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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

This announcement is made by Ausnutria Dairy Corporation Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51B(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

References are made to Company’s announcements dated 12 January 2015, 16 June 2015 and 21 July 2015 (collectively, the “**Announcements**”). Unless the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Announcements.

LATEST DEVELOPMENT AND PROGRESS OF THE ACTION

As disclosed in the Announcements, in response to the Complaint, the Prosecutor Office had issued an indictment (the “**Indictment**”) against Mr. Lin in relation to the Action on 16 June 2015.

The Board has been informed by Mr. Lin that according to Jones Day, the Taiwan legal advisers representing Mr. Lin in the Action (the “**Taiwan Legal Advisers**”), given that the Indictment has been issued against Mr. Lin on 16 June 2015, the District Court of Taipei (the “**Taipei District Court**”) will proceed to conduct the trial of first instance (the “**Trial of First Instance**”), under which a panel consists of three judges will conduct the trial. Before the full trial commences, one of the three judges (the “**Designated Judge**”) will be designated to oversee the procedural matters, issue the first summons and enquire as to whether Mr. Lin will plead guilty to the Indictment. If Mr. Lin pleads guilty to the Indictment, the Taipei District Court will proceed to sentencing. If Mr. Lin pleads not guilty, the Designated Judge will summarise the issues in dispute and determine what evidence shall be admitted and presented before the full panel of the three judges at trial.

During this investigation stage for the trial (the “**Investigation Stage**”), both the Prosecutor Office and Mr. Lin may submit evidence or petition to the court to search for or seize further evidence. The Designated Judge may also on his own initiative grant court orders to such effect. In principle, the Designated Judge will allow all evidence submitted by both the Prosecutor Office and Mr. Lin to be admitted and presented before the full panel.

Upon completion of the investigation of evidence, there will be a final hearing at the end of the trial before the full panel hands down the verdict. If either Mr. Lin or the Prosecutor Office disagrees with the verdict, either party may appeal to the High Court of Taipei within ten days after the verdict is handed down, whose decision can be further appealed to the Supreme Court of Taiwan. According to the Taiwan Legal Advisers, the Trial of First Instance is expected to last for six to twelve months. The Taiwan Legal Advisers expect that the first preparatory hearing of the Trial of First Instance will be fixed and conducted in one month's time.

Mr. Lin has obtained a memorandum dated 5 August 2015 (the "**Memorandum**") issued by the Taiwan Legal Advisers which sets out the latest development and progress of the Action and the Taiwan Legal Advisers' view on the Action, which the Board has been provided with a copy.

ASSESSMENT ON THE OUTCOME OF THE ACTION

According to the Taiwan Legal Advisers, based on the facts presently stand and their review of the relevant documents and evaluation of the evidence available up to the date of the Memorandum, they are of the opinion that the Complainant's accusations are against the facts and the documentations currently available, and the Indictment contains factual misunderstandings. As such, the Taiwan Legal Advisers are of the view that in light of the currently available facts and evidence, there is a reasonable chance that the material accusations in the Complaint may not be able to meet the evidential burden of proof at trial. It follows that there is a reasonable chance that the Taipei District Court may return a verdict of not guilty in favour of Mr. Lin.

SUITABILITY OF MR. LIN TO REMAIN IN OFFICE AS EXECUTIVE DIRECTOR

As disclosed in the Announcements, the issuance of the Indictment does not indicate that Mr. Lin is guilty of the accusations referred to in the Indictment and the Board considers it pre-mature and inappropriate to presume that Mr. Lin has engaged in the conducts so alleged. Further, the Board is of the view that up to the date of this announcement, there has been no real question to the character and integrity of Mr. Lin as required under the Listing Rules which shall prohibit him from acting as executive Director. In forming this view, the Board has taken into account the following factors:

1. Under the criminal laws of Taiwan, until and unless a verdict of guilty against Mr. Lin has been returned by the Taipei District Court, Mr. Lin shall be presumed innocent.
2. According to the Taiwan Legal Advisers, in light of the currently available facts and evidence, there is a reasonable chance that the material accusations in the Complaint may not be able to meet the evidential burden of proof at trial. As a result, there is a reasonable chance that the Taipei District Court may return a verdict of not guilty in favour of Mr. Lin.
3. As set out above in this announcement, the Action is currently at the Investigation Stage and the relevant evidence and documents are being gathered by the Taipei District Court in preparation for the first hearing of the Trial of First Instance, the date of which is yet to be fixed. According to the Taiwan Legal Advisers, given that the Indictment will be contested by Mr. Lin, the verdict will only be handed down by the Taipei District Court after the Trial of First Instance, which is expected to last for six to twelve months.

4. The Action only concerns Mr. Lin in his capacity as the general manager and chairman of the Complainant from 1994 to 2014. The Action per se is not related to the assets, business or operations of the Company in any aspect. The Group will not suffer any loss from the Action whether or not a verdict is returned in favour of Mr. Lin since appropriate controls and procedures, which are more particularly set out below have been, or will be adopted by the Company to safeguard the interest of the Company and its shareholders (the “Shareholders”) as a whole.

