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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)

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND CHANGE OF SINGLE LARGEST SHAREHOLDER

THE SUBSCRIPTION

The Board is pleased to announce that on 4 April 2018 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and allot and the Subscriber conditionally agreed to subscribe or procure its nominee(s) to subscribe the Subscription Shares at the Subscription Price on the terms and conditions provided in the Subscription Agreement.

The Subscription Shares represents 19.82% of the total number of issued Shares as at the date of this announcement, and 16.54% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares.

The gross proceeds of the Subscription will be HK\$1,289,820,000. The net proceeds of the Subscription, after deduction of the related expenses, will be HK\$1,288,820,000, representing a net price of HK\$5.176 per Subscription Share. The Company intends to apply majority of the net proceeds for the repayment of bank loans and future investments.

THE TRANSFER

The Board is notified by Center Lab that on 4 April 2018 (after trading hours), the Center Lab Group and the Subscriber entered into the Transfer SPA, pursuant to which the Center Lab Group, as the vendor, conditionally agreed to sell and the Subscriber, as the purchaser, conditionally agreed to purchase 130,000,000 Shares (representing 10.35% of the issued share capital of the Company as at the date of this announcement) at a total consideration of HK\$673,400,000.

CHANGE OF SINGLE LARGEST SHAREHOLDER

Immediately before completion of the Subscription and the Transfer, the Subscriber did not own any Shares. Upon completion of the Subscription and the Transfer, the Subscriber will be interested in 379,000,000 Shares, representing 25.18% of the then issued share capital of the Company. The Subscriber will become a substantial Shareholder and the single largest Shareholder upon completion of the Subscription and the Transfer.

GENERAL

The Subscription is subject to the Shareholders' approval. The Subscription Shares will be issued and allotted under the Specific Mandate to be approved by the Shareholders at the EGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

Completion of the Subscription is subject to fulfillment of the conditions precedent set out in the Subscription Agreement and the Subscription may or not may proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EGM

An EGM will be convened and held for, among other things, the Shareholders to consider and, if thought fit, to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to issue and allot the Subscription Shares.

The Center Lab Group, which in aggregate holds 505,931,772 Shares as at the date of this announcement (representing approximately 40.28% of the total number of issued Shares), will abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. Saved as disclosed above, to the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and is required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Subscription; and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, it is expected that the circular will be despatched to the Shareholders on or before 29 June 2018.

THE SUBSCRIPTION

The Board is pleased to announce that on 4 April 2018 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and allot, and the Subscriber conditionally agreed to subscribe or procure its nominee(s) to subscribe the Subscription Shares at the Subscription Price on the terms and conditions provided in the Subscription Agreement.

Subscription Agreement

Principal terms of the Subscription Agreement are set out below:

- Date : 4 April 2018 (after trading hours)
- Parties : (i) the Company, being the issuer; and
- (ii) CITIC Agri Fund Management Co., Ltd. (中信農業產業基金管理有限公司) or its nominee(s), being the Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are independent from the Company.

Subscription Shares

As at the date of this announcement, the Company has 1,256,061,530 Shares in issue. Assuming there will be no change in the total number of issued Shares between the date of this announcement and the issue and allotment of the Subscription Shares, 249,000,000 Subscription Shares represents:

- (i) 19.82% of the total number of issued Shares as at the date of this announcement; and
- (ii) 16.54% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares.

The aggregate nominal value of the Subscription Shares is HK\$24,900,000.

Subscription Price

The Subscription Price of HK\$5.18 per Subscription Share represents:

- (i) a discount of approximately 20.67% to the closing price of HK\$6.53 per Share as quoted on the Stock Exchange on the date of this announcement;
- (ii) a discount of approximately 17.91% to the average closing price of approximately HK\$6.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of this announcement; and
- (iii) a discount of approximately 15.50% to the average closing price of approximately HK\$6.13 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of this announcement.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the recent market price of the Shares. The Board considers that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Subscription shall be conditional upon the fulfilment of the following conditions:

- (i) the Subscriber having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Group by the Subscriber or any of its officers, employees, agents, professional advisers or other agents as the Subscriber in its discretion deems necessary, desirable or appropriate to undertake;
- (ii) all the authorisations, approvals, consents, waivers and permits of the relevant authorities of the relevant jurisdictions which are necessary to give effect to the Subscription Agreement and the Subscription as required by all laws or regulations applicable to the Subscriber having been granted, received and obtained, including without limitation approvals to be issued by the State Administration for Foreign Exchange, the Ministry of Commerce and the National Development and Reform Commission in the PRC;
- (iii) the Listing Committee of the Stock Exchange having granted and having not withdrawn the listing of and permission to deal in the Subscription Shares;
- (iv) the approvals of the relevant investment approval bodies of the Subscriber approving the Subscription and the execution and performance of the Subscription Agreement having been obtained;
- (v) there shall not been any material adverse change (or effect) in the financial, business or trading position of the Group immediately before completion of the Subscription;
- (vi) the warranties of the Company pursuant to the Subscription Agreement remain true and accurate immediately before completion of the Subscription; and
- (vii) the Shareholders (other than those who are required to abstain from voting under the Listing Rules) approving at the EGM for the entering into, execution, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder, including without limitation the issue and allotment of the Subscription Shares to the Subscriber, and giving any other approvals or notifications as may be required under the Listing Rules and other applicable laws.

