Yau Ka Chi as independent non-executive directors..