MEASURES TO SAFEGUARD THE COMPANY’S AND SHAREHOLDERS’ INTEREST

The Board comprises seven members and exercises its power collectively

No single Director has the power to deal with any important decisions or execute any important documents of the Company without the endorsement of the Board.

The Board comprises a total of four executive Directors and three independent non-executive Directors. In addition to Mr. Lin, there are three more executive Directors, namely Mr. Yan Weibin (“**Mr. Yan**”), who is the chairman of the Board (the “**Chairman**”), Ms. Ng Siu Hung (“**Ms. Ng**”) and Mr. Bartle van der Meer, who is also the chief executive officer of the Company, and three independent non-executive Directors, namely Mr. Qiu Weifa (“**Mr. Qiu**”), Mr. Jason Wan (“**Mr. Wan**”) and Mr. Lau Chun Fai Douglas.

Each of Mr. Yan and Ms. Ng has been acting as executive Director and each of Mr. Qiu and Mr. Wan as independent non-executive Director since the listing of the Company’s shares on 8 October 2009. Given the considerable length of continued service of the majority of the Board, the Board is very familiar with the business and operations of the Group and each of the Directors is fully aware of his/her fiduciary duties, skill, care and diligence owed to the Company and the Shareholders. In no doubt the Board will continue to closely oversee the business and operations of the Group and make collective decisions in respect of the Group after due deliberation with the assistance of the Chief Financial Officer and Company Secretary, and the senior management of the Group.

The Board has a clear segregation of duties. Since his appointment as executive Director on 12 December 2014, Mr. Lin has mainly been involved in the strategic development of the Group but not in the Group’s daily operations and has no operational role or position in the Group. Further, Mr. Lin has not been given any sole power or authority to deal with any of the Group’s tangible or intangible assets.

In addition, the articles of association of the Company (the “**Articles**”) provides the check and balances to ensure that no single Director, including Mr. Lin, can make any important decision or execute any important document related to the Company without the endorsement of the Board.

Suspension of Mr. Lin’s power for executing any documents related to the Company

As set out above, no single Director, including Mr. Lin, has the power to act unilaterally on behalf of the Company, and Mr. Lin has not been given any sole power or authority to deal with any of the Group’s tangible or intangible assets.

To provide more confidence to the Shareholders on the corporate governance of the Company and the Board's determination in safeguarding the interests of the Company and the Shareholders as a whole, although Mr. Lin has never been an authorised signatory for any of the bank accounts of the Group, the Board intends to further suspend Mr. Lin's power for executing any documents related to the Company, whether alone or with other Directors, including but not limited to any contracts or agreements or deeds, documents or instruments to be entered into or executed by the Company, as well as any cheques, promissory notes, drafts, bills of exchange or other instruments, whether negotiable or transferable or not, and all receipts for moneys paid to the Company, etc. until and unless a verdict of not guilty is returned in favour of Mr. Lin by the Taipei District Court.

Following the suspension as abovementioned, the Board intends to immediately publish an internal notice in respect of the suspension such that the Board's decision in respect of the suspension will be duly conveyed within the Group.

Forming of a special committee of the Board

The Board intends to establish a special committee, comprising the Chairman, Mr. Yan, and all the existing independent non-executive Directors, with Mr. Yan as the chairman of the special committee, to consider, assess and decide on whether extra measures or follow up actions should be taken by the Company in light of the progress of the Action to safeguard the Company's and the Shareholders' interest as a whole, and to inform the Shareholders accordingly as and when appropriate on a timely manner.

Forming of a management committee of the Board

As disclosed above, Mr. Lin has mainly been involved in the strategic development of the Group but not in the Group's daily operations and has no operational role or position in the Group since his appointment as executive Director on 12 December 2014.

To further reflect the segregation of duties amongst members of the Board, the Board intends to establish a management committee of the Board, comprising the Chairman, Mr. Yan, the Chief Financial Officer and Company Secretary, and some of the senior management of the Group, with Mr. Yan as the chairman of the management committee, which shall be responsible to supervise the daily operations of the Group. Mr. Lin will not be a member of the management committee and will not involve in the daily operations of the Group.

Appointment of a new Director

The Board is minded to appoint an additional Director, aiming to further diversify the composition of the Board and strengthen the Board's corporate governance and supervisory capabilities, upon identifying the suitable candidate.

Issuing periodic update announcements in respect of the progress of the Action

In order to provide the Shareholders with timely update of the Action and the necessary information for making an informed judgment, the Company intends to issue periodic update announcements in respect of the progress of the Action. Further announcements in addition to the periodic announcements will also be made as and when necessary.

With the aforesaid measures, the Board is confident that the interest of the Company and the Shareholders as a whole will be safeguarded to the largest extent. The Company will closely monitor the progress of the Action and adopt additional measures as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Changsha City, People's Republic of China, 19 August 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.