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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Mengniu Dairy Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

DISCLOSEABLE AND CONNECTED TRANSACTION ISSUE OF NEW SHARES

Financial Adviser to China Mengniu Dairy Company Limited



*Independent Financial Adviser to
Independent Board Committee and Independent Shareholders*



A notice convening the Extraordinary General Meeting of the Company to be held on 28 May 2008 at 11:30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting) at Salon 4, 3/F, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong is set out on page 27 to page 28 of this circular.

A letter from the Independent Board Committee is set out on page 15 to page 16 of this circular.

A letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 17 to page 20 of this circular.

A form of proxy for use at the Extraordinary General Meeting of the Company is enclosed. Whether or not you are able to attend the Extraordinary General Meeting of the Company in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting, if you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, the following expression shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares from the Sellers pursuant to and in accordance with the terms and conditions of the Equity Interest Transfer Agreement
“Announcement”	the announcement of the Company dated 8 April 2008 in relation to the Acquisition
“Annual General Meeting”	the annual general meeting of the Company to be held at 10:30 am on 28 May 2008
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Equity Interest Transfer Agreement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	an aggregate of 135,328,255 Shares to be issued and allotted to the Sellers as consideration of the Acquisition in the manner set out in the paragraph headed “Consideration” in the Letter from the Board contained in this circular
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 11:30 am (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company) on 28 May 2008 for the purposes of approving the Acquisition and the issue of Consideration Shares
“EGM Notice”	notice convening the EGM as set out on page 27 to page 28 of this circular

DEFINITIONS

“Equity Interest Transfer Agreement”	the conditional equity interest transfer agreement entered into amongst the Sellers and the Company dated 8 April 2008
“Founding Individuals”	Niu Gensheng, Deng Jiuqiang, Hou Jiangbin, Sun Yubin, Qiu Lianjun, Yang Wenjun, Pang Kaitai, Lu Jun, Sun Xianhong and Xie Qiuxu, who are all PRC nationals and are the individuals who together founded Inner Mongolia Mengniu; they together as a group are the controlling shareholders of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee comprising all the independent non-executive Directors which advises the Independent Shareholders on the Acquisition and the issue of Consideration Shares
“Independent Financial Adviser” or “Evolution Watterson”	Evolution Watterson Securities Limited, being a licensed corporation registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as set out in schedule 5 of the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Acquisition
“Independent Shareholders”	Shareholders, excluding Jinniu, Yinniu, the Founding Individuals and their respective associates
“independent third party”	a third party who is independent of and not connected with the Company and its connected persons
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy Company Limited (內蒙古蒙牛乳業(集團)股份有限公司), a subsidiary of the Company which is owned indirectly as to approximately 84.32% as at the Latest Practicable Date

DEFINITIONS

“Inner Mongolia Mengniu Share(s)”	share(s) of Inner Mongolia Mengniu of par value of RMB1.00 each
“Jinniu”	Jinniu Milk Industry Limited, a company incorporated in the British Virgin Islands and a Shareholder
“Laoni Association”	Inner Mongolia Laoni Community Welfare Development Association (內蒙古老牛公益事業發展促進會)
“Latest Practicable Date”	24 April 2008, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC
“Relevant Ratios”	any of the five ratios (other than the profits ratio in the case of connected transactions) as set out in Rule 14.07 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the aggregate of 72,011,566 Inner Mongolia Mengniu Shares which are to be transferred by the Sellers to the Company pursuant to the Equity Interest Transfer Agreement
“Sellers”	the 22 selling individuals listed (i) to (xxii) under the heading “Sellers” in the Letter from the Board contained in this circular and Laoni Association
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of the Company of par value of HK\$0.10 each
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yinniu”	Yinniu Milk Industry Limited, a company incorporated in the British Virgin Islands and a Shareholder
“%”	per cent

For the purpose of this circular, unless otherwise indicated, exchange rates of RMB1.00 = HK\$1.1125 have been used for currency conversion purposes. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such rates or any other exchange rates or at all.

LETTER FROM THE BOARD



CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

Executive Directors:

Niu Gensheng (*Chief Executive Officer*)

Yang Wenjun

Sun Yubin

Non-executive Directors:

Jiao Shuge (*alias Jiao Zhen*) (*Chairman*)

Julian Juul Wolhardt

Independent Non-executive Directors:

Wang Huaibao

Zhang Julin

Li Jianxin

Company Secretary:

Kwok Wai Cheong, Chris

Registered Office:

M&C Corporate Services

PO Box 309 GT

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

29 April 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ISSUE OF NEW SHARES**

1. INTRODUCTION

Reference is made to the Announcement in which the Board announced that, the Company entered into the Equity Interest Transfer Agreement with the Sellers on 8 April 2008, pursuant to which the Company has conditionally agreed to acquire the Sale Shares, representing approximately 8.97% of the equity interest in Inner Mongolia Mengniu as at the Latest Practicable Date, and in exchange, it has agreed to allot and issue the Consideration Shares to the Sellers, representing approximately 9.49% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.67% of the enlarged issued share capital of the Company (as enlarged by the Consideration Shares).