None of the parties shall have the right to waive any of the conditions (ii), (iii), (iv) and (vii) set out above. The Subscriber may in its absolute discretion at any time before completion of the Subscription waive the conditions (i), (v) and (vi) by notice to the Company and such waiver may be subject to such terms and conditions as may be agreed between the Subscriber and the Company in writing.

If the above conditions remain unsatisfied or are not waived (other than conditions (ii), (iii), (iv) and (vii), which cannot be waived) on or before the Long Stop Date, the Subscription Agreement shall automatically terminate with immediate effect. And each party's rights and obligation shall cease immediately on termination. Such termination shall not affect the rights and obligations of the parties existing before termination.

As at the date of this announcement, none of the above conditions have been fulfilled.

Completion of the Subscription is subject to fulfillment of the conditions set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Completion

Completion shall take place on the fifth Business Day following the due fulfilment (or waiver if applicable) of the conditions (save for the conditions (v) and (vi) set out in the paragraphs headed “The Subscription – Subscription Agreement – Conditions precedent” above, which shall be fulfilled on the date of completion of the Subscription) or such other date or place as the parties to the Subscription Agreement shall agree.

Mandate for the issue of the Subscription Shares

The Subscription is subject to the Shareholders’ approval. The Subscription Shares will be issued and allotted under the Specific Mandate to be approved by the Shareholders at the EGM.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

Ranking of the Subscription Shares

The Subscription Shares will be issued free from all Encumbrances together with all rights attaching to them, including the right to receive all dividends declared and will *rank pari passu* with all other issued Shares in all respects as at the date of issue.

Reasons for and benefits of the Subscription

The Board considers the Subscription will enlarge the shareholder base and significantly strengthen the shareholder profile of the Company by introducing a reputable investor, namely, the Subscriber, which was a professional investment institution jointly established by CITIC Agriculture Investment Co. Ltd and a number of other sound companies established in the PRC. CITIC Agriculture Investment Co. Ltd is wholly-owned by CITIC Group Corporation Ltd. It is expected that the Company will be benefited from the investment opportunities available to CITIC Group Corporation Ltd., which is a large state-owned conglomerate established in the PRC, after the Subscriber becoming the Company’s Shareholders.

The Board also considers that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Board considers that the terms of the Subscription Agreement are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will be HK\$1,289,820,000 and the net proceeds of the Subscription, after deduction of the related expenses, will be HK\$1,288,820,000, representing a net price of HK\$5.176 per Subscription Share. The Company intends to apply majority of the net proceeds for the repayment of bank loans and future investments.

THE TRANSFER

The Board is notified by Center Lab that on 4 April 2018 (after trading hours), the Center Lab Group and the Subscriber entered into the Transfer SPA, pursuant to which the Center Lab Group, as the vendor, conditionally agreed to sell and the Subscriber, as the purchaser, conditionally agreed to purchase 130,000,000 Shares (representing approximately 10.35% of the issued share capital of the Company as at the date of this announcement) at a total consideration of HK\$673,400,000. Pursuant to the Transfer SPA, completion of the Transfer is conditional upon completion of the Subscription.

The Board is also notified that both the Center Lab Group and the Subscriber have agreed that upon completion of the Transfer, the Subscriber is entitled by notice in writing to the Company to require the nomination of over one-third of the Board.

CHANGE OF SINGLE LARGEST SHAREHOLDER

Immediately before completion of the Subscription and the Transfer, the Subscriber did not own any Shares. Upon completion of the Subscription and the Transfer, the Subscriber will be interested in 379,000,000 Shares, representing 25.18% of the then issued share capital of the Company. The Subscriber will become a substantial Shareholder and the single largest Shareholder upon completion of the Subscription and the Transfer.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon completion of the Subscription; and (iii) upon completion of the Subscription and the Transfer:

