



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)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

	Unaudited	
	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Revenue	13,702,409	10,021,178
Profit attributable to equity holders of the Company	582,913	485,143
Net cash inflow from operating activities	896,756	1,412,391
Earnings per share (RMB)		
– Basic	0.41	0.35
– Diluted	0.41	0.35

- Through product mix optimization, high value-added products development and solid marketing strategies, the Group's revenue increased by 36.7% to RMB13,702.4 million, while profit attributable to equity holders of the Company amounted to RMB582.9 million.
- The Group's share in the liquid milk market in China in terms of sales revenue continued to rise as compared to 2007, topping the sales chart nationwide.
- In June 2008, the Group further expanded its production capacity and operated a total of 23 production bases with an annual production capacity of 5.5 million tons.

The board (the “Board”) of directors (the “Directors”) of China Mengniu Dairy Company Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008, together with the comparative amounts. The interim results and condensed interim financial statements have been reviewed by the audit committee (“Audit Committee”) and the auditors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		For the six months	
		ended 30 June	
		2008	2007
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	13,702,409	10,021,178
Cost of sales		<u>(10,397,985)</u>	<u>(7,569,947)</u>
Gross profit		3,304,424	2,451,231
Other income and gains		82,828	31,895
Selling and distribution costs		(2,287,991)	(1,658,650)
Administrative expenses		(326,643)	(213,776)
Other operating expenses		<u>(29,221)</u>	<u>(15,428)</u>
Profit from operating activities		743,397	595,272
Interest income		16,757	19,698
Finance costs	5	(14,279)	(29,532)
Share of profits of associates		<u>4,013</u>	<u>3,543</u>
Profit before tax	4	749,888	588,981
Income tax expense	6	<u>(62,087)</u>	<u>(14,873)</u>
Profit for the period		<u>687,801</u>	<u>574,108</u>
Attributable to:			
Equity holders of the Company		582,913	485,143
Minority interests		<u>104,888</u>	<u>88,965</u>
		<u>687,801</u>	<u>574,108</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB per share)	7		
– Basic		0.41	0.35
– Diluted		<u>0.41</u>	<u>0.35</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2008	2007
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,169,249	5,042,648
Construction in progress		382,901	313,439
Other intangible assets		31,278	31,404
Land use rights		250,076	228,739
Interests in associates		50,728	57,573
Available-for-sale investments		17,316	17,316
Goodwill		199,143	199,143
Deferred tax assets		6,302	6,302
Other financial assets		17,486	21,139
		<u>6,124,479</u>	<u>5,917,703</u>
CURRENT ASSETS			
Inventories		1,347,274	877,443
Bills receivable	9	237,236	114,882
Trade receivables	10	457,170	261,365
Prepayments and deposits		150,955	214,364
Other receivables		66,023	40,198
Pledged deposits		13,902	44,506
Cash and bank balances		2,271,589	2,210,818
		<u>4,544,149</u>	<u>3,763,576</u>
CURRENT LIABILITIES			
Trade payables	11	1,909,627	1,315,395
Bills payable	12	112,716	259,065
Deferred income		12,318	11,752
Accruals and customers' deposits		453,110	544,662
Other payables		1,203,523	1,013,171
Interest-bearing bank loans		161,482	183,156
Other loans		1,385	36,004
Income tax payable		30,040	185
		<u>3,884,201</u>	<u>3,363,390</u>
NET CURRENT ASSETS		<u>659,948</u>	<u>400,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,784,427</u>	<u>6,317,889</u>

	Unaudited 30 June 2008 <i>RMB'000</i>	Audited 31 December 2007 <i>RMB'000</i>
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	104,306	80,000
Long term payables	201,458	224,192
Deferred income	176,048	178,993
	<hr/> 481,812	<hr/> 483,185
NET ASSETS	<hr/> 6,302,615	<hr/> 5,834,704
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	151,293	151,277
Retained earnings	1,942,979	1,547,733
Other reserves	3,420,252	3,412,619
	<hr/> 5,514,524	<hr/> 5,111,629
Minority interests	788,091	723,075
TOTAL EQUITY	<hr/> 6,302,615	<hr/> 5,834,704

NOTES:

1. Corporate information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The Company is an investment holding company and its subsidiaries are engaged in the manufacture and distribution of dairy products in the People's Republic of China (the "PRC").

