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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Ausnutria Dairy Corporation Ltd**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

- (1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) INCREASE IN AUTHORISED SHARE CAPITAL;
(3) AMENDMENTS TO MEMORANDUM OF ASSOCIATION;
AND
(4) NOTICE OF EGM**

Financial Adviser to the Company

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



The notice convening the EGM of the Company to be held at 8th Floor, Xin Da Xin Building A, No. 168 Huangxing Middle Road, Changsha City, Hunan Province, the PRC on Wednesday, 10 October 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the proxy form and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) if you so wish.

17 September 2018

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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”	the extraordinary general meeting to be convened at 8th Floor, Xin Da Xin Building A, No. 168 Huangxing Middle Road, Changsha City, Hunan Province, the PRC, on Wednesday, 10 October 2018 at 10:00 a.m. by the Company for the purpose of considering and, if thought fit, approving, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares; (ii) the Increase in Authorised Share Capital; and (iii) the amendments to the Memorandum of Association
“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
“Fund A”	長沙鯤信信澳股權投資合夥企業(有限合伙) (Changsha Kunxin Xin’Ao Investment L.P.*), a limited partnership registered in Changsha, Hunan Province, the PRC

DEFINITIONS

“Fund B”	Easter Fund LP, an exempted limited partnership registered in the Cayman Islands
“Fund C”	Easter Fund II LP, an exempted limited partnership registered in the Cayman Islands
“Fund(s)”	collectively, Fund A, Fund B and Fund C
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$150,000,000 divided into 1,500,000,000 Shares to HK\$300,000,000 divided into 3,000,000,000 Shares by creating additional 1,500,000,000 Shares
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares
“Independent Financial Adviser” or “Innovax Capital”	Innovax Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Independent Shareholders”	Shareholders who are not interested or involved in the Subscription Agreement and the transactions contemplated thereunder
“Last Trading Day”	4 April 2018, being the last trading day immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	12 September 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	31 October 2018, or such other date as may be agreed by the Company and the Subscriber in writing
“Memorandum of Association”	memorandum of association of the Company
“PRC”	the People’s Republic of China and for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Specific Mandate”	the specific mandate for the issue and allotment of the Subscription Shares, which is subject to the approval by the Independent 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
“Subscriber Nominee”	Citagri Easter Limited, a company incorporated in the British Virgin Islands, being the designated nominee for taking up the Subscription Shares in accordance with the terms of the Subscription Agreement
“Subscription”	the subscription for the Subscription Shares at the Subscription Price by the Subscriber (or the Subscriber Nominee) pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 4 April 2018 entered into between the Company and the Subscriber in respect of the Subscription
“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 (or the Subscriber Nominee) pursuant to the Subscription Agreement

DEFINITIONS

“Transfer”	the transfer of 130,000,000 Shares from the Center Lab Group to the Subscriber (or the Subscriber Nominee) pursuant to the Transfer SPA entered into between the Center Lab Group and the Subscriber
“Transfer SPA”	the sale and purchase agreement dated 4 April 2018 entered into between the Center Lab Group and the Subscriber in respect of the Transfer
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

For the purpose of this circular, unless otherwise stated, the exchange rate of RMB1 = HK\$1.15 has been used for currency conversion. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$, RMB have been, could have been or may be converted at such rate or any other exchange rate.

* *For identification purpose only*



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)

Directors

Executive Directors:

Mr. Yan Weibin (*Chairman*)

Mr. Bartle van der Meer (*Chief Executive Officer*)

Ms. Ng Siu Hung

Non-executive Directors:

Mr. Tsai Chang-Hai

Mr. Zeng Xiaojun

Independent non-executive Directors:

Ms. Ho Mei-Yueh

Mr. Jason Wan

Mr. Lau Chun Fai Douglas

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Unit 16, 36/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan

Hong Kong

17 September 2018

To the Shareholders

Dear Sirs or Madams,

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(3) AMENDMENTS TO MEMORANDUM OF ASSOCIATION**

INTRODUCTION

Reference is made to the Company's announcements dated 6 April 2018, 3 July 2018 and 31 August 2018 in relation to, among others, the Subscription, the Increase in Authorised Share Capital and the amendments to the Memorandum and Association.

LETTER FROM THE BOARD

On 4 April 2018, 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 249,000,000 Subscription Shares (representing 18.69% of the total number of issued Shares as at the Latest Practicable Date) at a total subscription price of HK\$1,289,820,000, equivalent to the Subscription Price of HK\$5.18 per Subscription Share.

On 4 April 2018, the Board was also notified by Center Lab that, 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, or procure its nominee(s) to, purchase 130,000,000 Shares (representing 9.76% of the total number of issued Shares as at the Latest Practicable Date) 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.