	As at the date of this announcement		Immediately upon completion of the Subscription		Immediately upon completion of the Subscription and the Transfer	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
The Subscriber	–	–	249,000,000	16.54	379,000,000	25.18
Center Lab Group ^(Note 1)	505,931,772	40.28	505,931,772	33.62	375,931,772	24.98
Mr. Bartle van der Meer ^(Note 2)	162,605,230	12.95	162,605,230	10.80	162,605,230	10.80
Mr. Yan Weibin ^(Note 3)	106,939,085	8.51	106,939,085	7.11	106,939,085	7.11
Public Shareholders	480,585,443	38.26	480,585,443	31.93	480,585,443	31.93
Total	<u>1,256,061,530</u>	<u>100.00</u>	<u>1,505,061,530</u>	<u>100.00</u>	<u>1,505,061,530</u>	<u>100.00</u>

Notes:

1. As at the date of this announcement, Center Lab beneficially owns 361,738,129 Shares. Both BioEngine Capital Inc. and BioEngine Technology Development Inc., which hold 123,355,375 Shares and 20,838,268 Shares respectively, are non-wholly-owned subsidiaries of Center Lab. Accordingly, Center Lab is deemed to be interested in a total of 505,931,772 Shares.
2. As at the date of this announcement, Mr. Bartle van der Meer beneficially owns 400,000 Shares. Dutch Dairy Investments HK Limited, which holds 162,205,230 Shares, is wholly-owned by Dutch Dairy Investments B.V.. Dutch Dairy Investments B.V. is owned as to 50.00% by Fan Deming B.V., which is wholly-owned by Mr. Bartle van der Meer. Accordingly, Mr. Bartle van der Meer is deemed to be interested in a total of 162,605,230 Shares under the SFO.
3. As at the date of this announcement, Mr. Yan Weibin beneficially owns 400,000 Shares. Ausnutria Holding Co. Ltd., which holds 106,539,085 Shares, is wholly-owned by Mr. Yan Weibin. Accordingly, Mr. Yan Weibin is deemed to be interested in 106,939,085 Shares under the SFO.

INFORMATION OF THE GROUP AND THE SUBSCRIBER

The Group

The Company acts as an investment holding company of the Group. The Group is principally engaged in (i) the dairy industry with activities ranging from research and development, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC and other overseas countries; and (ii) research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC, Australia and New Zealand.

The Subscriber

The Subscriber was a professional investment institution jointly established by CITIC Agriculture Investment Co. Ltd. (中信現代農業投資股份有限公司), a wholly-owned subsidiary of CITIC Group Corporation Ltd., and a number of other sound companies established in the PRC. The Subscriber has a large state-owned conglomerate established in the PRC as its shareholder and is principally engaged in investment in agricultural biotechnology and branded consumer products sectors, it is also committed to improve the long-term interests of shareholders of its invested companies.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not raised any funds by way of issue of Shares in the past twelve months before the date of this announcement.

EGM

An EGM will be convened and held for, among other things, the Shareholders to consider and, if thought fit, to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to issue and allot the Subscription Shares.

The Center Lab Group, which in aggregate holds 505,931,772 Shares as at the date of this announcement (representing approximately 40.28% of the total number of issued Shares), will abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. Saved as disclosed above, to the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and is required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Subscription; and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, it is expected that the circular will be despatched to the Shareholders on or before 29 June 2018.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“Center Lab”	Center Laboratories, Inc., one of the existing substantial shareholders, a company incorporated under the laws of Taiwan with limited liability, the shares of which are listed on the GreTai Securities Market in Taiwan (stock code: 4123)
“Center Lab Group”	Center Lab and its non-wholly owned subsidiaries, namely BioEngine Capital Inc. and BioEngine Technology Development Inc.
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company to consider and approve the Specific Mandates
“Encumbrance(s)”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), option, restriction, hypothecation, assignment, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance, priority or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect, and any agreement or obligation to create or grant any of the aforesaid
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4 October 2018, or such other date as may be agreed by the Company and the Subscriber in writing
“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Specific Mandate”	the specific mandates for the issue and allotment of the Subscription Shares to the Subscriber, which is subject to the approval by the Shareholders at the EGM
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	CITIC Agri Fund Management Co., Ltd. (中信農業產業基金管理有限公司), a company incorporated in the PRC
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 4 April 2018 entered into between the Company and the Subscriber
“Subscription Price”	the subscription price of HK\$5.18 per Subscription Share
“Subscription Share(s)”	an aggregate of 249,000,000 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Transfer SPA”	the sale and purchase agreement dated 4 April 2018 entered into between the Center Lab Group and the Subscriber
“Transfer”	the transfer of 130,000,000 Shares from the Center Lab Group to the Subscriber pursuant to the Transfer SPA entered into between the Center Lab Group and the Subscriber
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

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

The PRC, 6 April 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman), 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 Xiaojun; and three independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.