

**CHINA MENGNIU DAIRY COMPANY LTD:
INTERNATIONAL INVESTORS CASH IN THEIR CHIPS**

After studying, carefully, the Prospectus of China Mengniu Dairy Company Ltd, a milk producer and a manufacturer of other dairy products, operating exclusively in the People's Republic of China (PRC), one may come to the conclusion that one ought to be investing in the 3 Selling Shareholders instead of China Mengniu Dairy Company Ltd.

Because, among them, the 3 Selling Shareholders grossed \$HK598,562,499 while, China Mengniu Dairy Company grossed about \$HK843,875,000.

The 3 Selling Shareholders were:

Morgan Stanley Global Emerging Markets Private Investment Fund L.P.;
CDH China Fund L.P.; and,
CDC Group plc, which is wholly owned by the Government of the United Kingdom (UK), which joined forces with CGU International Insurance plc, the largest British insurance company with regard to investing in China Mengniu, a few years ago.

According to Appendix VIII of the Prospectus, at VIII-29, this is how much money the above-stated, 3 entities grossed from the June 1, 2004, flotation of China Mengniu Dairy Company Ltd:

Morgan Stanley Global Emerging Markets Private Investment Fund L.P.	\$HK399,437,720
CDH China Fund L.P.	\$HK126,744,243
CDC Group plc et al	<u>\$HK72,380,536</u>
TOTAL :	<u>\$HK598,562,499</u>

In addition, the above-mentioned entities maintained equity stakes in China Mengniu of:

Morgan Stanley Global Emerging Markets Private Investment Fund L.P.	3.90 percent	38,512,198 shares
CDH China Fund L.P.	1.20 percent	12,221,678 shares
CDC Group plc et al	<u>0.70 percent</u>	<u>6,979,554 shares</u>
TOTAL :	<u>5.80 percent</u>	<u>57,713,430 shares</u>

At the Offer Price of \$HK3.925 per share, the 3 Selling Shareholders' market value of their combined 57,713,430 shares is about \$HK226,525,213.

One must remember that China Mengniu has only been in business since 1999, which means that the Company is just 5 years old.

So, the 3 Selling Shareholders have cleaned up, very nicely, for their respective employers.

But, as things appeared to have transpired since this Company went public on The Stock Exchange of Hongkong Ltd, the 3 Selling Shareholders may have sold a little too early.

This is because, on September 1, 2004, China Mengniu brought out its financial results of the first half of the Current Financial Year, to June 30, 2004.

This is that which the Company announced:

	Unaudited	
	For the Six Months, ended June 30	
	2004	2003
	All Figures are Denominated in Renminbi'000 (except where otherwise specified)	
Turnover	3,472,671	1,692,705
Cost of Sales	(2,645,737)	(1,266,972)
Gross Profit	826,934	425,733
Gross Profit Margin*	32.81 percent	25.15 percent
Other Revenue	2,768	1,405
Selling and Distribution Costs	(513,464)	(232,874)
Administrative Expenses	(58,266)	(34,368)
Other Operating Expenses	(4,223)	(7,503)
Profit from Operating Activities	253,749	152,393
Financing Costs, Net	(13,622)	(3,878)
Share of Profits of Associates	1,316	444
Profit before Taxation	230,203	116,729
Minority Interests	(46,123)	(40,766)
Net Profit Attributable to Shareholders	184,080	75,963
Net Profit Margin*	5.30 percent	4.49 percent

* These are **TARGET**'s calculations

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