* For identification purposes only

LETTER FROM THE BOARD

This circular contains (1) details of the Acquisition and the issue of Consideration Shares; (2) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (3) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders; and (4) the EGM Notice.

2. EQUITY INTEREST TRANSFER AGREEMENT DATED 8 APRIL 2008

Sellers

- (i) Niu Gensheng, an executive Director, a Founding Individual and a shareholder of the Company, a connected person
- (ii) Deng Jiuqiang, a director of Inner Mongolia Mengniu and a Founding Individual, a connected person
- (iii) Yang Wenjun, an executive Director, the chief executive officer and a director of Inner Mongolia Mengniu and a Founding Individual, a connected person
- (iv) Sun Yubin, an executive Director, a director of Inner Mongolia Mengniu and a Founding Individual, a connected person
- (v) Lu Jun, a former non-executive Director who resigned with effect from 1 January 2008 and a Founding Individual, a connected person
- (vi) Sun Xianhong, a supervisor of Inner Mongolia Mengniu and a Founding Individual, a connected person
- (vii) Wang Fuzhu, a supervisor of Inner Mongolia Mengniu
- (viii) Bai Jun, the chairman of the supervisory board and the labour union of Inner Mongolia Mengniu
- (ix) Bai Ying, a vice-president and the general manager of milk supply department of Inner Mongolia Mengniu, and a director of several subsidiaries of the Company, a connected person
- (x) Hou Jiangbin, a Founding Individual, a connected person
- (xi) Qiu Lianjun, a Founding Individual, a connected person
- (xii) Pang Kaitai, a Founding Individual, a connected person
- (xiii) Chu Xiuli
- (xiv) Li Shurong

LETTER FROM THE BOARD

(xv) Liu Xiaoling

(xvi) Wang Guisheng, an assistant to the president of Inner Mongolia Mengniu

(xvii) Wang Ai Suo, the deputy officer of the quality control centre of Inner Mongolia Mengniu

(xviii) Wang Jishan

(xix) Wang Jianbang, the general manager of the sales department of Inner Mongolia Mengniu in Beijing

(xx) Jiang Hong

(xxi) Zheng Wenping

(xxii) Ren Meicheng

(xxiii) Laoni Association, a non-profit making social organization established in Inner Mongolia, the PRC and under the administration of the civil affairs department of the government of Inner Mongolia Autonomous Region, which engages in charity work in the local community

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, other than Niu Gensheng, Deng Jiuqiang, Yang Wenjun, Sun Yubin, Lu Jun, Sun Xianhong, Bai Ying, Hou Jiangbin, Qiu Lianjun and Pang Kaitai who are connected persons of the Company, all other Sellers and their ultimate beneficial owners are independent third parties of the Company and of each other.

There were no prior transactions between the Company and the Sellers which would require aggregation with the Acquisition under Rule 14.22 and Rule 14A.25 of the Listing Rules.

Purchaser

The Company

Sale Shares

72,011,566 Inner Mongolia Mengniu Shares, representing approximately 8.97% of the equity interest in Inner Mongolia Mengniu as at Latest Practicable Date.

LETTER FROM THE BOARD

Consideration

The consideration of the Acquisition shall be payable by the Company by the issue and allotment of an aggregate of 135,328,255 Shares as fully paid up Shares to the Sellers (or their nominees as they may direct) within three months after Completion, subject to the listing approval for such Consideration Shares having been obtained, in the following manner:

Sellers	Sale Shares	Consideration Shares
Niu Gensheng	12,385,665	23,275,850
Deng Jiuqiang	1,465,279	2,753,636
Yang Wenjun	801,485	1,506,196
Sun Yubin	1,329,485	2,498,444
Lu Jun	603,485	1,134,104
Sun Xianhong	594,948	1,118,060
Wang Fuzhu	375,000	704,721
Bai Jun	303,600	570,542
Bai Ying	79,200	148,837
Hou Jiangbin	5,027,157	9,447,321
Qiu Lianjun	4,789,938	9,001,526
Pang Kaitai	1,188,000	2,232,558
Chu Xiuli	1,161,000	2,181,818
Li Shurong	1,080,000	2,029,598
Liu Xiaoling	1,080,000	2,029,598
Wang Guisheng	844,800	1,587,596
Wang Ai Suo	1,214,400	2,282,170
Wang Jishan	1,568,160	2,946,976
Wang Jianbang	360,000	676,533
Jiang Hong	270,000	507,399
Zheng Wenping	5,265,000	9,894,289
Ren Meicheng	1,339,194	2,516,691
Laoniu Association	28,885,770	54,283,792
	<u>72,011,566</u>	<u>135,328,255</u>
Total	<u>72,011,566</u>	<u>135,328,255</u>

