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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)**

## ANNOUNCEMENT AND RESUMPTION OF TRADING

The Company wishes to make this announcement in relation to the Press Reporting concerning certain milk powder and liquid milk products of the Group.

At the request of the Company, trading in the securities of the Company was suspended on the Stock Exchange from 9:31 a.m. on 17 September 2008 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 23 September 2008.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

### **Press Reporting**

The Board wishes to make this announcement in relation to the recent TV news reporting and press articles published in various newspapers concerning certain milk powder and liquid milk products of the Group (the **Press Reporting**). It was mentioned in the Press Reporting on 16 September 2008 that the General Administration of Quality Supervision, Inspection and Quarantine (**AQSIQ**) conducted tests on 109 brands of milk powder manufactured and sold in the PRC in relation to their melamine content. According to the test results, three out of 28 samples of baby milk powder manufactured by the Group were found to contain melamine. It was further reported on 18 September 2008 that AQSIQ expanded its scope of inspection to liquid milk products and found out that 11 out of 121 samples of the Group's liquid milk products contained melamine. Details of the products of the Group that were reported to be contaminated (the **Affected Products**) are set out in the appendix to this announcement.

## **Proactive problem management**

The Board wishes to sincerely apologise for the incident and any inconvenience caused to the public. The Group is mindful of the vital importance of food safety and has arranged the recall of all Affected Products forthwith after the incident and would implement other constructive actions to enhance the quality and standard of its products and treat customers' safety and health as its primary responsibility.

The Board and the management believe that this critical moment of both the industry and the Group has to be managed in a proactive manner. The Group should take warning and learn from the incident. The Board and the management believe that the Company can restore its competitiveness through thorough improvement.

In fact, the tainted Affected Products only represents a small percentage of the Group's product range. The Board believes that the contamination of the Affected Products was due to the illegal acts of some irresponsible milk collection centres and raw milk dealers. The Board believes that the Group should strengthen its control procedures on raw materials. Prior to the occurrence of the incident, melamine content level does not fall within the scope of testing conducted by the AQSIQ and thus, enterprises within the industry do not have the concept to detect, and do not possess the necessary skill in detecting melamine. After the incident, the Group has carried out tests on each and every lot of raw milk sourced by it as well as its final products before delivery to ensure that none of them contains melamine.

In addition, arrangements have been made to recall the Affected Products. All customers who have purchased the Affected Products could arrange for refunds at local markets. In the event that any of the customers suffer from illness as a direct consequence of consuming the Affected Products, the Group would accept responsibility for any such illness diagnosed within the next five years and would compensate any such person a sum equal to twice the statutory amount of compensation as required under the PRC laws.

All the Affected Products were for distribution and sold in the PRC only and have been recalled promptly after the incident. As at the date of this announcement, other than the Affected Products, the Group has not recalled any other products.

As at 21 September 2008, the Centre of Food Safety in Hong Kong has carried out tests on 41 samples of the Group's liquid milk products sold in Hong Kong and all of them were found to be free of contamination.

## **Action Plan**

To avoid recurrence of any similar incident in the future, to restore public confidence and to ensure that the highest hygiene and food safety standards could continuously be met, the Group will strengthen its quality control measures by carrying out the following action plan which includes escalating its quality control on raw milk and reinforcing its internal quality management and product inspection procedures.

*Internal tests on the Group's products* – the Group has commenced a full-scale internal review to inspect each production lot and category of its products and has sent more management personnel of the Group to markets across the country in guiding and supervising local distributors and business divisions in submitting its products for inspection. Going forward, samples of each and every lot of raw milk and supplemental ingredients and final milk products would be submitted to the relevant local authority for testing and inspection, to ensure that the relevant food safety and quality standards are duly met. For the sake of safety and health of its customers, products which could not pass the test or have not been tested at all are not allowed to be sold to customers.

*Source raw milk supply only from quality milk suppliers* – the Group would take steps to strengthen its quality control measures, in particular, its milk supply management system. Initially, it would appoint experienced senior management to the relevant operations to review their milk sourcing procedures to identify and resolve problems or issues that may affect the quality level of raw milk. The Group would continue to support quality and responsible milk suppliers in the PRC and at the same time, employ stricter selection criteria. The Group would only purchase raw milk from quality milk suppliers whose milk has consistently passed the quality and standard imposed under the PRC laws.

*Thorough review of the production process* – the Group is conducting a comprehensive review of its quality management system with an aim to enhance and strengthen its quality control and assurance procedures to a level that exceeds the statutory requirement. The Group has reinforced, and will continue to impose, thorough internal testing and other quality-enhancement measures throughout its production process, starting from sourcing of raw material to final packaging stage.

*Better internal and external communication* – as a responsible enterprise to the public, milk suppliers and its shareholders, the Group would cooperate with the government and the media in a pro-actively manner to overcome this critical moment of both the industry and the Group and maintain close contacts with the relevant government authorities to obtain up-to-date market information and to assist the relevant authorities in carrying out their inspection and related work. The Group would also develop a better internal communication channel to ensure that all its local distributors and business teams would report on a regular basis the quality and standard of the Group's products.

## **Suspension and resumption of trading**

At the request of the Company, trading in the securities of the Company was suspended on the Stock Exchange from 9:31 a.m. on 17 September 2008 pending release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9.30 a.m. on 23 September 2008.

## **DEFINITIONS**

“Board”	the board of directors of the Company
“Company”	China Mengniu Dairy Company Limited, a company incorporated in the Cayman Islands with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and jointly-controlled entities

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Share(s)”	share(s) of nominal value of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## APPENDIX

### Details of the Affected Products (tested by the AQSIQ)

Product	Production date/code
milk powder for infants up to 3 years old	2008.01.08/B11030080103 2008.01.09/B21030071224 2008.01.14/B21010071228
walnut milk	2008.09.10
Mengniu high calcium low fat milk	2008.08.07
full fat sterilized milk	2008.09.01
high calcium low fat milk	2008.08.01
breakfast milk (wheat favoured)	2008.08.14
Mengniu breakfast milk	2008.07.26/x
妙点 (Miaodian)	2008.07.28/W206
xylitol yogurt	2008.08.06
high calcium low fat milk	2008.09.08/C206/GAfb
Mengniu large grain fruit yogurt	M20080903 (Sample A)
Mengniu large grain fruit yogurt	M20080903 (Sample B)

By Order of the Board  
**Niu Gensheng**  
*Chief Executive Director*

Hong Kong, 22 September 2008

*As at the date of this announcement, the Board comprises five executive directors namely, Niu Gensheng, Yang Wenjun, Sun Yubin, Yao Tongshan and Bai Ying; two non-executive directors being, Jiao Shuge (alias Jiao Zhen) and Julian Juul Wolhardt and three independent non-executive directors namely, Wang Huaibao, Zhang Julin and Li Jianxin.*

\* For identification purposes only