2. Basis of preparation and accounting policies

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those in the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of the following new interpretations as of 1 January 2008. The adoption of these interpretations did not have any material effect on the financial position or operation results of the Group or the disclosures in the unaudited interim condensed consolidated financial statements for the current period.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instrument, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

IFRIC 12 Service Concession Arrangements

This interpretation requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. It also addresses how an operator applies existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group has no such arrangements, the adoption of this interpretation did not have any impact on the financial position and performance of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides guidance on how to assess the limit on the amount of a refund or a reduction in future contribution in relation to a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. As the Group has no defined benefit schemes, the Interpretation had no impact on the financial position or performance of the Group.

3. Revenue and segment information

The Group comprises the following business segments:

- liquid milk products segment – manufacture and distribution of ultra-high temperature milk (“UHT milk”), milk beverages and yogurt;
- ice cream products segment – manufacture and distribution of ice cream; and
- other dairy products segment – manufacture and distribution of milk powder.

As the Group mainly operates and generates its revenue and results in Mainland China, no geographical segment analysis is presented.

The following tables present the revenue, results and certain asset and liability information for the Group’s business segments:

	Unaudited	
	For the six months	
	ended 30 June	
	2008	2007
	RMB’000	RMB’000
Segment revenue:		
Liquid milk	11,800,469	8,802,955
Ice cream	1,778,123	1,136,555
Other dairy products	123,817	81,668
	<u>13,702,409</u>	<u>10,021,178</u>
Segment results:		
Liquid milk	741,794	628,298
Ice cream	84,050	60,630
Other dairy products	(1,229)	(10,403)
	<u>824,615</u>	<u>678,525</u>
Unallocated corporate expenses	(81,218)	(83,253)
Profit from operating activities	743,397	595,272
Interest income	16,757	19,698
Finance costs	(14,279)	(29,532)
Share of profits of associates	4,013	3,543
Profit before tax	749,888	588,981
Income tax expense	(62,087)	(14,873)
Profit for the period	<u>687,801</u>	<u>574,108</u>
Segment assets:		
Liquid milk	7,910,888	7,042,655
Ice cream	1,176,576	966,557
Other dairy products	241,584	230,324
Unallocated corporate assets	2,528,179	2,844,220
Eliminations	(1,188,599)	(1,402,477)
Total assets	<u>10,668,628</u>	<u>9,681,279</u>
Segment liabilities:		
Liquid milk	3,963,790	3,920,366
Ice cream	652,028	470,352
Other dairy products	177,414	165,928
Unallocated corporate liabilities	761,380	692,406
Eliminations	(1,188,599)	(1,402,477)
Total liabilities	<u>4,366,013</u>	<u>3,846,575</u>

4. Profit before tax

The Group's profit before tax is arrived at after charging:

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Amortisation of land use rights	2,665	2,159
Amortisation of other intangible assets	2,006	1,296
Cost of inventories sold	10,397,985	7,569,947
Depreciation of property, plant and equipment	309,200	237,325
Employee benefit expense (excluding directors' fees)	559,769	413,873
	<u>559,769</u>	<u>413,873</u>

5. Finance costs

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	9,818	23,641
Interest on long term payables	6,985	6,733
Less: Amounts capitalised	(2,524)	(842)
	<u>14,279</u>	<u>29,532</u>

6. Income tax expense

- (a) Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period.
- (b) The tax charge represents the provision for PRC corporate income tax ("CIT") for the period at the prevailing tax rates applicable thereto.

During the period, certain PRC subsidiaries were subject to tax exemption in accordance with the "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" under which these subsidiaries would be exempted from CIT for the first two profitable years, followed by a 50% reduction for the next three profitable years.

