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Unless otherwise defined herein, terms defined in the prospectus dated 1 June 2004 issued by China Mengniu Dairy Company Limited (the "Company") shall have the same meanings in this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer of securities for sale in the United States. The securities may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933 or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or selling shareholders.



## China Mengniu Dairy Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

### PLACING OF EXISTING SHARES BY MANAGEMENT SHAREHOLDERS

The Company was informed on 30 June 2006 that each of the Management Shareholders has entered into a Placing Agreement with the Placing Agent pursuant to which the Placing Agent will purchase or procure the acquisition of, and the Management Shareholders will sell, in aggregate, 66,368,200 Shares to investors at the placing price of HK\$9.20 per Placing Share. The Placing Shares represent approximately 4.85% of the issued share capital of the Company. Upon completion of the Placing, Jinniu and Yinniu will respectively hold 152,191,836 and 216,730,130 Shares, representing approximately 11.12% and 15.84% of the issued share capital of the Company respectively.

At the request of the Company, trading of the Shares on the Main Board of the Stock Exchange was suspended from 2:30 p.m. on 30 June 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of the trading of the Shares with effect from 9:30 a.m. on 3 July 2006.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

#### PLACING

The Company was informed by the Management Shareholders (as defined below) on 30 June 2006 that each of Jinniu Milk Industry Limited ("Jinniu") and Yinniu Milk Industry Limited ("Yinniu") (Jinniu and Yinniu are collectively referred to as the "Management Shareholders") has entered into a share placing agreement dated the same date (each a "Placing Agreement", and together, the "Placing Agreements") with Morgan Stanley & Co International Limited (the "Placing Agent") for the placing of respectively 29,806,143 and 36,562,057 existing ordinary shares in the Company with a par value HK\$0.10 each (the "Shares") at the placing price of HK\$9.20 per Share on a fully-underwritten basis (the "Placing"). The Shares to be placed (the "Placing Shares") in aggregate represent approximately 4.85% of the issued share capital of the Company. Save for the number of respective Shares of Jinniu and Yinniu to be placed, the material terms of each of the Placing Agreements are identical.

#### PARTIES

Jinniu and Yinniu have each entered into a separate Placing Agreement with the Placing Agent. The Placing Agreements are inter-conditional.

#### NUMBER OF PLACING SHARES

Jinniu: 29,806,143 Shares; and

Yinniu: 36,562,057 Shares.

#### PLACING PRICE

The placing price is HK\$9.20 per Placing Share, representing a discount of approximately 5.15% to the trading price of HK\$9.70 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at 12:30 p.m. on 30 June 2006 and a discount of approximately 1.39% to the average closing price of HK\$9.33 for the month commencing 29 May 2006 and ending 29 June 2006 (both dates inclusive).

#### PLACEES

The Placing Agent has undertaken to each of the Management Shareholders to use its best endeavours to ensure that the placees of the Placing are investors who are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). None of the placees will become a substantial shareholder (as defined in the Listing Rules) upon completion of the Placing.

#### PLACING AGENT

The Placing Agent is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

#### CONDITIONS OF THE PLACING

The Placing is conditional upon, inter alia, there having been no material and adverse breach of any of the representations, warranties or undertakings by each of the Management Shareholders referred to in the respective Placing Agreements and no occurrence of an event of force majeure.

#### COMPLETION OF THE PLACING

Completion of the Placing is expected to take place on 5 July 2006, or such other date as may be agreed by each of the Management Shareholders and the Placing Agent.

The change in the shareholding structure of the Company pursuant to the Placing is set out below:

	Before Placing		After Placing	
	Number of Shares held prior to Placing	% share capital	Number of Shares held upon completion of Placing	% share capital
Yinniu ( <i>Note 1</i> )	253,292,187	18.51	216,730,130	15.84
Jinniu ( <i>Note 2</i> )	181,997,979	13.30	152,191,836	11.12
Mr. Niu Gensheng ( <i>Note 3</i> )	45,505,172	3.33	45,505,172	3.33
Public shareholders	887,621,135	64.86	953,989,335	69.71
Total number of Shares	<u>1,368,416,473</u>	<u>100.00</u>	<u>1,368,416,473</u>	<u>100.00</u>

*Note 1:* Yinniu is a limited liability company organized and existing under the laws of the British Virgin Islands and a substantial shareholder of the Company. Shares of Yinniu are held by 16 shareholders, all of whom except for one of the shareholders are members of the middle management and business associates of Inner Mongolia Mengniu Dairy (Group) Company Limited (“Mengniu”), a foreign investment joint stock limited company incorporated in the People’s Republic of China and the principal operating subsidiary of the Company.

*Note 2:* Jinniu is a limited liability company organized and existing under the laws of the British Virgin Islands and a substantial shareholder of the Company. Shares of Jinniu are held by 15 shareholders, all of whom are members of senior management of Mengniu.

*Note 3:* Mr. Niu Gensheng is the Chief Executive Officer of the Company.

#### **LOCK-UP**

Pursuant to the Placing Agreements entered into by each of the Management Shareholders, the Management Shareholders have agreed that they shall not, from the date of the Placing Agreements until the expiry of 90 days from such date, dispose of any Shares by way of offer, pledge, option, right, warrant, lending or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests therein or announce any intention of the above.

#### **GENERAL INFORMATION**

At the request of the Company, trading of the Shares on the Main Board of the Stock Exchange was suspended from 2:30 p.m. on 30 June 2006. Application has been made to the Stock Exchange for resumption of the trading of the Shares with effect from 9:30 a.m. on 3 July 2006.

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

Hong Kong, 30 June 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) and Mr. Julian Juul Wolhardt. 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.”