Upon completion of the Subscription and the Transfer, the Subscriber will be interested in 379,000,000 Shares, representing 23.97% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares. The Subscriber (or the Subscriber Nominee) will become a substantial Shareholder and the single largest Shareholder upon completion of the Subscription and the Transfer.

On 22 June 2018, the Company received a letter from the Stock Exchange notifying the Company its decision to deem the Subscriber as a connected person of the Company pursuant to Rules 14A.19 and 14A.20 of the Listing Rules. As such, the Subscription constitutes a connected transaction and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 20 August 2018, the Subscriber notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

On 31 August 2018, the Company and the Subscriber entered into a deed of amendment in relation to the Subscription Agreement, pursuant to which the parties have agreed to, *inter alia*, extend the Long Stop Date to 31 October 2018 or such other date as the Company and the Subscriber may agree in writing.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders, and Innovax Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Subscription.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription; (ii) details of the Increase in Authorised Share Capital; (iii) details of the amendments to the Memorandum of Association; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are set out below.

Date : 4 April 2018

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

Subject matter

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and allot, and the Subscriber conditionally agreed to subscribe or procure its nominee(s) to subscribe 249,000,000 Subscription Shares at the Subscription Price of HK\$5.18 per Subscription Share on the terms and conditions provided in the Subscription Agreement.

On 20 August 2018, the Subscriber notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

Subscription Shares

As at the Latest Practicable Date, the Company has 1,332,250,653 Shares in issue. Assuming there will be no change in the total number of issued Shares between the Latest Practicable Date and the issue and allotment of the Subscription Shares, 249,000,000 Subscription Shares represents:

- (i) 18.69% of the total number of issued Shares as at the Latest Practicable Date; and
- (ii) 15.75% 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 20.67% to the closing price of HK\$6.53 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 17.91% to the average closing price of HK\$6.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of 15.50% to the average closing price of HK\$6.13 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to the Last Trading Day;
- (iv) a discount of 36.05% to the closing price of HK\$8.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of 191.01% over the net asset value of the Company per Share of RMB1.55 (equivalent to HK\$1.78) based on the audited consolidated net assets value of the Company as at 31 December 2017.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares, which ranges from HK\$3.88 to HK\$6.65 per Share over the period from 26 October 2017 to the Last Trading Day. After considering (i) the high volatility of the Share price in the past year; (ii) the large number of the Subscription Shares, which is equivalent to the Shares' total trading volume of over 220 trading days ending on the Last Trading Day; and (iii) the potential positive impact to the Company gained from the strong shareholder profiles of the Subscriber and the Subscriber Nominee, the Board considered that the Subscription Price was fair and reasonable and in the interests of its shareholders as a whole.

After considering the factors above, together with (i) the enhancement in net asset value per Share the Subscription will provide; and (ii) the reasons set out under the section headed "Reasons for and benefits of the Subscription" in this letter, and having referenced to the price to book ratio of the comparable companies, 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;

LETTER FROM THE BOARD

- (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 Latest Practicable Date, save for conditions (i) and (iv), none of the above conditions has been fulfilled.

Completion of the Subscription is subject to fulfilment 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 "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.

LETTER FROM THE BOARD

Upon completion of the Subscription and the Transfer, the Subscriber Nominee will be interested in 379,000,000 Shares, representing 23.97% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares. The Subscriber Nominee will become a substantial Shareholder and the single largest Shareholder upon completion of the Subscription and the Transfer.

The Subscriber has indicated its intention to propose two candidates to the Company as non-executive Directors after completion of the Subscription. As at the Latest Practicable Date, the Subscriber is in the process of identifying suitable candidates in this regard.

Mandate for the issue of the Subscription Shares

The Subscription is subject to the Independent Shareholders' approval. The Subscription Shares will be issued and allotted under the Specific Mandate subject to the approval by the Independent 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 is a professional investment institution jointly established by CITIC Agriculture Technology Co. Ltd (中信農業科技股份有限公司) (formerly known as CITIC Agriculture Investment Co. Ltd. (中信現代農業投資股份有限公司)) (“**CITIC Agriculture**”), a wholly-owned subsidiary of CITIC Limited (stock code: 0267.HK), and a number of state-owned and sound enterprises in the PRC. It is expected that the Company will be benefited from the investment opportunities available to the Subscriber and the aforesaid reputable enterprises after the Subscriber becoming a Shareholder.

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.