7. Earnings per share attributable to ordinary equity holders of the Company

The basic earnings per share amount for the period is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share amount for the period is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period pursuant to contingent ordinary share provision in IAS 33 *Earnings Per Share*.

The following reflects the profit and the number of shares used in the basic and diluted earnings per share calculations:

	Unaudited	
	For the six months	
	ended 30 June	
	2008	2007
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the Company	582,913	485,143
	Number of	Number of
	shares	shares
	(in thousand)	(in thousand)
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	1,426,173	1,391,591
Weighted average number of ordinary shares, assuming issued at no consideration on the deemed exercise of all share options during the period	496	386
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	1,426,669	1,391,977

8. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil). During the six months ended 30 June 2008, the Company declared and paid final dividends of RMB0.1315 (six months ended 30 June 2007: RMB0.1094) per share as proposed for the year ended 31 December 2007 to the shareholders of the Company.

9. Bills receivables

An aged analysis of the bills receivable of the Group, based on the invoice date, is as follows:

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RMB'000	RMB'000
Within 3 months	237,213	114,832
4 – 6 months	23	50
	237,236	114,882

10. Trade receivables

The Group normally allows a credit period of not more than 30 days to its customers. The Group closely monitors overdue balances. In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group, net of provision for doubtful debts, based on the invoice date, is as follows:

	Unaudited 30 June 2008 <i>RMB'000</i>	Audited 31 December 2007 <i>RMB'000</i>
Within 3 months	437,876	226,011
4 – 6 months	11,615	24,136
7 – 12 months	7,424	10,828
Over 1 year	255	390
	<u>457,170</u>	<u>261,365</u>

11. Trade payables

An aged analysis of the trade payables of the Group, based on the invoice date, is as follows:

	Unaudited 30 June 2008 <i>RMB'000</i>	Audited 31 December 2007 <i>RMB'000</i>
Within 3 months	1,865,465	1,238,629
4 – 6 months	34,194	65,590
7 – 12 months	7,621	7,904
Over 1 year	2,347	3,272
	<u>1,909,627</u>	<u>1,315,395</u>

12. Bills payable

An ageing analysis of the bills payable of the Group, based on the invoice date, is as follows:

	Unaudited 30 June 2008 <i>RMB'000</i>	Audited 31 December 2007 <i>RMB'000</i>
Within 3 months	100,650	164,684
4 – 6 months	12,066	94,381
	<u>112,716</u>	<u>259,065</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group's revenue increased by 36.7% to RMB13,702.4 million. Profit attributable to equity holders of the Company amounted to RMB582.9 million, an increase of 20.2% when compared with the RMB485.1 million for the same period of 2007. Basic and diluted earnings per share were both RMB0.41 (2007: RMB0.35).

Operating Expenses

In the first half of 2008, the Group's selling and distribution costs amounted to RMB2,288 million (2007: RMB1,658.7 million), representing an increase from 16.5% of the Group's revenue in the last corresponding period to 16.7% of that of the current period. In order to strengthen the *MENGNIU* brand, and effectively launch diversified and tailored marketing strategies, the percentage of advertising and promotion expenses to the Group's revenue for the period slightly grew from 8.9% in the same period last year to 9.2%.

Administrative and other operating expenses amounted to RMB355.9 million (2007: RMB229.2 million) for the first half of 2008, representing an increase from 2.3% of the Group's revenue in the same period last year to 2.6% for the current period. The percentage increase was mainly attributable to the amortisation of the fair value expenses arising from the issued share options.

Profit from Operating Activities

The Group's EBITDA increased by 26.5% to RMB1,057.3 million (2007: RMB836.1 million) for the period; whilst EBITDA ratio amounted to 7.7% (2007: 8.3%). Excluding the fair value of the issued share options expenses, the EBITDA ratio during the period was comparable to that of 8.4% of the same period last year.

Capital Structure, Liquidity and Financial Resources

For the six months ended 30 June 2008, the Group's net cash inflow from operating activities amounted to RMB896.8 million (2007: RMB1,412.4 million). The net cash balances (cash and bank balances net of total bank loans) reached RMB2,005.8 million (31 December 2007: RMB1,947.7 million) as at 30 June 2008, indicating that the Group was in a strong financial position and had a healthy cash flow.

