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CHINA MENGNIU DAIRY COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

UPDATE ON FRESH DAIRY PRODUCTS JOINT VENTURES WITH DANONE

Reference is made to the announcement dated 18 December 2006 of the Company regarding the conditional Joint Venture Contracts entered into by Inner Mongolia Mengniu, Beijing Mengniu and Ma'anshan Mengniu respectively with Danone on 18 December 2006 in relation to the formation of the Joint Ventures for the production and sale of Fresh Dairy Products in the PRC.

The Company wishes to inform its shareholders that the Parties have mutually agreed not to proceed with the Joint Ventures but the Parties may discuss with each other the possibilities of any future cooperation.

This announcement is made pursuant to Rule 13.09 and Rule 14.36 of the Listing Rules.

Reference is made to the Company's announcement dated 18 December 2006 (the "**2006 Announcement**"), in respect of the entering into by Inner Mongolia Mengniu, Beijing Mengniu and Ma'anshan Mengniu, conditional Joint Venture Contracts with Danone on the same day, in relation to the formation of Joint Ventures for the production, distribution, marketing and sale of Fresh Dairy Products in the PRC. A summary of the principal terms of each of the Joint Venture Contracts was set out in the 2006 Announcement.

As a result of recent discussions amongst the Parties, it has been mutually agreed by the Parties on the date of this announcement that the Joint Ventures should not proceed as originally anticipated but they may discuss amongst themselves other cooperation opportunities in the future. Except for certain costs incurred in connection with the establishment of the Joint Venture Vehicles, the Company has not incurred other losses as a result or arising from the Parties' decision not to proceed with the Joint Ventures.

DEFINITIONS

Unless otherwise defined, terms used in this announcement shall have the meanings set out below:

“Beijing Contract”	an agreement dated 18 December 2006 entered into between Beijing Mengniu and Danone in relation to their co-investment in Mengniu Danone (Beijing)
“Beijing Mengniu”	Mengniu Dairy (Beijing) Co., Ltd. (蒙牛乳業(北京)有限責任公司), a limited liability company organised under PRC law and an indirect non-wholly owned subsidiary of the Company
“Company”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability the shares of which are listed on the main board of the Stock Exchange
“Danone”	Compagnie Gervais Danone, a limited liability company established under the laws of France and a direct subsidiary of Groupe Danone
“Director(s)”	director(s) of the Company
“Fresh Dairy Products”	Milk based food or beverage products which require refrigeration during their distribution and for their preservation (frozen products such as ice-cream, and traditional and processed cheese are excluded), including but not limited to pasteurised milk, yogurts (whether containing probiotics ferments or not), quark range of products, milk based desserts and snacks, and milk based drinks (whether fermented or not), irrespective of the type of packaging of such products
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Contract”	an agreement dated 18 December 2006 entered into between Inner Mongolia Mengniu and Danone in relation to their co-investment in Mengniu Danone (Hohhot)
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Co., Ltd. (內蒙古蒙牛乳業(集團)股份有限公司), a limited liability company organised under PRC law and an indirect non-wholly owned subsidiary of the Company
“Joint Ventures”	Mengniu Danone (Hohhot), Mengniu Danone (Beijing) and Mengniu Danone (Ma’anshan)
“Joint Venture Contracts”	the Inner Mongolia Contract, the Beijing Contract and the Ma’anshan Contract
“Joint Venture Vehicles”	Mengniu Danone (Beijing), Mengniu Danone (Hohhot) and Mengniu Danone (Ma’anshan)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ma’anshan Contract”	an agreement dated 18 December 2006 entered into between Ma’anshan Mengniu and Danone in relation to their co-investment in Mengniu Danone (Ma’anshan)
“Ma’anshan Mengniu”	Mengniu Dairy (Ma’anshan) Co., Ltd. (蒙牛乳業(馬鞍山)有限公司), a limited liability company organised under PRC law and an indirect non-wholly owned subsidiary of the Company
“Mengniu Danone (Beijing)”	Mengniu Danone (Beijing) Dairy Co., Ltd. (蒙牛達能(北京)乳業有限公司), a sino-foreign equity joint venture of limited liability to be established pursuant to the Beijing Contract
“Mengniu Danone (Hohhot)”	Mengniu Danone (Hohhot) Dairy Co., Ltd. (蒙牛達能(呼和浩特)乳業有限公司), a sino-foreign equity joint venture of limited liability to be established pursuant to the Inner Mongolia Contract
“Mengniu Danone (Ma’anshan)”	Mengniu Danone (Ma’anshan) Dairy Co., Ltd. (蒙牛達能(馬鞍山)乳業有限公司), a sino-foreign equity joint venture of limited liability to be established pursuant to the Ma’anshan Contract
“Parties”	named parties to the Joint Venture Contracts
“PRC”	The People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Yang Wenjun
Director

Hong Kong, 18 December 2007

As at the date of this announcement, the Executive Directors are Mr. Niu Gensheng, Mr. Yang Wenjun and Mr. Sun Yubin. The Non-executive Directors are Mr. Jiao Shuge (alias Jiao Zhen), Ms. Lu Jun and Mr. Julian Juul Wolhardt. The Independent Non-executive Directors are Mr. Wang Huaibao, Mr. Zhang Julin and Mr. Li Jianxin.