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China Mengniu Dairy Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

COMPLETION OF THE EARLY TERMINATION OF THE VALUATION ADJUSTMENT MECHANISM

On 7 April 2005, the Company announced that MS Dairy Holdings, CDH China Fund, L.P., and Actis China Investment Company Limited (together, the “**Financial Investors**”) and Jinniu Milk Industry Limited (“**Jinniu**”) entered into the Termination Agreement for the transfer of convertible instruments representing the principal amount of US\$5,987,644 to Jinniu (the “**Transfer**”) in consideration for the early termination of the valuation adjustment mechanism (“**VAM**”) contained in a shareholders’ agreement entered into between the same parties dated 14 May 2004. Unless specified, defined terms shall have the meaning ascribed in the Company’s announcement published on 7 April 2005 and the prospectus dated 1 June 2004 issued by the Company.

The Company is pleased to announce that completion of the Termination Agreement has taken place on 21 April 2005 after fulfillment of the conditions set out therein. The Termination Agreement was, inter alia, conditional upon the obtaining of the consent for the Transfer from the Joint Global Coordinators pursuant to the HK Underwriting Agreement and the International Purchase Agreement.

In relation to the convertible instruments received by Jinniu pursuant to the Transfer, Jinniu has undertaken to each of the Joint Global Coordinators, the Hong Kong Underwriters and the International Underwriters that it will not without consent of the Joint Global Coordinators dispose of such convertible instruments or Shares thereby converted for a period of up to 18 months from the date dealing in the Company’s securities first commenced on the Hong Kong Stock Exchange. As a result of such undertaking by Jinniu, the Joint Global Coordinators have agreed with the Financial Investors that, in respect of any future transfers of the Financial Investors’ interest in the Company which are subject to restrictions during the lock-up period set out in the HK Underwriting Agreement or the International Purchase Agreement (details of which are set out in the prospectus dated 1 June 2004 issued by the Company), such Transfer shall not be taken into account.

By Order of the Board
Lo Ka Wai, Claudia
Company Secretary

Hong Kong, 21 April 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 (**The Standard**)*