



[FOR IMMEDIATE RELEASE]

**MENGNIU ANNOUNCES 2010 INTERIM RESULTS
REVENUE UP BY 19.31% TO RMB14,434.2 MILLION**

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**FOCUSES ON R&D OF HIGH-END FUNCTIONAL DAIRY PRODUCTS
CONTINUOUSLY OPTIMISES PRODUCT MIX
STRIVES TO CREATE A GREEN AND HARMONIOUS GOLDEN INDUSTRY CHAIN
TO LEAD HEALTHY DEVELOPMENT OF CHINA'S DAIRY INDUSTRY**

RESULTS HIGHLIGHTS:

Unaudited
For the Six Months Ended 30 June

	2010	2009
	RMB'000	<i>RMB'000</i>
Revenue	14,434,223	12,097,615
Gross Profit	3,787,172	3,233,040
Net Profit Attributable to Owners of the Company	618,820	661,898
Net Cash Inflow from Operating Activities	1,168,703	1,748,270
Earnings per Share (<i>RMB</i>)		
- Basic	0.356	0.424
- Diluted	0.355	0.424

- Following the expanding dairy products market in China, the Group focused more on the R&D of high-end products and continued to upgrade the product portfolio. With the effective marketing campaigns, revenue rose by 19.31% to RMB14,434.2 million.
- The Group further expanded production capacity and its aggregate annual production capacity reached 6.14 million tonnes as of June 2010.
- In the latest Report of Global Dairy Companies issued by Rabobank in June 2010, Mengniu's ranking further jumped from 19th in last year to 16th.
- Having "High Quality for a Green Life" as its motto, the Group strived to promote environmental protection and has been named "China's Low Carbon Pioneering Enterprise" and the "Most-Watched Low Carbon Contribution Enterprise", and received the award of "Green Healthy Enterprise", which recognized the Group's innovative achievements in developing a green industry.

(Hong Kong – 31 August 2010) - **China Mengniu Dairy Company Limited** (the "Company") and its subsidiaries ("Mengniu" or the "Group", Stock Code: 2319), a leading dairy product manufacturer in China, today announced its interim results for the six months ended 30 June 2010.

During the review period, following the expanding dairy products market in China, the Group focused more on the R&D of high-end products and continued to upgrade the product portfolio. With the effective marketing campaigns, revenue of the Group increased by 19.31% to RMB14,434.2 million. Despite the substantial increase in the price of raw milk and other raw materials, the Group was able to offset the impact by increasing the proportion of high-end functional products, continuously refining its product portfolio and exercising stringent cost control measures, gross profit increased by 17.14% to RMB3,787.2 million during the period under review. Net Profit attributable to owners of the Company was RMB618.8 million. Basic earnings per share was RMB0.356 (2009: RMB0.424).

Mr. Yang Wenjun, Chief Executive Officer of the Company, said, "During the first half of 2010, Mengniu set the higher goals for raw milk sourcing, production, operations, marketing and R&D. The Group's business development objective has been committed to achieving not only a quantitative increase, but also more importantly, an enhancement in quality. The Group aims to provide a healthy and quality lifestyle for consumers by securing quality raw milk supply and as well constantly introducing high-end products with premium features to enhance customers' satisfaction. The Group also strives to forge a green and harmonious golden industry chain. These efforts have paid off as in the latest Report of Global Dairy Companies issued by Rabobank in June 2010, in which Mengniu's ranking jumped from 19th last year to 16th, advancing towards our goal of becoming one of the world's top ten dairy companies."

Continue to promote the construction of ecological milk sources and optimise raw milk sources structure to reach the national advanced level

As for raw milk sources, the Group has continued to devote more resources and through adopted an integrated development model by taking a variety of important steps, such as investing in large scaled ranches, offering entrusted loans, prepaying for raw milk and constructing milk farm facilities etc. These measures were aimed at further strengthening the construction of raw milk facilities and ensuring the quality and quantity of raw milk meeting the development needs of the Group. Currently, more than 70% of raw milk is sourced from the integrated dairy ranches with less than 30% from dairy farmers. This proportion is far better than the average level of the industry.

