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## China Mengniu Dairy Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

### CESSATION OF MENGNIU AS A CONNECTED PERSON OF THE COMPANY

China Mengniu Dairy Company Limited (the “**Company**”) has been informed by Mr. Niu Gensheng (“**Mr. Niu**”), Chief Executive Officer of the Company, and a shareholder of both the Company and Inner Mongolia Mengniu Dairy (Group) Company Limited (“**Mengniu**”), that he has donated 2% of his equity interest in Mengniu to the Inner Mongolia Laoniu Community Welfare Development Association (內蒙古老牛公益事業發展促進會) (the “**Laoniu Association**”) (the “**Equity Donation**”).

As a result of the Equity Donation, Mengniu will cease to be a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

As disclosed in the Company’s prospectus for listing on the Stock Exchange dated 1 June 2004 (the “**Prospectus**”), by virtue of four executive directors of the Company (including Mr. Niu) and five of the Founding Individuals (as defined in the Prospectus) (collectively, the “**Relevant Persons**”) together being entitled to exercise more than 10% of the voting power of Mengniu, a non wholly-owned subsidiary of the Company, Mengniu was at the time of listing and has been thereafter, a connected person of the Company under Rule 14A.11(5) of the Listing Rules.

The Company has been informed by Mr. Niu, Chief Executive Officer of the Company, and a shareholder of both the Company and Mengniu, that he has donated 2% of the equity interest in Mengniu (the “**2% Mengniu Equity**”) to the Laoniu Association. Prior to the Equity Donation, Mr. Niu held approximately 8.18% of the equity interest in Mengniu. Following the approval of the Equity Donation on 24 January 2006 by the relevant PRC government authority, Mr. Niu now holds approximately 6.18% of the total equity interest in and voting power of Mengniu and, together with the remaining eight Relevant Persons, they are now only entitled to exercise 9.95%, being less than 10%, of the voting power of Mengniu.

As a result of the Equity Donation, the registered and beneficial ownership of the 2% Mengniu Equity is now held by the Laoniu Association.

The Laoniu Association is a non-profit social organization established in Inner Mongolia, China (formerly known as the Inner Mongolia Mengniu Business Development Association (內蒙古蒙牛事業發展促進會)). The responsible unit of Laoniu Association is the financial office of the government of Inner Mongolia Autonomous Region. Under the terms of the Equity Donation, the Laoniu Association may not transfer the 2% Mengniu Equity to any third party without written consent from Mr. Niu. The Laoniu Association is obliged to apply all earnings in respect of the 2% Mengniu Equity from time to time to the Inner Mongolia Laoniu Community Welfare Development Association Laoniu Fund (內蒙古老牛公益事業發展促進會老牛專項基金) (the “**Niu Fund**”) (formerly known as 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)) for providing financial assistance and rewards to individuals and organizations in China, in particular, those in the dairy industry who or which are in need of financial assistance or have made contributions thereto, and to other community welfare within the aim, spirit and scope of work of the Laoniu Association. In addition to donating the 2% Mengniu Equity to the Laoniu Association, as disclosed in the Company’s announcement dated 17 January 2005, Mr. Niu has previously agreed to donate to the Niu Fund 51% of the cash dividends from all his shares in the Company and Mengniu from time to time. This arrangement in respect of these dividends will continue following the Equity Donation. As of the date of this announcement, none of the funds constituting the Niu Fund have been applied for the benefit of connected persons of the Company, nor are there any current plans to apply any of such funds for the benefit of connected persons of the Company.

The Relevant Persons are specifically excluded from membership of the Laoniu Association and they have no control or influence over the operation of the Laoniu Association or the exercise of voting power in respect of the 2% Mengniu Equity.

Save for the Company (through its wholly-owned subsidiaries) and the Relevant Persons, none of the other shareholders of Mengniu are connected persons of the Company. The Laoniu Association, the members of Laoniu Association’s Operation Board (理事會), the members of Laoniu Association and Niu Fund are not connected persons of the Company.

Accordingly, following the Equity Donation:

- (1) Mengniu will cease to be a connected person of the Company under the Listing Rules, whether under Rule 14A.11(5) or otherwise; and
- (2) continuing connected transactions of the Company under the Listing Rules prior to the Equity Donation as a result of Mengniu having been a connected person of the Company will cease to be continuing connected transactions of the Company.

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

Hong Kong, 7 February 2006

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

“Please also refer to the published version of this announcement in China Daily.”