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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of the Company dated 24 September 2009 relating to the global offering and listing of the Company's shares on the main board of the Stock Exchange. The Board announces that the Company has decided to change the use of proceeds as more particularly set out in this announcement.

Reference is made to the prospectus of Ausnutria Dairy Corporation Ltd (the "**Company**", together with its subsidiaries, the "**Group**") dated 24 September 2009 (the "**Prospectus**") relating to the global offering and the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

USE OF PROCEEDS

It was stated in the section headed "Use of Proceeds" in the Prospectus that the Company intended to use the net proceeds received from the global offering, inter alia, for the following purposes:

1. Approximately 30% of the net proceeds to explore and undertake potential investment opportunities for investing in or acquiring upstream milk powder related assets and/or operations, including potential investments in overseas cattle farms and/or milk powder producers; and to explore and undertake potential cooperation with milk powder producers in order to increase the number of our suppliers;
2. Approximately 30% of the net proceeds to expand the Company's distribution network and strengthen the Company's brand building, marketing and promotional initiatives;
3. Approximately 10% of the net proceeds for enhancing the Company's research and development efforts;
4. Approximately 10% of the net proceeds for complementing the Company's efforts in introducing its new series of organic paediatric nutrition products (including organic paediatric milk formula and organic infant supplements) and new products, and further expanding the range and quality of this series of products;

5. Approximately 10% of the net proceeds to establish two new production lines and to construct a new storage warehouse adjacent to the Company's existing production plant to cater our anticipated business expansion and other supporting facilities; and
6. Approximately 10% of the net proceeds for general working capital purposes.

It was also stated in the section headed "Use of Proceeds" in the Prospectus that the additional net proceeds that the Company received after the exercise of the over-allotment option would be applied in the manner and proportions stated above.

It was further stated in the section headed "Use of Proceeds" in the Prospectus that to the extent that the net proceeds from the global offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in the Company's best interests.

CHANGE IN USE OF PROCEEDS

The board of directors of the Company (the "**Board**") has resolved that the Group will apply the net proceeds according to the intended use as set out in the Prospectus. However, for the net proceeds from the global offering that are not immediately required for the stated purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short term deposits and short term treasury products with licensed banks and authorized financial institutions in Hong Kong and in the People's Republic of China for so long as it is in the Company's best interests.

REASON FOR THE CHANGE

The Board has recently evaluated the management over the unused portion of the net proceeds and the cash flow situation in the near future. As the interest rate offered by licensed banks and authorized financial institutions in Hong Kong is very low, the Board considers that the proceeds will be better utilized in the new manner as stipulated in "Change in Use of Proceeds" before the proceeds is spent for the purpose as said in the "Use of Proceeds" in the Prospectus.

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

8 September 2010
Changsha City, China

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.