The Consideration Shares represent approximately 9.49% of the issued share capital of the Company as at the Latest Practicable Date and represent approximately 8.67% of the enlarged issued share capital of the Company (as enlarged by the Consideration Shares). The Consideration Shares will rank pari passu in all respects with the existing shares in issue. The Consideration Shares will be issued (i) only after the Stock Exchange has granted the approval for listing of such Shares and (ii) under the specific mandate to be granted to the Directors at the EGM. The Consideration Shares will be issued with no encumbrances and no restrictions on the transfer and disposal after Completion. However, the Sellers undertake not to dispose their respective Consideration Shares within 12 months after issue.

LETTER FROM THE BOARD

The authorised share capital of the Company is 3,000,000,000 Shares, of which 1,426,148,755 Shares are issued and paid up as at the Latest Practicable Date.

Based on the trading price of the Shares in the previous 60 trading days average price of HK\$21.48 per Share as quoted on the Stock Exchange from 4 January 2008 to 2 April 2008 inclusive, the consideration for the Equity Interest Transfer Agreement amounted to approximately HK\$2,906,850,900. The number of Consideration Shares has been determined after arm's length negotiations between the Company and the Sellers with reference to their collective shareholding of approximately 8.97% in Inner Mongolia Mengniu as at the Latest Practicable Date and the historical profit contribution of Inner Mongolia Mengniu to the Group of approximately 89.2%.

Conditions

Completion is conditional upon:

- (i) approval of the Acquisition from the relevant PRC governmental authorities being obtained;
- (ii) approval by the Independent Shareholders of, inter alia, the transactions under the Equity Interest Transfer Agreement being obtained; and
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares.

There is no long stop date in the Equity Interest Transfer Agreement. The Directors currently expect that Completion will take place in the third quarter of 2008.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

3. SHAREHOLDING STRUCTURE

The shareholding structure of the Company, respectively (i) as at the Latest Practicable Date, (ii) after the issue of Consideration Shares and (iii) taking to account the effect of all share options granted and outstanding being exercised in full are as follows:

Shareholders	As at the		Immediately after		Immediately after	
	Latest Practicable Date		Completion of Acquisition		Completion of Acquisition	
	No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage
	held	of	held	of	held	of
	shareholding		shareholding		shareholding	
	(approximate)		(approximate)		(approximate)	
Yinniu	176,104,130	12.35%	176,104,130	11.28%	176,104,130	10.92%
Jinniu	137,395,836	9.63%	137,395,836	8.80%	137,395,836	8.52%
Niu Gensheng	45,505,172	3.19%	68,781,022	4.40%	68,781,022	4.27%
Sellers (Note 1)	–	–	57,768,613	3.70%	68,042,613	4.22%
Laoni Association (Note 2)	–	–	54,283,792	3.48%	54,283,792	3.37%
Other Public Shareholders (Note 3)	<u>1,067,143,617</u>	<u>74.83%</u>	<u>1,067,143,617</u>	<u>68.34%</u>	<u>1,107,598,248</u>	<u>68.70%</u>
Total	<u>1,426,148,755</u>	<u>100%</u>	<u>1,561,477,010</u>	<u>100%</u>	<u>1,612,205,641</u>	<u>100%</u>

Note (1): This excludes Niu Gensheng and Laoni Association.

Note (2): Laoni Association is a non-profit making social organization established in Inner Mongolia, the PRC and under the administration of the civil affairs department of the government of Inner Mongolia Autonomous Region, which engages in charity work in the local community. The membership of Laoni Association excludes the Founding Individuals and as such they have no control or influence over the operations of the Laoni Association. Laoni Association, its members and members of its operational board are not connected persons of the Company. Accordingly, the shareholding of Laoni Association counts towards the public float and Laoni Association is independent from and not a concert party to Yinniu, Jinniu, Niu Gensheng and the Sellers.

Note (3): This includes grantees of the share options under the share option scheme of the Company and other public shareholders. As at the Latest Practicable Date, 8,487,337 share options (representing approximately 0.53% of the Company issued share capital upon full exercise of share option and Completion) have been granted to connected persons of the company under the Company's share option scheme and such share option remain outstanding.

Note (4): Other than the share options granted under the share option scheme of the Company, there are no outstanding convertible instruments issued by the Company as at the Latest Practicable Date. As at the Latest Practicable Date, 50,728,631 shares options have been granted under the Company's share option scheme and were outstanding, amongst which, 10,274,000 share options were granted to the Sellers.

The Acquisition and the issue of Consideration Shares will not result in a change of control in the Company.

