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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 PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE AND INSIDE INFORMATION

This announcement is made by Ausnutria Dairy Corporation Ltd (the “**Company**”) pursuant to Rule 3.7 of the Code on Takeovers and Mergers of Hong Kong (the “**Takeovers Code**”), the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the disclosure obligations under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Company was informed by Brave Leader Limited, All Harmony International Limited, Silver Castle International Limited and Ausnutria Holdings Co. Ltd. (collectively the “**Vendors**”), all being shareholders of the Company and together hold in aggregate 581,646,000 ordinary shares of HK\$0.10 each of the Company (the “**Shares**”), representing approximately 58.94% of the total issued shares of the Company as at the date of this announcement, that the Vendors have entered into a non-binding letter of intent (the “**LOI**”) with an independent third party purchaser (the “**Purchaser**”) on 17 September 2013. Pursuant to the LOI, the Vendors intend to sell and the Purchaser intends to purchase from the Vendors a portion of the Shares held by the Vendors (the “**Proposed Transaction**”).

The Vendors have informed the Company that the Vendors and the Purchaser have not reached any legally binding agreement in respect of the Proposed Transaction nor have the parties reached any agreement on the number of Shares that may be acquired by the Purchaser from the Vendors under the Proposed Transaction. The Proposed Transaction, if materialized,

may or may not result in the Purchaser acquiring such number of Shares from the Vendors representing 30% or more of the issued share capital of the Company. In the event that the Purchaser acquires 30% or more of the issued share capital of the Company, the Purchaser is required to make a mandatory offer for all the Shares (other than those already owned by or agreed to be acquired by the Purchaser or its concert parties) in accordance with Rule 26.1 of the Takeovers Code.

FURTHER INFORMATION

As at the date of this announcement, the total issued share capital of the Company is HK\$98,684,300 comprising 986,843,000 Shares. The Company has no other class of relevant securities in issue.

As at the date of this announcement, Brave Leader Limited is interested in 214,646,000 Shares, representing approximately 21.75% of the issued share capital of the Company. It is a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liabilities, which is owned as to 59.57% by Mr. Wu Yueshi (“**Mr. Wu**”), the former executive director and chairman of the Company who resigned on 7 June 2013, 30.67% by Ms. Wu Xing Xing (“**Ms. X Wu**”, the elder sister of Mr. Wu) and 9.76% by Mr. Yan Weibin (“**Mr. Yan**”), the current executive director and chairman of the Company.

As at the date of this announcement, Ausnutria Holdings Co. Ltd is interested in 200,000,000 Shares, representing approximately 20.27% of the issued share capital of the Company. It is a company incorporated in the BVI with limited liabilities, which is owned as to 60% by Mr. Wu, 30% by Mr. Yan and 10% by Ms. Xiong Fanyi, who is the spouse of Mr. Wu.

As at the date of this announcement, Silver Castle International Limited is interested in 60,000,000 Shares, representing approximately 6.08% of the issued share capital of the Company. It is a company incorporated in the BVI with limited liabilities, which is owned as to 59.57% by Mr. Wu, 30.67% by Ms. X Wu and 9.76% by Mr. Yan.

As at the date of this announcement, All Harmony International Limited is interested in 107,000,000 Shares, representing approximately 10.84% of the issued share capital of the Company. It is a company incorporated in the BVI with limited liabilities, which is owned as to 49.22% by Mr. Chen Yuanrong, the former executive director and chief executive officer of the Company who resigned on 7 June 2013, and 20 former and present employees of the subsidiaries of the Company.

Shareholders shall be informed of any further development with regard to the Proposed Transaction as and when necessary in accordance with the Listing Rules and the Takeovers Code, and on a monthly basis pursuant to Rule 3.7 of the Takeovers Code until an announcement of a firm intention to make an offer or of a decision not to proceed with an offer is made in compliance with the Takeovers Code.

DEALING DISCLOSURE

As required under Rule 3.8 of the Takeovers Code, associates (as defined in the Takeovers Code) of the Company (including a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code)) of the Company are reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code.

Reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code in accordance with Rule 3.8 of the Takeovers Code.

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and other intermediaries who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

SUSPENSION OF TRADING OF SHARES

At the Company's request, trading in the Shares was suspended from 9:00 a.m. on 29 March 2012, and will remain suspended until further notice.

Shareholders and potential investors of the Company shall be aware that the LOI is non-legally binding. There is no assurance that any discussion mentioned in this announcement will either materialize or eventually be consummated, and the discussion in relation to the Proposed Transaction set out in the LOI may or may not proceed with and the terms of the Proposed Transaction are subject to negotiations between the parties to the LOI. As such, the discussion may or may not lead to the making of general offer for the Shares. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
Ausnutria Dairy Corporation Ltd
Yan Weibin
Chairman

Changsha City, the People's Republic of China, 18 September 2013

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely, Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung, one non-executive director, namely, Mr. Dai Li, and three independent non-executive directors, namely, Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.

The directors of the Company jointly and severally accept fully responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.