LETTER FROM THE BOARD

USE OF PROCEEDS

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\$1,288,570,000, representing a net price of HK\$5.17 per Subscription Share. The Company intends to apply the net proceeds of the Subscription for the following purposes:

- (i) approximately HK\$902.0 million, representing approximately 70% of the net proceeds will be used to repay the short term bank loans and revolving facilities of approximately HK\$0.9 billion as at 30 June 2018, with interest rates ranging from 0.8% to 5.25% per annum and maturity dates on or before June 2019;
- (ii) approximately HK\$257.7 million, representing approximately 20% of the net proceeds will be used for the future investments in relation to the expansion and extension of the Group's infant formula and nutrition businesses; and
- (iii) approximately HK\$128.9 million, representing approximately 10% of the net proceeds will be used as general working capital, of which (a) approximately HK\$38.7 million, representing approximately 3% of the net proceeds, is for research and development of infant formula and nutrition products; (b) approximately HK\$38.7 million, representing approximately 3% of the net proceeds, is for branding and marketing expenses in order to cope with the Group's expansion of business; (c) approximately HK\$38.7 million, representing approximately 3% of the net proceeds, is for advertisement and promotion of own-branded dairy business; and (d) the remaining HK\$12.8 million, representing approximately 1% of the net proceeds, is for working capital (including but not limited to the cost of inventories and general administrative expenses).

THE TRANSFER

As disclosed in the Company's announcement dated 6 April 2018, the Board is notified by Center Lab that on even date, 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, or procure its nominee(s) to, purchase 130,000,000 Shares (representing 9.76% of the total number of issued Shares as at the Latest Practicable Date) at a total consideration of HK\$673,400,000, representing HK\$5.18 per Share. Pursuant to the Transfer SPA, completion of the Transfer is conditional upon completion of the Subscription.

LETTER FROM THE BOARD

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the Company has an authorised share capital of HK\$150,000,000 divided into 1,500,000,000 Shares of HK\$0.1 each, of which 1,332,250,653 Shares are in issue, representing 88.82% of the authorised share capital of the Company, and there are outstanding share options carrying rights to subscribe for aggregate of 24,571,000 Shares as at the Latest Practicable Date.

In order to accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by issuing and allotting Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK\$150,000,000 divided into 1,500,000,000 Shares to HK\$300,000,000 divided into 3,000,000,000 Shares by creating additional 1,500,000,000 Shares. The new Shares shall rank *pari passu* with each other and with the existing Shares in all respects upon issue.

The Increase in Authorised Share Capital is subject to approval by the Shareholders by ordinary resolution at the EGM.

Save for the issue and allotment of the Subscription Shares, the Directors have no present intention of issuing any part of the proposed increased authorised share capital of the Company.

AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION

In view of the Increase in Authorised Share Capital, the Board proposes to amend the capital clause of the Memorandum of Association to reflect the Increase in Authorised Share Capital by deleting the existing clause 8 of the Memorandum of Association and substituting therewith the following:

“8. The share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 of a nominal or par value of HK\$0.1 each.”

The amendments to the Memorandum of Association are subject to approval by the Shareholders by special resolution at the EGM.

LETTER FROM THE BOARD

EFFECT OF THE SHAREHOLDING STRUCTURE

For illustration purpose only, assuming the completions of the Subscription and the Transfer having taken place without taking into account any other new Shares (if any) after the Latest Practicable Date and prior to completion of the Subscription and the Transfer, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Subscription; and (iii) upon completion of the Subscription and the Transfer:

	As at the		Immediately upon		Immediately upon completion	
	Latest Practicable Date		completion of the Subscription		of the Subscription and	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>% (Note 7)</i>	<i>Shares</i>	<i>% (Note 7)</i>	<i>Shares</i>	<i>% (Note 7)</i>
Subscriber Nominee	-	-	249,000,000	15.75	379,000,000	23.97
Center Lab <i>(Note 1)</i>	361,738,129	27.15	361,738,129	22.88	327,940,089	20.74
BioEngine Capital Inc. <i>(Note 1)</i>	123,355,375	9.26	123,355,375	7.80	47,991,683	3.04
BioEngine Technology Development Inc. <i>(Note 1)</i>	20,838,268	1.56	20,838,268	1.32	-	-
Mr. Bartle van der Meer <i>(Notes 2 & 3)</i>	125,005,230	9.38	125,005,230	7.91	125,005,230	7.91
Mr. Yan Weibin <i>(Notes 4 & 5)</i>	119,339,085	8.96	119,339,085	7.55	119,339,085	7.55
Public Shareholders <i>(Note 6)</i>	581,974,566	43.68	581,974,566	36.80	581,974,566	36.80
	<u>1,332,250,653</u>	<u>100.00</u>	<u>1,581,250,653</u>	<u>100.00</u>	<u>1,581,250,653</u>	<u>100.00</u>

Notes:

- As at the Latest Practicable Date, 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.
- The amount represents the number of Shares Mr. Bartle van der Meer is deemed to be interested in under the SFO as at the Latest Practicable Date, and comprises (i) 800,000 Shares he beneficially owns; and (ii) 124,205,230 Shares held by Dutch Dairy Investments HK Limited, a corporation which he indirectly controls. Apart from these, Mr. Bartle van der Meer also holds share options granted by the Company on 21 January 2016 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enable him to further subscribe for 400,000 Shares.
- Dutch Dairy Investments HK Limited, which holds 124,205,230 Shares, is wholly-owned by Dutch Dairy Investments B.V.. Dutch Dairy Investments B.V. is wholly-owned by Fan Deming B.V., which is in turn wholly-owned by Mr. Bartle van der Meer.