LETTER FROM THE BOARD

4. INFORMATION OF INNER MONGOLIA MENGNIU

The following table sets out the audited financial information of Inner Mongolia Mengniu for the three years ended 31 December 2007 prepared in accordance with the PRC GAAP:

	For the year ended 31 December		
	2005	2006	2007
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(equivalent to</i>	<i>(equivalent to</i>	<i>(equivalent to</i>
	<i>HK\$'000)</i>	<i>HK\$'000)</i>	<i>HK\$'000)</i>
Turnover	10,824,950	16,246,368	21,183,747
	<i>(equivalent to</i>	<i>(equivalent to</i>	<i>(equivalent to</i>
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>HK\$12,042,757)</i>	<i>HK\$18,074,084)</i>	<i>HK\$23,566,919)</i>
Profit before taxation	626,654	913,543	1,104,393
	<i>(equivalent to</i>	<i>(equivalent to</i>	<i>(equivalent to</i>
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>HK\$697,153)</i>	<i>HK\$1,016,317)</i>	<i>HK\$1,228,637)</i>
Profit after taxation	565,042	837,511	1,082,734
	<i>(equivalent to</i>	<i>(equivalent to</i>	<i>(equivalent to</i>
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>HK\$628,609)</i>	<i>HK\$931,731)</i>	<i>HK\$1,204,542)</i>

The audited net asset value of Inner Mongolia Mengniu was approximately RMB4,548,190,000 (equivalent to approximately HK\$5,059,861,000) as at 31 December 2007, and accordingly, the net asset value of the Sale Shares, representing approximately 8.97% of the entire equity interest of Inner Mongolia Mengniu as at the Latest Practicable Date, is RMB407,973,000 (equivalent to approximately HK\$453,870,000).

Net profits (before and after taxation and extraordinary items) attributable to the Sale Shares are respectively approximately RMB81,945,000 and RMB75,125,000 (equivalent to approximately HK\$91,164,000 and HK\$83,577,000) for the year ended 31 December 2006. The audited net profit (before and after taxation and extraordinary items) attributable to the Sale Shares are respectively approximately RMB99,064,000 and RMB97,121,000 (equivalent to approximately HK\$110,209,000 and HK\$108,047,000) for the year ended 31 December 2007.

5. FINANCIAL EFFECTS OF THE ACQUISITION

The impact on earnings of the Group arising from the Acquisition is dependent on the performance of Inner Mongolia Mengniu. After Completion (assuming there is no further issue of shares after Completion (other than the Consideration Shares)), the number of Shares in

LETTER FROM THE BOARD

issue will increase to 1,561,477,010 Shares. Assuming the Completion had taken place on 1 January 2007, profit contribution from Inner Mongolia Mengniu to the Group would have increased by approximately RMB86.18 million and that earnings per Share of the Group of RMB0.66 for the year ended 31 December 2007 would remain unchanged. The Acquisition will have no impact on the liabilities of the Group, whilst the net asset value of the Group will increase by the value of the Consideration Shares to be issued upon Completion.

6. REASONS FOR THE ACQUISITION

The Group is one of the leading dairy product manufacturers in the PRC and is principally engaged in the manufacture and distribution of quality dairy products.

Inner Mongolia Mengniu, the main operating subsidiary of the Company is a non-wholly owned subsidiary of the Company which is owned indirectly as to approximately 84.32% as at the Latest Practicable Date. After Completion, the Company's interest in Inner Mongolia Mengniu will increase to 93.29%. The Directors consider that the increased stake in Inner Mongolia Mengniu will offer the Company an opportunity to enhance the Group's strategic development and competitiveness in the dairy industry for better economies of scale, thus expanding the Group's market share.

Furthermore, as the consideration of the Acquisition involves the issue and allotment of Consideration Shares to the Sellers (some of whom are the senior management staff of the Group), it indicates the management's continuous support to, and confidence in the growth of the Company's business.

7. DISCLOSEABLE AND CONNECTED TRANSACTION

As each of the appropriate Relevant Ratio is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As Niu Gensheng, Deng Jiuqiang, Yang Wenjun, Sun Yubin, Lu Jun, Sun Xianhong, Bai Ying, Hou Jiangbin, Qiu Lianjun and Pang Kaitai are connected persons of the Company, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

8. THE EGM

The Company will convene the EGM to be held on 28 May 2008 immediately after the conclusion or adjournment of Annual General Meeting to consider and if thought fit, approve the Acquisition and the issue of Consideration Shares. The voting at the EGM will be taken on a poll and the Company will make an announcement of the poll results. Niu Gensheng, Jinniu, Yinniu, and the other Founding Individuals and their associates will abstain from voting at the EGM of the Company in respect of approving the Acquisition and the issue of Consideration Shares.

