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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)

**LETTER OF INTENT
FOR PROPOSED ESTABLISHMENT OF
JOINT VENTURE**

The Board is pleased to announce that, on 16 June 2010, Ausnutria Dairy, a wholly-owned subsidiary of the Company and Nutribio entered into a letter of intent for the proposed establishment of Joint Venture. Once the establishment of Joint Venture is realized, the proposed initial total investment amount will be 1 million Euros, which will be contributed by the Company as to 50% in 500,000 Euros cash or currency equivalent and by Nutribio as to 50% by way of the ownership of Trademarks in the agreed sum of 500,000 Euros where the capital contribution will be used for brand marketing and clinical research of products. Nutribio has undertaken that it will develop at least three to four new products every half year and sell to Ausnutria Dairy. An agreement will be entered into between Ausnutria Hunan and the Joint Venture to market the trademark products in the Designated Regions.

Under the Listing Rules, even if the proposed establishment of Joint Venture is realized at the current stage, it will not constitute a notifiable transaction of the Company. The Company will issue a separate announcement in respect of the establishment of Joint Venture in due course in accordance with the Listing Rules.

Shareholders of the Company and/or investors should note that, despite both parties have entered into the binding Letter of Intent, no official document has been executed and the relevant negotiation is still in process, the proposed establishment of Joint Venture may not necessarily realize. Accordingly, shareholders of the Company and/or investors should exercise caution when dealing with the securities of the Company.

The announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The board of directors (the “Board”) of Ausnutria Dairy Corporation Ltd (the “Company”) is pleased to announce that, on 16 June 2010, Ausnutria Dairy Company Limited (“Ausnutria Dairy”), a wholly-owned subsidiary of the Company and France Nutribio SAS (“Nutribio”) entered into a binding letter of intent (the “Letter of Intent”) for the possible establishment of joint venture, Ausnutria Nactalia (the “Joint Venture”).

Once the establishment of Joint Venture is realized, the proposed initial total investment amount will be 1 million Euros, which will be contributed by the Company as to 50% in 500,000 Euros cash or currency equivalent and by Nutribio as to 50% by way of the ownership of the Nactalia and 愛達力 trademarks (the “Trademarks”) in the agreed sum of 500,000 Euros where the capital contribution will be used for brand marketing and clinical research of products. The Joint Venture is intended to be established in Paris, France to allow real-time connection with the dairy and paediatric food products experts and R&D centers in France and Europe and jointly engage in R&D, so as to introduce the latest dairy products to the consumers in the People’s Republic of China (including Hong Kong Special Administrative Region and Macau Special Administrative Region) (the “Designated Regions”). The Joint Venture will establish a board of directors comprising seven members to be appointed by Ausnutria Dairy and Nutribio as to four representatives and three representatives respectively. The chairman of the board will be appointed by Nutribio and the passing of the board resolutions are subject to two-thirds of voting members.

Nutribio has undertaken that it will develop at least three to four new products every half year and sell to Ausnutria Dairy. An agreement will be entered into between 澳優乳品(湖南)有限公司 (“Ausnutria Hunan”), a wholly-owned subsidiary of the Company and the Joint Venture to market the paediatric milk formula products, paediatric supplements, liquid milk products and adult formula milk products (the “Products”) under the Trademarks in the Designated Regions. Ausnutria Dairy and Nutribio agreed to act as the exclusive supplier and exclusive partner in respect of the Products in the Designated Regions for each other. In addition, both parties agreed that, within six months from Nutribio becoming a wholly-owned subsidiary of SODIAAL INTERNATIONAL (“SODIAAL”), the largest French-based cooperative association engaging in dairy production, Ausnutria Dairy or its group members will purchase 10% equity interests of Nutribio at the price agreed between the parties.

Nutribio is a specialized company jointly established by SODIAAL and Entromont Alliance Group (“Entromont”) to engage in the paediatric milk powder, liquid paediatric milk, paediatric cereals, adult milk power, cereal food products, various adult nutritious food products and athlete food products business. It has been engaged in the production and R&D of the above products and the export to 48 countries worldwide since 1983. Nutribio is held as to 50% respectively by each of the above shareholders. On 3 June 2010, SODIAAL officially announced the general offer of Entromont to become the largest dairy manufacturer in France and the fourth largest dairy manufacturer in Europe with a processed milk production of over 5.0 billion litres, a sales amount of 4.0 billion Euros and over 7,500 employees.

To the best of the Directors’ knowledge, and having made all reasonable enquiries, Nutribio and its ultimate beneficial owner are third parties who are independent of and not connected with the Company, its directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Under the Listing Rules, even if the proposed establishment of Joint Venture is realized at the current stage, it will not constitute a notifiable transaction of the Company. The Company will issue a separate announcement in respect of the establishment of Joint Venture in due course in accordance with the Listing Rules.

Shareholders of the Company and/or investors should note that, despite both parties have entered into the binding Letter of Intent, no official document has been executed and the relevant negotiation is still in process, the proposed establishment of Joint Venture may not necessarily realize. Accordingly, shareholders of the Company and/or investors should exercise caution when dealing with the securities of the Company.

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

Changsha City, China, 17 June 2010

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