



## China Mengniu Dairy Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 2319)

### PROVISION OF INCENTIVES BY MR NIU GENSHENG — THE DONATION OF DIVIDENDS TO THE NIU FUND

The Company has been informed by Mr Niu Gensheng (“**Mr Niu**”), Chairman of the Board of Directors of the Company, and a shareholder of both the Company and Inner Mongolia Mengniu Milk Industry (Group) Co., Ltd. (“**Mengniu**”), on 14 January 2005 that he has entered into an agreement with Inner Mongolia Mengniu Business Development Association (內蒙古蒙牛事業發展促進會) (the “**Mengniu Business Development Association**”) pursuant to which the Mengniu Business Development Association will establish the Inner Mongolia Mengniu Business Development Association Laoniu Fund (內蒙古蒙牛事業發展促進會老牛專項基金) (the “**Niu Fund**”) and Mr Niu will put a portion of the cash dividends received from his shares in the Company and Mengniu in the Niu Fund in order to provide incentives and rewards to individuals or organizations who have made significant contributions to the business of the Group.

Mr Niu, Chairman of the Board of Directors of the Company, currently holds 4.1% and 8.2% of the issued share capital of the Company and Mengniu, respectively. The Company has been informed by Mr Niu on 14 January 2005 that he has entered into an agreement (the “**Agreement**”) with the Mengniu Business Development Association, an independent and non-profit social organization established for the purposes of developing and promoting the business of the Group.

Pursuant to the Agreement, the Mengniu Business Development Association will set up the Niu Fund and Mr Niu has agreed to apply the cash dividends from all his shares (including shares resulting from an exercise of any options) in the Company and Mengniu from time to time (the “**Dividends**”) in the following manner:

- (1) 49% of the Dividends will be retained as living expenses for Mr Niu and his family members;  
and
- (2) 51% of the Dividends will be donated to the Niu Fund.

The Agreement provides that necessary arrangements will be made to ensure that the above donation arrangement remains in place in the event that (1) Mr Niu ceases to be a director or Chairman of the Board of Directors or other senior management of the Company or Mengniu or (2) Mr Niu passes away.

The purpose of the Niu Fund is to promote the business development of the Group by providing incentives and rewards to individuals or organizations who have been assessed by a committee to be established by the Mengniu Business Development Association (the “**Appraisal Committee**”) to have made significant contributions to the business of the Group. The Appraisal Committee shall be responsible for the implementation of the reward plan, including without limitation, determining the identity and number of reward recipients and the amount of such reward.

By Order of the Board  
**Wong Hoi Yan, Audrey**  
*Company Secretary*

Hong Kong, 17 January 2005

*As at the date of this announcement, the executive directors are Mr Niu Gensheng, Ms Lu Jun, Mr Sun Yubin and Mr Yang Wenjun. The non-executive directors are Mr Jiao Shuge (alias Jiao Zhen), Ms Jin Yujuan, Lily and Mr Liu Haifeng, David. The independent non-executive directors are Mr Li Jianxin, Mr Wang Huaibao, and Mr Zhang Julin.*

*Please also refer to the published version of this announcement in the (**South China Morning Post**)*