

SUBSTANTIAL SHAREHOLDERS

As at the date of this prospectus, the entire issued share capital of our Company is owned by Jinniu Milk Industry Limited, Yinniu Milk Industry Limited, MS Dairy Holdings, CDH China Fund, L.P., CGU-CDC China Investment Company Limited and Mr Niu. The persons directly or indirectly interested in 5% or more of our issued and outstanding capital are as follows:

Name	Number of Shares	Approximate percentage of holdings
Jinniu Milk Industry Limited	158,344,007	21.1%
Yinniu Milk Industry Limited	335,937,391	44.8%
MS Dairy Holdings	140,279,770	18.7%
CDH China Fund, L.P..	44,513,205	5.9%
Mr Niu	45,505,172	6.1%

Shares of Jinniu are held by 15 shareholders, all of whom are members of senior management of Mengniu. One of these shareholders, Mr Niu (our Chairman and Chief Executive Officer) holds 23,019 shares in Jinniu (representing 28.0% of the issued share capital of Jinniu) on trust for approximately 1,000 individuals predominantly consisting of employees, business contacts and their respective associates. A declaration of trust (the “**Niu Trust**”) was declared on 23 March 2004 by Mr Niu where he shall hold these shares in Jinniu on trust for, and on behalf of, the beneficiaries as specified in the Niu Trust. For further details of the Niu Trust please see the sub-section headed “Provision of incentives by Mr Niu — the Niu Trust” in the section headed “Corporate Structure.”

Shares of Yinniu are held by 16 shareholders, all of whom except for Deng Jiuqiang who is a director of Mengniu, are members of middle management of Mengniu and business associates of Mengniu. One of these shareholders, Mr Xie Qiuxu holds 52,207 shares in Yinniu (representing 63.5% of the issued share capital of Yinniu) out of which 49,378 shares are held on trust for approximately 1,000 individuals predominantly consisting of employees, business contacts and their respective associates. A declaration of trust (the “**Xie Trust**”) was executed by Mr Xie whereby it was declared that he shall hold these shares in Yinniu on trust for, and on behalf of, the beneficiaries as specified in the Xie Trust. For further details regarding the Xie Trust please refer to the sub-section headed “Voting and Trust Arrangements with respect to Yinniu” in the section headed “Corporate Structure.”

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So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the only persons who will have an interest or short position in our Shares or underlying shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of our issued and outstanding share capital then in issue carrying rights to vote in all circumstances at general meetings of any other member of our Group, together with any other Shareholders beneficially owning more than 5% of our outstanding or issuable Shares, are as follows:

Name	Number of Shares	Approximate percentage of holdings
Mr Xie Qiuxu ⁽¹⁾	335,937,391	33.6%
Jinniu Milk Industry Limited ⁽²⁾	158,344,007	15.8%
Yinniu Milk Industry Limited ⁽²⁾	335,937,391	33.6%
MS Dairy Holdings ⁽³⁾⁽⁶⁾	319,403,300	23.3%*
Mr Niu ⁽⁴⁾	381,442,563	38.1%
CDH ⁽⁵⁾⁽⁶⁾	101,348,791	7.4%*