Liquid milk ranked first in terms of consolidated market share of similar products in China for four consecutive years

For operation and sales processes, the Group has continued to optimize its management in production, implement and improve internal management, with an aim to bring the business structure up to the standard of leading international enterprises. Meanwhile, the Group regards a 'Green Strategy' as an unwavering guideline for its development strategy. The Group has spared no efforts in creating a green and harmonious golden industry chain based on ecologically maintained grasslands, and to provide each consumer with green ecological products by using prime quality natural and pure raw milk supplied by dairy ranches, which also conveys a green and low carbon emission commitment to the public. According to information issued by China National Commercial Information Centre under the China General Chamber of Commerce, the Group's liquid milk ranked first in terms of consolidated market share of similar products in China for four consecutive years, underscoring the leading market position of the Group.

Establish international cooperation and exchange to develop high-end product portfolio

Advancing internationally, in April this year, the Group set up its Overseas R&D Center (Paris) in partnership with Danisco Group, a world leading enterprise with more than 100 years' history in France specialising in probiotics. The R&D Center will effectively integrate overseas technology resources to further enhance the Group's R&D capabilities to an international standard.

Being the first to propose green development strategy and practice low-carbon development model

In Branding and Marketing, to fulfill the motto of "High Quality for a Green Life" (「好品質，綠生活」), the Group has embarked on a series of brand value enhancing and marketing campaigns to reinforce its green strategy. By incorporation with the National Green Committee (國家綠化委員會) and the community-service organisation "Eco-China", the Group has launched the "China Ecoranch" (「中國生態草原」) program and created the "China

Ecoranch Fund", to arouse the awareness of the society on the protection of both pasture lands and the ecosystem. With the aim to promote the theme of environmental protection in the community, the Group launched the large-scale eco-activity campaign "Eco-Action for Green China" (「生態行動·助力中國」) across 30 major cities nationwide. Under this program, the Group demonstrated its years' dedication to the green operations philosophy through the "Mengniu Dairy Pavilion", and provided consumers with an opportunity to experience the vitality of the modern dairy industry and an ecologically sustainable future through the "Future Dairy Pavilion". As well, Mengniu also launched a series of activities such as the "Carbon Test" (「碳測試」) and the "Ecological Signature" (「生態大簽名」). These programs did not only promote the concept of green consumption of resources, but also promote the green-themed promotion campaigns to effectively highlight the green ecologically image of **MENGNIU** and the Group's commitment to corporate social responsibility.

Mengniu's efforts to promote a green dairy industry have won wide acclaim. In the review period, the Group was named "China's Low Carbon Pioneering Enterprise" (「中國低碳新銳企業」) and has received awards such as the "Most-Watched Low Carbon Contribution Enterprise" (「最受關注的低碳貢獻企業」). In addition, the Group was ranked 28th in "2010 Best Chinese Brands" (「2010 中國最佳品牌價值排行榜」) compiled by Forbes and Interbrand, and became the only dairy company in China to be included within the roll. At the same time, The Group's high transparency and accountability to consumers has earned the support and trust. MENGNIU received accolades in numerous consumer surveys conducted by competent authorities, including the "Most Reliable Food Brand" (「最受信賴食品品牌」), "Most Popular Food" (「最佳人氣食品」) and "Most Favourite Milk Brand of Beijing Residents" (「首都消費者最喜愛牛奶品牌」).

