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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

**UPDATE ON THE POSSIBLE TRANSACTION PURSUANT TO
RULE 3.7 OF THE TAKEOVERS CODE**

This announcement is made by Ausnutria Dairy Corporation Ltd (the “**Company**”) pursuant to Rule 3.7 of 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 Listing Rules.

References are made to the Company’s announcements dated 21 January 2015, 18 February 2015, 18 March 2015 and 20 April 2015 (collectively the “**Announcements**”) in relation to the LOI entered into between the Sellers and the Purchaser on 21 January 2015 in respect of the Possible Transaction. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The Company wishes to update the Shareholders that as at the date of this announcement, (i) the discussions between the Sellers and the Purchaser in respect of the Possible Transaction are still in progress; and (ii) other than the LOI (which is non-legally binding), no formal or legally binding agreement has been entered into between the Sellers and the Purchaser in respect of the Possible Transaction.

The Company wishes to further update the Shareholders that the Company understands from the Sellers and the Purchaser that the Sellers and the Purchaser are still in favor to proceed with the Possible Transaction and the discussions thereof are in progress as at the date of this announcement. As set out in the Company’s announcement dated 21 January 2015, if the Possible Transaction materialises, the SPA is to be entered into on or before 15 May 2015 and, in any event, no later than 31 May 2015 (or such later date as the parties may agree).

Further announcement(s) setting out the progress of the Possible Transaction will be made as and when necessary in accordance with the Listing Rules and the Takeovers Code and on a monthly basis until an announcement of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the Proposed Transaction is made.

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 materialise or eventually be consummated, and the discussions in relation to the Possible Transaction set out in the LOI may or may not proceed with and the terms of the Possible Transaction are subject to negotiations between the parties to the LOI. As such, the discussions may or may not lead to the making of a 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, 21 May 2015

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Yan Weibin (Chairman), Mr. Lin Jung-chin, Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung, and three independent non-executive directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.

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.