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**AUSNUTRIA DAIRY CORPORATION LTD**

**澳優乳業股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1717)

**LETTER OF INTENT  
PROPOSED ACQUISITION OF 51% SHAREHOLDING INTEREST IN  
A DAIRY PRODUCTS COMPANY IN THE NETHERLANDS  
AND  
RESUMPTION OF TRADING**

The Board is pleased to announce that on 29 March 2011, the Company has entered into a binding Letter of Intent with DDI and Hyproca Dairy for the Share Purchase and the Share Subscription. It is the parties' intention that upon completion of the Share Purchase and the Share Subscription, the Company will have an approximate 51% shareholding interest in Hyproca Dairy.

The proposed consideration for the Share Purchase is approximately Euro 10,369,000 (subject to adjustment) and is to be settled partly in cash by the Company (or its subsidiary) and partly by allotment and issuance of consideration shares by the Company.

The proposed consideration for the Share Subscription is approximately Euro 6,282,500 (subject to adjustment) and is payable by the Company (or its subsidiary) to Hyproca Dairy in cash.

The parties further agree to enter into a shareholders' agreement to govern their respective rights and the operations of the Hyproca Dairy Group.

Under the Listing Rules, if the Share Purchase and the Share Subscription are realised at the current stage, the Share Purchase and the Share Subscription will constitute a major transaction of the Company. The Company will issue a separate announcement and a circular in respect of the Share Purchase and the Share Subscription in due course in accordance with the Listing Rules.

**Shareholders of the Company and/or investors should note that, despite the parties have entered into the binding Letter of Intent, no official document has been executed and the relevant negotiation is still in process. The proposed Share Purchase and Share Subscription may not necessarily realise. Accordingly, shareholders of the Company and/or investors should exercise caution when dealing in the securities of the Company.**

#### **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 29 March 2011 pending the release of this announcement. The Company has applied for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 30 March 2011.

The announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of Ausnutria Dairy Corporation Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 29 March 2011, the Company has entered into a binding letter of intent (the “**Letter of Intent**”) with Dutch Dairy Investments B.V. (“**DDI**”) Hyproca Holding B.V. (“**Hyproca Dairy**”, together with its subsidiaries, the “**Hyproca Dairy Group**”) for the proposed purchase of approximately 284,000 shares in Hyproca Dairy (the “**Share Purchase**”) and the proposed subscription of approximately 175,000 shares in Hyproca Holding (the “**Share Subscription**”). It is the parties’ intention that upon completion of the Share Purchase and the Share Subscription, the Company will have an approximate 51% shareholding interest in Hyproca Dairy.

The proposed consideration for the Share Purchase is approximately Euro 10,369,000 (subject to adjustment) and is to be settled partly in cash by the Company (or its subsidiary) and partly by allotment and issuance of consideration shares by the Company.

The proposed consideration for the Share Subscription is approximately Euro 6,282,500 (subject to adjustment) and is payable by the Company (or its subsidiary) to Hyproca Dairy in cash.

It is the Company’s business strategy to invest in or acquiring upstream milk powder related assets and operations, including investments in overseas cattle farms and/or milk powder producers in order to broaden the Group’s milk powder supply sources to diversify the Group’s risk in this aspect and to ensure a stable supply of milk powder to cope with the business growth. In this regard, the Company intends to acquire interests in the Hyproca Dairy Group whose businesses include milk collection, processing and package in the Netherlands, so as to realise the Company’s business strategy.

The Hyproca Dairy Group is principally engaged in the dairy industry in the Netherlands with activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products. It also has its own formula milk powder productions and is a leading producer of goat milk powder in the world. The operations of the Hyproca Dairy Group is mainly carried out by Hyproca Dairy B.V., Lypack Holding B.V. and HB Food Group B.V.

Hyproca Dairy B.V. was founded in 1897 when its first factory was established. Hyproca Dairy B.V. forms the basis of the Hyproca Dairy Group. Through Hyproca Dairy B.V., the Hyproca Dairy Group started its first milk powder productions in 1928 and has been producing milk powders since then.

Lypack Holding B.V. first started its production of baby formulae in 1938. Lypack Holding B.V. and its subsidiaries are experienced and dedicated producers of a wider range of infant formulae of high quality.

HB Food Group B.V. and its direct subsidiaries specialise in the complete chain of fresh Dutch goat milk from collection from farms to finished products. HB Food Group B.V. is a leading producer of goat milk powder in the world.

Once the Share Purchase and the Share Subscription are realised, the parties will incorporate a new company in Hong Kong through Hyproca Dairy which will in turn establish a wholly-owned subsidiary in the People's Republic of China (the "PRC"). The proposed Hong Kong company will act as a marketing and sales platform for nutritional products in consumer packs to the PRC and other Asian countries.

The parties further agree to enter into a shareholders' agreement to govern their respective rights and the operations of the Hyproca Dairy Group.

To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, the counterparty and the ultimate beneficial owners of DDI and Hyproca Dairy are third parties independent of the Company and its connected persons.

Under the Listing Rules, if the Share Purchase and the Share Subscription are realised at the current stage, the Share Purchase and the Share Subscription will constitute a major transaction of the Company. The Company will issue a separate announcement and a circular in respect of the Share Purchase and the Share Subscription in due course in accordance with the Listing Rules.

**Shareholders of the Company and/or investors should note that, despite the parties have entered into the binding Letter of Intent, no official document has been executed and the relevant negotiation is still in process. The Share Purchase and Share Subscription may not necessarily realise. Accordingly, shareholders of the Company and/or investors should exercise caution when dealing in the securities of the Company.**

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By order of the Board  
**Ausnutria Dairy Corporation Ltd**  
**Wu Yueshi**  
*Chairman*

Changsha, China, 29 March 2011

As at the date of this announcement, the Board comprises of four executive directors, namely Mr. Wu Yueshi, Mr. Yan Weibin, Mr. Chen Yuanrong and Ms. Ng Siu Hung and three independent non-executive directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.