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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

Reference is made to the announcements of Ausnutria Dairy Corporation Ltd (the “**Company**”) dated 12 January 2015 and 16 June 2015 (the “**Announcements**”) in relation to, among others, the Investigation and the Action. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements. The Board wishes to provide more information for the shareholders of the Company and the potential investors to appraise the Investigation and the Action pursuant to Rules 13.51(2) and 13.51B(2) of the Listing Rules.

In late 2014, a Taiwan company listed on the GreTai Securities Market in Taiwan (the “**Complainant**”) which Mr. Lin served as its general manager and chairman from 1994 to 2014 filed a complaint (the “**Complaint**”) against Mr. Lin to the Taipei District Prosecutor Office (the “**Prosecutor Office**”) for an alleged breach of trust. In the Complaint, the Complainant alleged that Mr. Lin, in 2008, without the approval from the board of the Complainant and the knowledge of the Complainant’s employees, licensed out certain of its generic drug products to a company (the “**Licensee**”) at nil consideration and thus caused damages to the Complainant. In the Complaint, the Complainant also alleged that in 2012, there is a License, Manufacturing and Supply Agreement (the “**Agreement**”) signed among the Complainant, the Licensee and a pharmaceutical company. Under the Agreement, the Licensee sub-licensed a number of generic drug products to the pharmaceutical company and the Complainant did contract manufacturing for the pharmaceutical company. The Licensee was entitled to upfront fees and milestone payments from the pharmaceutical company. The Complainant claimed that all the consideration the Licensee received under the Agreement should be paid to the Complainant. The Complainant also alleged that the Licensee was related to Mr. Lin and that was the reason that Mr. Lin licensed the Complainant’s products to the Licensee and Mr. Lin would gain benefits for himself under the arrangement described above.

In response to the Complaint, the Prosecutor Office issued the indictment for violating Articles 171(1)(2) and 171(1)(3) of the Securities and Exchange Act in Taiwan on 16 June 2015.

Regarding the Action, the Board considers that it is pre-mature and inappropriate to presume Mr. Lin have engaged in conducts set out in the Complaint as there is no verdict regarding the Complaint. As such, the Board does not question Mr. Lin's integrity based on the allegation set out in the Complaint only. The Board is of the view that the filing of the Complaint and the issuance of the abovementioned indictment do not indicate Mr. Lin's unsuitability to undertake and discharge his duties as the executive director (the "**Director**") of the Company.

The Board is of the view that appropriate controls and procedures are in place to safeguard the assets of the Company and its subsidiaries (collectively, the "**Group**") in general as it believes that the Group has maintained an effective system of internal controls adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition. Further, no single Director has any sole authority to dispose of any material assets or make any significant divestments in the Group.

Moreover, Mr. Lin has mainly been involved in the strategic development of the Group but not in the Group's daily operations as he has no operational role or position in the Group since his appointment as the executive Director on 12 December 2014. Mr. Lin has not given any sole power or authority to deal with any of the Group's tangible or intangible assets.

The Board will revisit its view on Mr. Lin's suitability to act as the executive Director when there is any further development in connection with the Action and will inform the Company's shareholders and the potential investors as and when required.

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

Changsha City, the People's Republic of China, 21 July 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.