As at 30 June 2008, outstanding bank loans of the Group amounted to RMB265.8 million (31 December 2007: RMB263.2 million), of which RMB161.5 million (31 December 2007: RMB183.2 million) was repayable within one year and RMB104.3 million (31 December 2007: RMB80 million) was repayable beyond one year. RMB124.9 million (31 December 2007: RMB149.6 million) of the bank loans was subject to fixed interest rates. The debt-to-equity ratio (total bank loans to total equity) of the Group was 4.2% (31 December 2007: 4.5%).

For the six months ended 30 June 2008, the Group's finance costs were RMB14.28 million (2007: RMB29.53 million), representing approximately 0.1% (2007: 0.3%) of the Group's revenue.

MARKET REVIEW

With the change in consumption patterns in China, the product mix of the dairy industry of the country has also undergone a significant restructuring, with high-tech and functional products continue to grow in the competitive market.

BUSINESS REVIEW

Products

The Group carried on its strategy of developing high-end products and enhancing market segmentation. Riding on its technological capabilities, in addition to improving existing products, the Group developed a number of new functional products that meet the market needs, and thus further optimized its product structure.

Liquid milk

During the period under review, the revenue from the liquid milk segment was RMB11,800.5 million, increased by 34.1% compared with RMB8,803 million in the same period in 2007. The revenue of the liquid milk accounted for 86.1% of the revenue of the Group and liquid milk continued to be the Group's main source of income.

UHT milk

Revenue from UHT milk products grew by 33.9% to RMB7,765 million as compared to RMB5,797.8 million in the same period last year, accounting for 65.8% of the revenue of the liquid milk segment. *Milk Deluxe OMP* (特侖蘇OMP) launched by the Group last year won the “New Product Development Award” (「創新產品獎」) at the SIAL International Food Products Exhibition organized by Expositum, which is the largest exhibition group in France and the 10th largest exhibition group in the world. This had made **MENGNIU** to be the only Chinese dairy brand among all award winners. Furthermore, the new member of the *Milk Deluxe* series – *Milk Deluxe Organic Milk* (特侖蘇有機奶) – was among the first batch of organic and environmentally friendly products earning state certification. It was also selected as the exclusive milk beverage for the Boao Forum for Asia 2008.

Milk beverages

Revenue from the milk beverages segment reached RMB3,114.4 million, increased by 29.9% and accounting for 26.4% of the revenue from liquid milk. The world's first milk beverage with real fruit pulps, *Fruit Milk Drink* (真果粒), launched by the Group last year, reported satisfactory sales shortly after launch. It had also won the “Country Award” (「中國國別金獎」) at the SIAL International Food Products Exhibition held this year. In addition, the Group continued to enhance the flavor and packaging of its products and introduced *Miao Miao Milk* (妙妙奶), a beverage containing probiotics. Complement with the innovative marketing activities, sales of milk beverages were effectively boosted.

Yogurt

During the period under review, revenue from the yogurt segment increased by 51.5% to RMB921.1 million, accounting for 7.8% of the revenue of the liquid milk segment. To cope with rising market demand for yogurt, the Group put in effort in enhancement of product packaging, varieties and nutritional value.

Ice cream

Revenue from the ice cream segment surged by 56.4% to RMB1,778.1 million, accounting for 13% of the revenue of the Group. The Group restructured the product segment according to the needs of different defined market segments, giving the products a brand image of “trendy, carefree, pleasant and youthful”. Probiotics and vitamin-rich fruit pulps were added in the trendy new products *Sui Bian Euro Roll* (隨便歐羅旋) and *Large Grain Yogurt Ice Cream* (大果粒酸奶冰淇淋) to enhance their nutritional value. Besides, a strong foundation was laid for the Group to promote the new positioning of ice cream as an “All- Season Healthy Food” (健康四季食品).