Liquid Milk Business (Accounts for 86.4 % of the Group's Revenue)

The Group has introduced a variety of high-end, ecologically friendly and healthy dairy products, and continued to offer improvements and innovation in taste, packaging and nutrition topped off by an enriched product line. Revenue of the liquid milk segment amounted to RMB12,462.2 million, accounting for 86.4% of the revenue of the Group as its major income source. Revenue from UHT milk products reached RMB7,604.6 million, accounting for 61% of the revenue of the liquid milk segment. *Milk Deluxe* (特侖蘇), a high-end product series, added a new product *Milk Deluxe Chunxian* (特侖蘇醇纖), with phytosterol esters and food fibre to attain nutritional balance. *Xin Yang Dao Low-Lactose Milk* (新養道低乳糖牛奶), the flagship product of the *Xin Yang Dao* (新養道) series was awarded a Gold Prize at the "China International Nutrition & Health Industry Expo Shanghai" (中國國際營養健康產業博覽會). Based on existing *Wisdom* (智慧型) and *Vitality* (活力型) products, the *Future Star Milk* (未來星兒童奶) series introduced a new product *Youhu* (優護型), which facilitates the overall development of children's brains, bones, and digestive systems. Besides, *Future Star Milk* garnered an Innovative Product Award at the "French International Food and Beverage Exhibition (SIAL)" (法國 SIAL 國際食品展) and a Monde Selection prize by the Belgian International Institute for Quality Selections.

Revenue from milk beverages reached RMB3,562.4 million, accounting for 28.6% of the revenue of the liquid milk segment. At the same time with sales rising for *Suan Suan Ru* (酸酸乳) and *Fruit Milk Drink* (真果粒), the Group also promoted the *Fruit-fiber Milk* (果纖乳), a new product packaged in distinctive plastic bottles for easy drinking, and *Nai Te* (奶特), a new series of high-end fruit flavoured milk beverages to satisfy the tastes of customers. Sales of yogurt products reached RMB1,295.2 million, accounting for 10.4% of the revenue of the

liquid milk segment. *Champion* (冠益乳), obtained [national certification as a healthy product] during the period under review. The product was also promoted at the activity entitled “Public Welfare Popular Science Classroom” to arouse public awareness of the benefits of yogurt for the health of human digestive system, establishing its leading position among high-end yogurt products. *Red Jujube Yogurt* (紅棗酸奶), incorporating the Chinese traditional nourishment concept, has been warmly welcomed by the market for its delicious flavour, thus recording remarkable sales. *Grain Yogurt* (穀物酸牛奶) has also been launched to cater for the fast-paced urban lifestyle, and has become a new favourite of young white-collar workers.

Ice Cream Business (Accounts for 12.6% of the Group’s Revenue)

The Group has kept abreast with the trend and the consumer preference to promote new flavours and has strived to boost its sales during the low season. With the aim to promote the *Sui Bian* (隨變)’s brand image of “ready-for-change” (「勇於改變」), the Group introduced the marketing campaign themed “Endless Joy with One More” and launched a number of new flavors with additional ingredients including products with whole hazelnuts and big walnuts, to attract the new generation of targeted sophisticated consumers. In addition, To enhance consumers enjoyment, the *Mood for Green* (綠色心情) series achieved a breakthrough in product taste by adding condensed milk, red beans and honey melon on top of its original flavour. Revenue of the ice cream segment amounted to RMB18,211.1 million, accounting for 12.6% of the revenue of the Group.

Other Dairy Products Business (Accounted for 1% of the Group’s revenue)

Revenue from other dairy products amounted to RMB150.9 million, accounting for 1% of the Group’s revenue. *ChaoJin Zhuang ZhiJiayi TM* (超金裝智佳益 TM) with enhanced nutrition formula with increased amount of probiotics fourfold to improve the intelligence and immune systems of infants was launched. Meanwhile, the official website of **MENGIU ARLA** has been formally put into operation. The website offers a wide range of services including an online baby-care centre and parent-child club for members, aiming to promote the healthy growth of their babies. For cheese, the Group has continuously introduced new cheese products according to the preference of Chinese consumers to enhance market penetration. The new *Distingue Fresh Cheese* (締芝特新鮮奶酪) is a soft cheese product with a fresh milk flavour, in which a new way of enjoying cheese has been created with the inclusion of original strawberry jam or the newly launched blueberry jam. These products have been selling well in the market.