LETTER FROM THE BOARD

Both Jinniu and Yinniu are controlled by Xin Niu International Limited, a company incorporated in Hong Kong, which is an investment holding company. Xin Niu International Limited, has delegated all its voting rights in the shares of Jinniu and Yinniu to Niu Gensheng. Accordingly, in addition to 45,505,182 shares beneficially owned by Niu Gensheng, Mr. Niu is deemed to have control over Jinniu and Yinniu and their respectively 137,395,836 and 176,104,130 Shares. Jinniu and Yinniu will ensure that they abstain from voting in the EGM in respect of their collectively 313,499,966 Shares.

The EGM Notice is set out on page 27 to page 28 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting, if you so wish.

9. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the three independent non-executive Directors, namely, Wang Huaibao, Zhang Julin and Li Jianxin, none of whom is interested or involved in the Acquisition and the issue of Consideration Shares, has been established to advise the Independent Shareholders.

Having considered the terms of the Acquisition and taking into account of the independent advice of Evolution Watterson, the Independent Board Committee concurs with the views of Evolution Watterson and considers the Acquisition and the issue of Consideration Shares to be on normal commercial terms, and to be in the best interest of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Shareholders are concerned. Accordingly, members of the Independent Board Committee unanimously recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the EGM Notice. Your attention is drawn to the advice from the Independent Board Committee set out in its letter on page 15 to page 16 of this circular.

10. INDEPENDENT FINANCIAL ADVISER

Evolution Watterson has been appointed as Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders with respect to the fairness and reasonableness of the Acquisition and the issue of Consideration Shares. After consideration, Evolution Watterson is of the view, that the terms of the Equity Interest Transfer Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, it advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM. Your attention is drawn to the advice from the Independent Financial Adviser set out on page 17 to page 20 of this circular.

LETTER FROM THE BOARD

11. RECOMMENDATIONS

As such, the Directors consider that the Acquisition and the issue of Consideration Shares to be on normal commercial terms, and to be in the best interest of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Shareholders are concerned. The Directors therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Interest Transfer Agreement, the Acquisition and the issue of Consideration Shares.

Your attention is drawn to the letter from the Independent Board Committee set out in this circular, which contains its advice in relation to the Acquisition, the issue of Consideration Shares and its recommendation to the Independent Shareholders. Furthermore, your attention is also drawn to the letter from the Independent Financial Adviser set out in this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the issue of Consideration Shares, and the principal factors and reasons it has considered in arriving at its advice.

12. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Evolution Watterson, which sets out its advice to the Independent Board Committee and the Independent Shareholders, and the additional information set out in the appendix to this circular.

By order of the Board
Niu Gensheng
Chief Executive Officer



CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

29 April 2008

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ISSUE OF NEW SHARES**

INTRODUCTION

We refer to the circular (the “Circular”) dated 29 April 2008 issued by the Company to the Shareholders, of which this letter forms part. The terms defined in the Circular shall have the same meanings used in this letter, unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether or not the terms of the Acquisition and the issue of Consideration Shares are fair and reasonable so far as the Shareholders as a whole are concerned. Evolution Watterson has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. The terms and the reasons for the Acquisitions are summarized in the Letter from the Board set out on page 5 to page 14 of the Circular. Details of the Independent Financial Adviser’s advice, together with the principal factors taken into consideration in arriving at such, are set out on page 17 to page 20 of this Circular.

RECOMMENDATION

We have discussed with the management of the Company the reasons for the Acquisition, the mechanism for the determination of the consideration, the terms of the Acquisition and the basis upon which its terms have been determined. We have also considered key factors taken into account by the Board in arriving at its opinion regarding the terms of the Acquisition and the issue of Consideration Shares as set out in the Letter from the Board on page 5 to page 14 of the Circular, which we advise you to read carefully.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Acquisition and taking into account of the independent advice of the Independent Financial Adviser, the Independent Board Committee concurs with the views of the Independent Financial Adviser and considers the Acquisition and the issue of Consideration Shares to be on normal commercial terms, and to be in the best interest of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Shareholders are concerned. Accordingly, members of the Independent Board Committee unanimously recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the EGM Notice contained in the Circular.

Yours faithfully

the Independent Board Committee

Wang Huaibao Zhang Julin Li Jianxin

Independent Non-executive Directors

LETTER FROM EVOLUTION WATTERSON



29 April 2008

The Independent Board Committee and the Independent Shareholders
China Mengniu Dairy Company Limited

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE ISSUE OF NEW SHARES

We refer to our appointment as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company relating to the captioned transaction. As some of the Sellers are connected persons of the Company, the Acquisition is regarded as connected transaction of the Company under the Listing Rules and therefore requires the approval of Independent Shareholders.

Background and terms of the Acquisition are set out in the Letter from the Board in the circular. Capitalized terms used in this letter have the same meanings as those defined in the circular unless the context otherwise requires. Our role as Independent Financial Adviser is to give our opinion as to whether the Acquisition is beneficial to the Group and that the terms are fair and reasonable so far as the Independent Shareholders are concerned.

