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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)

ANNOUNCEMENT

The Board wishes to inform the Shareholders that the Board and the Audit Committee have received the EY Letter dated 29 March 2012 regarding, among other things, the status of the audit work carried out by EY in relation to the annual results of the Group for the financial year ended 31 December 2011.

The Board has resolved to establish the Special Review Committee to investigate into the Unresolved Issues raised by EY in the EY Letter. The Company will be able to publish the 2011 Annual Results only after EY has resumed and finished the audit when the Special Review Committee has completed the investigation and submitted its report and recommendations to the Board. The Company will publish further announcement to inform the Shareholders on the date of release of the 2011 Annual Results in due course.

Reference is made to the announcement of Ausnutria Dairy Corporation Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 March 2012 (the “**Announcement**”).

UNRESOLVED ISSUES RAISED BY AUDITORS IN RELATION TO CERTAIN ASPECTS OF THE GROUP’S FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the “**Board**”) of directors (the “**Director**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) of the Company that the Board and the audit committee (the “**Audit Committee**”) of the Company have received a letter (the “**EY Letter**”) from the Company’s auditors, Ernst & Young (“**EY**”), dated 29 March 2012 regarding, among other things, the status of the audit work carried out by EY in relation to the annual results of the Group for the financial year ended 31 December 2011 (the “**2011 Annual Results**”).

As disclosed in the EY Letter, during the audit process, there arose a number of unresolved issues (the “**Unresolved Issues**”) relating to, among other things, the amount of sales of

Ausnutria Dairy (China) Co., Ltd. (“**Ausnutria (China)**”), a major subsidiary of the Company established in the People’s Republic of China, for the year ended 31 December 2011, in particular for the month of December 2011, and accordingly its inventories and trade receivables as at 31 December 2011. EY has suspended its audit work of the Company with effect from 29 March 2012 until a special review committee (the “**Special Review Committee**”) has been established by the Board to investigate into the Unresolved Issues raised in the EY Letter and a report on the findings by the Special Review Committee has been submitted to the Board.

MEASURES IMPLEMENTED BY THE GROUP

The Board resolved on 29 March 2012 to establish the Special Review Committee, comprising Mr. Chan Yuk Tong and Mr. Qiu Weifa, both of whom are independent non-executive Directors, for the purpose of, among other things, (a) investigating into the Unresolved Issues raised by EY in the EY Letter; (b) reviewing the internal control procedures and risk management systems of Ausnutria (China); and (c) reporting to the Board on its findings and making recommendation to the Board on appropriate actions to be taken. The Special Review Committee is authorised to appoint independent professional advisers (including but not limited to accountants and legal advisers) to assist the Special Review Committee to discharge its duties. The Board has implemented other measures it considers appropriate in the circumstances.

DELAY IN PUBLICATION OF THE 2011 ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

As disclosed above, the Company has established the Special Review Committee to investigate into the matter. The Company will be able to publish the 2011 Annual Results only after EY has resumed and finished the audit when the Special Review Committee has completed the investigation and submitted its report and recommendations to the Board. The Company will publish further announcement to inform the Shareholders on the date of release of the 2011 Annual Results in due course.

Notwithstanding the above, the Board considers that there is no material adverse effect on the business, cashflow and financial position of the Group.

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

Changsha City, the People’s Republic of China, 10 April 2012

As at the date of this announcement, the Board comprises 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.