At the vanguard of encouraging eco-friendly production in China’s dairy industry, Mengniu has initiated a green campaign within the dairy industry to jointly forge a “Green Industry Supply Chain” through the preferable selection of suppliers and partners which adopt green and low-carbon practices. It has also announced the plan to use environmentally friendly materials which have passed the Forest Certification System as its new packaging, echoing its practical deeds to promote the development of green dairy procedures. By exerting a subtle influence on its customers, the Group has transmitted the concept of “Green Consumption” to consumers. To let more consumers understand that milk cartons are recyclable, the Group has carried out a public ecological awareness activity of “Press it flat after drinking and support the recycling of milk cartons” within numerous communities. Furthermore, Mengniu and the Ecological China Committee have collaborated to organise an interactive public service activity, “100 Actions for Saving the Earth” (「拯救地球的 100 個行動」).

The campaign aims to provide a platform for enterprises, communities and individual volunteers dedicated to the protection of the environment and to generate greater interest within society about environmental protection.

In addition to promoting environmental awareness, by continuing its years' efforts in charity activities, the Group carries on with the promotion of the "China Milk Caring Acts", and has implemented the programme of "Love Gifts" to help school children in need to realise their dreams. In addition, in accordance with its corporate social responsibility guidance of "taking initiative to assume responsibility", the Group swiftly arranged donations of cash and materials to victims of the drought in Southwestern China and the earthquake in Yushu, Qinghai Province. The Group dutifully bore its social responsibilities, and helped the needy, thereby serving as a role model in the community.

Mr. Yang concluded, "Looking forward, the Group will strengthen its efforts in R&D on products based on nutrition and health requirement, to protect consumers' health, promote standardisation of ranches for advantages in milk sources with attention to natural eco-friendly pastures, and at the same time promote our green strategy and create a 'Green Gold' Industry Chain for the Chinese dairy industry. We will also continuously enrich the product matrix and strive for excellence in flavour, nutrition and packaging of products. The Group will strive to honour the pledge of 'Good Quality' and 'Green Living' to our customers, and guide the development of the industry riding on its leadership position in China's dairy industry. With the world's 16th dairy enterprise as its new platform, the Group, as the Chinese demonstrative dairy representative, will push forward with an aim to become one of the world's top 10 dairy enterprises; keep abreast with leading international brands' standards with the targets to bring better quality and more healthy dairy products to consumers.

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China Mengniu Dairy Company Limited
Condensed Consolidated Income Statement

	Unaudited	
	For the six months ended 30 June 2010	
	2010	2009
	RMB'000	RMB'000
Revenue	14,434,223	12,097,615
Cost of Sales	(10,647,051)	(8,864,575)
Gross Profit	3,787,172	3,233,040
Other Income and Gains	57,242	16,625
Selling and Distribution Costs	(2,601,746)	(1,942,467)
Administrative Expenses	(492,892)	(376,279)
Other Operating Expenses	(22,875)	(86,688)
Profit from Operating Activities	726,902	844,231
Interest Income	39,270	16,242
Finance Costs	(21,942)	(47,916)
Share of Profits and Losses of Associates	5,226	7,530
Profit before Tax	749,456	820,087
Income Tax Expense	(72,584)	(97,726)
Profit for the Period	676,872	722,361
Attributable to:		
Equity Owners of the Company	618,820	661,898
Non-controlling Interests	58,052	60,463
	676,872	722,361
Earnings per Share (RMB)		
– Basic	0.356	0.424
– Diluted	0.355	0.424

ABOUT CHINA MENGNIU DAIRY COMPANY LIMITED:

China Mengniu Dairy Company Limited and its subsidiaries manufacture and distribute quality dairy products in China. It is one of the leading dairy product manufacturers in China, with **MENGNIU** as its core brand. The Group's diversified products range include liquid milk products, such as UHT milk, milk beverages and yogurt, ice cream and other dairy products such as milk powder. In June 2010, the Group's annual production capacity reached 6.14 million tons.

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