In putting forth our recommendation with respect to the Acquisition, we have relied on the Company to provide us with all relevant information including the Equity Interest Transfer Agreement and the audited accounts of Inner Mongolia Mengniu for the two financial years ended 31 December 2007. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation.

The Directors have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE ACQUISITION

In arriving at our opinion on the terms of the Acquisition, we have taken into consideration the following factors and reasons:

Background of the Acquisition

The Group is one of the leading dairy product manufacturers principally engaged in the manufacture and distribution of quality dairy products, such as liquid milk, ice cream and other dairy products.

LETTER FROM EVOLUTION WATTERSON

Inner Mongolia Mengniu, the Group's approximately 84.32% owned operating subsidiary, is principally engaged in the manufacture and distribution of dairy products.

Set out below are audited financial information of Inner Mongolia Mengniu prepared in accordance with PRC GAAP as extracted from the circular:

	Year ended 31 December	
	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	16,246,368	21,183,747
Profit before taxation	913,543	1,104,393
Profit after taxation	837,511	1,082,734

The audited net assets of Inner Mongolia Mengniu as at 31 December 2007 were approximately RMB4,548 million. Based on the above information, the turnover of Inner Mongolia Mengniu increased from approximately RMB16.25 billion in 2006 to approximately RMB21.18 billion in 2007, representing a growth of approximately 30.4% while the profit after taxation increased from approximately RMB837.51 million to approximately RMB1,082.73 million, representing a growth of approximately 29.3%.

Following the Acquisition, the Company's shareholding in Inner Mongolia Mengniu will increase from 84.32% to 93.29%.

Terms of the Acquisition

Based on the 60-days average Share price of approximately HK\$21.48 per Share as quoted on the Stock Exchange from 4 January 2008 to 2 April 2008 (both days inclusive) and the 135,328,255 Consideration Shares to be allotted and issued, the consideration for the equity interest of 8.97% in Inner Mongolia Mengniu with respect to the Acquisition is approximately HK\$2,907 million in value.

The above consideration is to be satisfied by the Company through the allotment and issue of 135,328,255 Consideration Shares to the Sellers (credited as fully paid) at a price of HK\$21.48. The Consideration Shares to be issued represent approximately 9.49% of the issued share capital of the Company as at the date of this circular and approximately 8.67% of the enlarged share capital of the Company (without taking into account the exercise of any share option). As stated in the letter from the Board, the number of Consideration Shares was determined after arm's length negotiations between the Company and the Sellers with reference to their respective shareholdings in Inner Mongolia Mengniu and historical profit contribution of Inner Mongolia Mengniu to the Group of approximately 89.2%. Given the number of Consideration Shares to be issued is arrived at based on the historical profit contribution of Inner Mongolia Mengniu to the Group of approximately 89.2%, which do not have a negative impact on earnings per Share of the Company as shown in the section "Financial impact" below, we are of the view that the number of the Consideration Shares to be issued is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM EVOLUTION WATTERSON

The abovementioned 60 trading days' average price of approximately HK\$21.48 represents:

- (i) a premium of approximately 2.3% over the closing price of HK\$21.0 per Share as quoted on the Stock Exchange on 8 April 2008 (the "Last Trading Day"), being the date of the Equity Interest Transfer Agreement;
- (ii) a discount of approximately 2.1% to the average of the closing price of approximately HK\$21.93 per Share as quoted on the Stock Exchange over the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 1.3% over the average of the closing price of approximately HK\$21.21 per Share as quoted on the Stock Exchange over the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 7.7% over the average of the closing price of approximately HK\$19.95 per Share as quoted on the Stock Exchange over the thirty consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 360.9% over the audited consolidated net assets of the Company of HK\$4.66 per Share as at 31 December 2007, based on the weighted average number of 1,409,770,000 Shares in issue for the year ended 31 December 2007 and at an exchange rate of RMB1.00 to HK\$1.1125.

As the issue price of the Consideration Shares represents a premium to the market Share price when compared to the 10 days' and 30 days' average Share price up to and including the Last Trading Day, we are of the view that the issue price of the Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned.

Financial impact

(a) Effect on the earnings per Share

As disclosed in the 2007 annual report of the Group, profit attributable to the equity holders of the Group for the financial year ended 31 December 2007 was approximately RMB935.79 million. Historic 2007 earnings per Share before the Acquisition, calculated based on the weighted average number of 1,409,770,000 Shares in issue for the year ended 31 December 2007, was approximately RMB0.66. As stated in the letter from the Board in the circular, net profit after taxation of Inner Mongolia Mengniu, as prepared based on PRC GAAP, for the financial year ended 31 December 2007 was approximately RMB1,082.73 million.

