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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE MOU

The Board is pleased to announce that on 23 January 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the MOU with the Vendor in relation to the Proposed Acquisition. Under the Proposed Acquisition, the Purchaser intends to acquire and the Vendor intends to sell the entire equity interests in the Target Company which is principally engaged in the production and sale of paediatric milk formula products and Parties shall agree on the arrangement in respect of the debts and the liabilities of the Target Company.

Pursuant to the MOU, the Purchaser will pay the Vendor the Earnest Money in the sum of RMB10.0 million within five (5) business days after the date of the MOU.

The Board wishes to emphasise that the Proposed Acquisition may or may not proceed. If the Proposed Acquisition is materialised, it may or may not constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company as and when appropriate.

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THE MOU

Date: 23 January 2016

Vendor: Scient International Group Limited

Purchaser: Ausnutria Dairy (China) Co., Ltd.

Subject-matter: the Sale Interests, being the entire equity interests in the Target Company (in particular, apart from the two trademarks of the “Qin” series, all other trademarks and the brand name of the Target Company shall not be included in the Proposed Acquisition)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Consideration

The total consideration for the Sale Interests will be negotiated between the Parties based on the appraised value of the Sale Interests reported under a valuation report to be produced by an independent qualified appraisal company in Hong Kong. Under the MOU, Parties agreed to procure the said valuation report to be produced before 15 February 2016.

Earnest Money

Pursuant to the MOU, the Purchaser will pay the Vendor the Earnest Money in the sum of RMB10.0 million within five (5) business days after the date of the MOU. In the event that the Formal Agreement is entered into, the Earnest Money is agreed to be utilised as part of the consideration for the Proposed Acquisition under the Formal Agreement.

Upon the signing of the MOU, the Vendor will procure the Target Company to cooperate with the Purchaser to seek the pre-approvals for the change of name of the Target Company. If the Formal Agreement is not entered into prior to 29 February 2016 (but subject to the Parties agreeing to a later date) but the Vendor so performed before then, the Vendor is entitled to retain RMB1.0 million of the Earnest Money but must, within five (5) business days after the termination of the MOU, refund the remaining RMB9.0 million of the Earnest Money to the Purchaser.

Pilot-run production

During the period between the date of the MOU and the date of the Formal Agreement, the Target Company shall participate in a one-week pilot-run production upon the request of the Purchaser. The costs of raw materials and expenses in related to the pilot-run production shall be borne by the Purchaser.

Exclusivity

Unless agreed by the other Party in writing, no Party shall approach or negotiate with any third party (that is unrelated to any of the Parties) regarding any transaction relating to the Sale Interests prior to 29 February 2016.

Termination

The MOU is intended to set out the Parties' intention with respect to the Proposed Acquisition and the basis to initiate the due diligence process. The MOU is legally binding on the Parties but it is not intended to create any firm obligation on the Parties with respect to the Proposed Acquisition, which is subject to further negotiation.

The Parties intend to enter into the Formal Agreement before 29 February 2016, but such date may be deferred if the production of the valuation report is delayed. In the event that no Formal Agreement is entered into before 29 February 2016 (or such later date as agreed between the Parties), the Vendor has the right to terminate the MOU.

REASONS FOR THE PROPOSED ACQUISITION

The Company is of the view that the Proposed Acquisition will facilitate the long-term strategic development of the Group as well as to cope with the growing demand of the Group's own brands products in the PRC.

INFORMATION ABOUT THE TARGET COMPANY AND THE VENDOR

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in the production and sale of paediatric milk formula products.

The Vendor is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, it is an indirect wholly-owned subsidiary of Yashili International Holdings Ltd (stock code: 1230), a company listed on the Main Board of the Stock Exchange.

GENERAL

The Board wishes to emphasise that the Proposed Acquisition may or may not proceed. If the Proposed Acquisition is materialised, it may or may not constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Ausnutria Dairy Corporation Ltd (stock code: 1717), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Earnest Money”	the sum of RMB10.0 million
“Formal Agreement”	the formal sale and purchase agreement proposed to be entered into in relation to the Proposed Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and its/their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are parties independent of the Company and connected persons of the Company in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 23 January 2016 and entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
“Parties”	the Purchaser and the Vendor, being the parties to the MOU
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of the entire equity interests in the Target Company by the Purchaser from the Vendor
“Purchaser”	Ausnutria Dairy (China) Co., Ltd., a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Interests”	the entire equity interests in the Target Company which is held by the Vendor as at the date of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	施恩 (中國) 嬰幼兒營養品有限公司 (Scient (China) Baby Nourishment Co., Ltd.*), a company incorporated in the PRC with limited liability. As at the date of this announcement, it is a wholly-owned subsidiary of the Vendor
“Vendor”	Scient International Group Limited, a company incorporated in Hong Kong with limited liability, being the Independent Third Party and the legal and beneficial owner of the Sale Interests
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* *English name of the PRC entity is the literal translation of its Chinese name and is included for identification purpose only.*

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

Changsha City, People’s Republic of China, 24 January 2016

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; two non-executive Directors, namely Mr. Tsai Chang-Hai and Mr. Zeng Xiao-Jun; and three independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.