Other dairy products

After product restructure of the Group last year, the consolidation of other dairy products segment was almost completed. During the period under review, revenue from the segment grew by 51.6% to RMB123.8 million, accounting for 0.9% of the Group’s revenue.

Production and Operation

As of June 2008, the Group further expanded the production capacity and operated 23 (December 2007: 22) production bases with a combined annual production capacity of 5.50 million tons (December 2007: 4.78 million tons).

The Group’s research institute, which was opened last year, specializing in development of product functions, applied technology and processing technology, made significant R&D achievements. Currently, the institute had completed the development of four types of yogurt drink and ice cream products respectively, and submitted 41 applications for product patent and 7 applications for technology patent, among which 17 applications have been approved. To enhance the R&D capabilities of the Group and strengthen exchange with overseas leading peers, the Group has set up workshops in the US, Japan, Singapore, France and New Zealand so that it will provide its home-base R&D center with information of the market and state-of-the-art technology in a timely manner.

PROSPECTS

Driving growth in scale of raw milk ranches

The Group will continue to use its global leading facilities and state-of-the-art technology to provide timely assistance to raw milk suppliers in milk cattle rearing, disease prevention and breeding, etc. In addition, as a key objective in its future plan, the Group will promote long-term development of raw milk ranches. This will give full support to build dedicated cattle rearing districts as well as large ranches, with the aim to help the country’s milk cattle rearing operations to grow in scale and strength. By introducing systematic management and top-notch rearing technology to milk cattle ranches, the Group intends to improve operational efficiency of raw milk suppliers, thus, ensuring stable supply of high quality raw milk for the dairy industry in the country to reach a long-term “win-win” scenario.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of 30 June 2008, the Group had approximately 23,500 employees in the Mainland China and Hong Kong. Total staff costs during the period, excluding directors' fee, were approximately RMB559.8 million (2007: RMB413.9 million). To enhance the quality and competence of employees, the Group provided various pre-job and on-the-job training programs to new recruits and existing employees on latest industry knowledge and technical and management skills. It also provided its managers and technicians with opportunities to attend training programs and overseas visits, exposing them to new perspectives and international management concepts which they can learn and apply in work. In addition, the Group also organized various activities during the period under review, which allowed the staff to have a better understanding of the Group's corporate culture, business concepts and mission. To motivate and reward employees, the Group offers competitive remuneration packages with performance-based bonuses and a share option scheme.

SUBSEQUENT EVENT

On 16 September 2008, the baby milk powder products manufactured by the Group were found to contain melamine in three samples out of the 28 samples under the laboratory testing by General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (hereafter "GAQSIQ"). On 18 September 2008, the liquid milk products manufactured by the Group were also found to contain melamine in 11 samples out the 121 samples under the laboratory testing by GAQSIQ. The Group has taken immediate actions in response to the findings. As the outcome of the matter is subject to uncertainties, it is not possible for management to make a meaningful estimate of the impact associated with such matter as at the date of this announcement.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions set out in the CG Code during the six months ended 30 June 2008.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. The Directors have confirmed, following the specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2008.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company's investor relations at www.mengniu.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The interim report of the Company will be despatched to shareholders and available at the same websites in due course.

AUDIT COMMITTEE

The Audit Committee comprises three non-executive Directors, two of whom are independent. The current committee members are Mr. Zhang Julin (chairman), Mr. Li Jianxin and Mr. Jiao Shuge (alias Jiao Zhen). The Audit Committee has reviewed with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial statements for the six months ended 30 June 2008.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Niu Gensheng, Mr. Yang Wenjun, Mr. Sun Yubin, Mr. Yao Tongshan and Mr. Bai Ying. 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.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders and the wider community for their continued support, and to all staff for their hard work and commitment.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company has been temporarily suspended since 17 September 2008 pending the release of an announcement by the Company regarding recent news articles concerning certain of its milk products which is price-sensitive in nature.

By order of the Board
Niu Gensheng
Chief Executive Officer

Hong Kong, 19 September 2008

* *For identification purposes only*