Upon Completion, the weighted average number of Shares in issue will increase by the number of 135,328,255 Consideration Shares issued to 1,545,098,255 Shares. As advised by the Company, assuming the Completion had taken place on 1 January 2007, profit contribution from Inner Mongolia Mengniu to the Group would have increased by RMB86.18

LETTER FROM EVOLUTION WATTERSON

million under the PRC GAAP; however, earnings per Share of the Company for the year ended 31 December 2007 would remain unchanged at approximately RMB0.66, indicating there was no dilution in terms of earnings per Share.

Based on the calculation above, the Acquisition would have a neutral impact to earnings per Share. As such, we are of the view that it is fair and reasonable so far as the Shareholders are concerned.

(b) Effect on working capital and gearing

As the Acquisition will be settled by issue of the Consideration Shares, there would be no material impact on the Group's working capital upon Completion.

Based on the Company's 2007 annual report, the Group's gearing ratio, calculating by total debt divided by the net asset value, was 0.05. The Acquisition will have no impact on the liabilities of the Group, whilst the net asset value of the Group will increase by the value of the Consideration Shares to be issued upon Completion. As such, there will be no negative impact on the gearing ratio of the Group upon Completion and we consider that the Acquisition is beneficial to the Group as a whole.

(c) Potential dilution

The Consideration Shares represent only approximately 9.49% of the issued share capital of the Company as at the date of this circular and approximately 8.67% of the enlarged share capital of the Company (without taking into the effect of the exercise of any share option). Taking into account the issuance of Consideration Shares, which will save the Group's internal resources for the business operations deployment, we consider that the potential dilution of shareholding to the Independent Shareholders is acceptable.

ADVICE

Having considered the above principal factors and reasons, we are of the opinion that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the above agreements at the upcoming EGM.

Yours faithfully,
For and on behalf of
Evolution Watterson Securities Limited
David Tsang
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept under section 352 of the SFO were as follows:

Long/short positions in shares of the Company/Associated Corporation:

Name of Director	Company/Name of Associated Corporation	Nature of Interest	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (approximately)
Niu Gensheng	The Company	Personal Interest	68,781,022(L)	4.82%
	The Company	Corporate Interest	176,104,130(L)	12.35%
		(Note 1)		
	The Company	Corporate Interest	137,395,836(L)	9.63%
		(Note 2)		
	Inner Mongolia Mengniu	Personal Interest	37,156,995(L)	4.63%
	Inner Mongolia Mengniu	Personal Interest	21,977,010(S)	2.74%
Yang Wenjun (Note 3)	The Company	Personal Interest	1,506,196(L)	0.11%
	Inner Mongolia Mengniu	Personal Interest	2,404,453(L)	0.30%
Sun Yubin (Note 4)	The Company	Personal Interest	2,498,444(L)	0.18%
	Inner Mongolia Mengniu	Personal Interest	3,988,453(L)	0.50%

Notes:

- These shares are held by Yinniu, a substantial shareholder of the Company, which is controlled as to approximately 80.2% by Xin Niu International Limited ("Xin Niu"). Niu Gensheng, by virtue of a proxy, has been delegated voting rights to the shares in Yinniu held by Xin Niu. The proxy arrangement has been in effect since 29 October 2007.

2. These shares are held by Jinniu, a substantial shareholder of the Company, which is controlled as to 38.6% by Xin Niu. Niu Gensheng, by virtue of a proxy, has been delegated voting rights to the shares in Jinniu held by Xin Niu. The proxy arrangement has been in effect since 29 October 2007.
3. Yang Wenjun also owns 4,561,000 share options in the Company. For details, please refer to the table of share options under the heading “Share Options Interests”.
4. Sun Yubin also owns 1,875,000 share options in the Company. For details, please refer to the table of share options under the heading “Share Options Interests”.

(L) Indicates a long position.

(S) Indicates a short position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Share Options Interests

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. As at the Latest Practicable Date, there are 50,728,631 share options of the Company being granted and outstanding. The following share options were outstanding under the Scheme during the year ended 31 December 2007.

Name or Category of Participant	Number of share options					Date of grant of share options	Exercise Period of share options (both dates inclusive)	Exercise price of share options HK\$
	As at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2007			
Executive directors								
Yang Wenjun	-	4,561,000	-	-	4,561,000	9.11.2007	9.11.2009 to 8.11.2013	32.24
Sun Yubin	-	1,875,000	-	-	1,875,000	9.11.2007	9.11.2009 to 8.11.2013	32.24
Employees in Aggregate	6,803,000	-	(244,351)	(304,088)	6,254,561	26.10.2006	26.10.2007 to 25.10.2012	13.40
	-	38,169,000	-	-	38,169,000	9.11.2007	9.11.2009 to 8.11.2013	32.24
	<u>6,803,000</u>	<u>44,605,000</u>	<u>(244,351)</u>	<u>(304,088)</u>	<u>50,859,561</u>			