Notes to Substantial Shareholder Section

- (1) As at the date of this prospectus, Mr Xie Qiuxu legally owns 63.5% of the issued share capital of Yinniu, which will directly own 33.6% of the Company upon completion of the Global Offering. Accordingly, the 335,937,391 Shares attributable to Mr Xie Qiuxu above represent his indirect effective interest in the Company via his legal shareholding interest in Yinniu.
- (2) The Founding Individuals have been acting as a controlling group of the business since its inception in 1999. Therefore, they as a group are controlling shareholders of the Company. As at the date of this prospectus, Mr Niu, Deng Jiuqiang, Lu Jun, Sun Yubin, Yang Wenjun, Sun Xianhong and Qiu Lianjun are shareholders of Jinniu and together control approximately 87.4% of Jinniu. Xie Qiuxu, Pang Kaitai, Hou Jiangbin and Deng Jiuqiang are shareholders of Yinniu and together control approximately 70.8% of Yinniu. Jinniu and Yinniu in aggregate can control approximately 49.4% of the voting power at the general meeting of the Company upon completion of the Global Offering. For Jinniu only, pursuant to the Shareholders' Agreement entered into between Jinniu and the Financial Investors dated 14 May 2004, a valuation adjustment mechanism shall cause share adjustments between those parties to occur after the financial year ending 31 December 2006. For further details please refer to the paragraph headed "Valuation Adjustment Mechanism" in the section headed "Corporate Structure." Assuming the share adjustment works in favour of Jinniu, their shareholding shall increase to a maximum of 236,657,176 Shares, representing approximately 17.3% of the enlarged issued share capital of the Company. Assuming the share adjustment works against Jinniu, Jinniu shall have to transfer a maximum of 78,313,169 Shares to the Financial Investors, representing a short position of approximately 5.7% of the enlarged issued share capital of the Company.
- (3) MSPIF and affiliated entities own 100% of the issued voting share capital of MS Dairy. The General Partner of MSPIF is MSGEM, LLC, the institutional managing member of which is Morgan Stanley Global Emerging Markets, Inc., a wholly-owned subsidiary of Morgan Stanley. The number of Shares as disclosed include those which will be issued on conversion of the Convertible Instruments issued to MS Dairy. For further details regarding the Convertible Instruments please refer to Appendix V. Pursuant to the Shareholders' Agreement entered into between Jinniu and the Financial Investors dated 14 May 2004, a valuation adjustment mechanism shall cause share adjustments between those parties to occur after the financial year ending 31 December 2006. For further details please refer to the paragraph headed "Valuation Adjustment Mechanism" in the section headed "Corporate Structure." Assuming the share adjustment works in favour of MS Dairy, their shareholding shall increase to a maximum of 371,664,288 Shares, representing 27.2% of the enlarged issued share capital of the Company. Assuming the share adjustment works against MS Dairy, they shall have to transfer a maximum of 52,260,988 Shares to Jinniu, representing a short position of approximately 3.8% of the enlarged issued share capital of the Company.
- (4) As at the date of this prospectus, upon the terms of the Xie Trust as set out in the section headed "Corporate Structure," Xie Qiuxu delegated the voting rights of the shares held under the Xie Trust to Mr Niu. Further, Xie Qiuxu has similarly delegated the voting rights of his own shares in Yinniu to Mr Niu. Therefore, Mr Niu can exercise approximately 63.5% of the voting rights of Yinniu, which in turn can exercise the control of approximately 33.6% of the voting power at the general meeting of the Company upon completion of the Global Offering. Mr Niu also has equity rights which would convert to approximately 17.8% of the enlarged issued share capital of Yinniu assuming all equity rights issued have been exercised in Yinniu. None of the equity rights have been exercised to date. Mr Niu also has a direct interest of approximately 4.6% in the Company.

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- (5) Wu Shangzhi is the controlling shareholder of West Oak Company Limited, which in turn controls more than one third of the voting rights of China Diamond Holdings Company Limited, the General Partner of China Diamond Holdings L.P. This entity in turn controls more than one-third of the voting rights of CDH China Holdings Company Limited, the General Partner of CDH. The number of Shares as disclosed include those which will be issued on conversion of the Convertible Instruments issued to CDH. For further details regarding the Convertible Instruments please refer to Appendix V. Pursuant to the Shareholders' Agreement entered into between Jinniu and the Financial Investors dated 14 May 2004, a valuation adjustment mechanism shall cause share adjustments between those parties to occur after the financial year ending 31 December 2006. For further details please refer to the paragraph headed "Valuation Adjustment Mechanism" in the section headed "Corporate Structure." Assuming the share adjustment works in favour of CDH, their shareholding shall increase to a maximum of 117,930,229 Shares, representing approximately 8.6% of the enlarged issued share capital of the Company. Assuming the share adjustment works against CDH, they shall have to transfer a maximum of 16,581,508 Shares to Jinniu, representing a short position of approximately 1.2% of the enlarged issued share capital of the Company.
- (6) Pursuant to the International Underwriting Agreement, MS Dairy, CDH and CIC have granted to the International Underwriters the Over-allotment Option, creating a short position of 35,034,738 Shares, 11,116,755 Shares and 6,348,507 Shares respectively, representing approximately 2.6%, 0.8% and 0.4% of the issued share capital of the Company.
- * The number of Shares and the percentage disclosed includes those Shares that will be issued on conversion of the Convertible Instruments.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering, be directly or indirectly interested in 5% or more of the Shares then in issue representing 5% or more of the equity interest.

The controlling shareholders of the Company will be subject to Rule 10.07(1) of the Listing Rules upon listing.