The exercise period of the share options granted commences after a certain vesting period and the fulfilment of certain performance targets, and ends on a date which is not later than six years from the date of grant of such options.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of Substantial Shareholder	Number of Shares	Percentage of Issued Share Capital (approximately)
Xin Niu	313,499,966(L)	21.98%
Yinniu	176,104,130(L)	12.35%
Jinniu	137,395,836(L)	9.63%
UBS AG	102,869,130 (L)	7.21%
	2,231,292 (S)	0.16%
J P Morgan Chase & Co	82,126,048 (L)	5.76%
	1,400,000(S)	0.10%
	77,381,744 (P)	5.43%
Commonwealth Bank of Australia	83,315,000(L)	5.84%

(S) *Indicates a short position*

(L) *Indicates a long position*

(P) *Indicates a lending position*

Saved as disclosed above, as at the Latest Practicable Date, no other interests or short position in the Shares or underlying shares of the Company were recorded in the register maintained under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2007, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the Company or its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or its subsidiaries.

7. QUALIFICATION OF EXPERT

Evolution Watterson is a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as set out in schedule 5 of the SFO.

As at the Latest Practicable Date, Evolution Watterson did not have any shareholding in the Company and the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of the Company and any member of the Group and Evolution Watterson did not have any interest, either direct, nor indirect, in any assets which had been since 31 December 2007 acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. CONSENT

As at the Latest Practicable Date, Evolution Watterson had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date of the latest published audited financial statements of the Company.

10. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS AT A GENERAL MEETING

Article 76 of the articles of association of the Company sets out the procedure by which shareholders may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least five members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

11. GENERAL

- (a) The registered office of the Company is situated at M&C Corporate Services, PO Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands. The principal office of the Company in Hong Kong is situated at Unit 1001, 10th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary and qualified accountant of the Company is Kwok Wai Cheong, Chris, a member of the Hong Kong Institute of Certified Public Accountants.

- (d) All references to times in this circular refer to Hong Kong times.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistencies.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Norton Rose Hong Kong at 38/F Jardine House, 1 Connaught Place, Central, Hong Kong, from the date of this circular up to and including 12 May (both days inclusive).

- (a) the Equity Interest Transfer Agreements dated 8 April 2008;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 to page 16 of this circular;
- (c) the advice letter from the Independent Financial Adviser dated 29 April 2008, the text of which is set out on page 17 to page 20 of this circular;
- (d) the written consent of Evolution Watterson, referred to in paragraph headed “Consent” of this appendix.

EGM NOTICE



CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of China Mengniu Dairy Company Limited (the “Company”) will be held on 28 May 2008 at 11:30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company) at Salon 4, 3/F JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution, with or without modification, as an ordinary resolution of the Company:

“THAT:

the entering into the Equity Interest Transfer Agreement dated 8 April 2008 by the Company (the “Equity Interest Transfer Agreement”) for the acquisition of an aggregate 72,011,566 shares in Inner Mongolia Mengniu Dairy Company Limited (內蒙古蒙牛乳業(集團)股份有限公司) (the “Sale Shares”) from the sellers named therein (the “Sellers”) (a copy of which has been produced at this meeting and marked as “Exhibit-A” and signed by the chairman of the meeting for the purposes of identification) entered into between the Company and the Sellers and the transactions contemplated thereby and the performance thereof by the Company, be and are hereby approved, confirmed and ratified;

the directors of the Company be and are hereby authorised to issue an aggregate of 135,328,255 shares in the Company to the Sellers pursuant to and in accordance with the terms and conditions contained in the Equity Interest Transfer Agreement as Consideration Shares; and

any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such things and sign, seal, execute, perfect, perform and deliver all such documents as he may in his absolute discretion consider necessary or desirable or expedient to give effect to the Equity Interest Transfer Agreement or for the implementation of all transactions thereunder.”

By order of the Board
Kwok Wai Cheong, Chris
Company Secretary

Hong Kong, 29 April 2008

EGM NOTICE

Registered Office:

M&C Corporate Services,
PO Box 309 GT, Ugland House,
South Church Street, George Town,
Grand Cayman, Cayman Islands

Hong Kong Office:

Unit 1001,
10th Floor, Jubilee Centre,
18 Fenwick Street,
Wanchai, Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. All proxies, together with powers of attorney or other authorities, if any, under which they are signed or notarially certified copies thereof, must be deposited with the Company's branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time of the Extraordinary General Meeting. Completion and delivery of the proxy form will not preclude a member from attending and voting in person at the meeting if he so wishes.
- (2) The Register of Members will be closed from 23 May 2008 to 28 May 2008 (both days inclusive). In order to establish entitlements to vote in the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 May 2008.
- (3) Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that the more senior shall alone be entitled to vote in respect of such Share and, for this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the register of the relevant joint holding.

* *For identification purposes only*