LETTER FROM THE BOARD

4. The amount represents the number of Shares Mr. Yan Weibin is deemed to be interested in under the SFO as at the Latest Practicable Date, and comprises (i) 800,000 Shares he beneficially owns; and (ii) 118,539,085 Shares held by Ausnutria Holding Co. Ltd., a corporation which is wholly-owned by him. Apart from these, Mr. Yan Weibin also holds share options granted by the Company on 21 January 2016 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enable him to further subscribe for 400,000 Shares.
5. Ms. Chen Miaoyuan is the spouse of Mr. Yan Weibin and is therefore deemed to be interested in all the Shares in which Mr. Yan Weibin is deemed to be interested.
6. The amount includes the 39,311,500 Shares held by the sole owner of Star Link (as defined below) and the 2,910,000 Shares held by Aeolus Industry (as defined below).
7. The percentages of the Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

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 and the Subscriber Nominee

The Subscriber is a professional investment management institution jointly established by CITIC Agriculture, a wholly-owned subsidiary of CITIC Limited (Stock code: 267.HK), and a number of state-owned and sound companies established in the PRC. The Subscriber 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.

With an aim of further strengthening the Company's shareholders profile, the Subscriber invited certain reputable state-owned enterprises and financial investors to participate in the Subscription through the Subscriber Nominee.

LETTER FROM THE BOARD

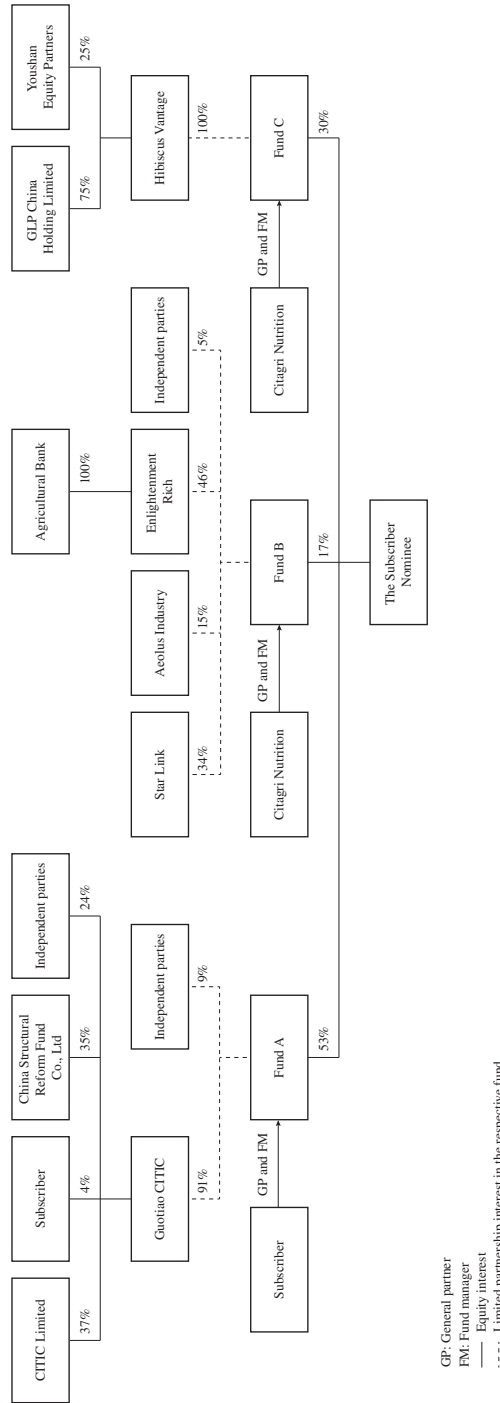
For the purpose of the Subscription, the Subscriber Nominee, which is principally engaged in investment holding, is a special purpose vehicle jointly established by the Funds, and owned as to approximately 53%, 17% and 30% by Fund A, Fund B and Fund C respectively. The Funds, which in turn are jointly invested by (i) Guotiao CITIC Modern Agriculture Investment LP (“**Guotiao CITIC**”) through Fund A; (ii) Enlightenment Rich Limited (“**Enlightenment Rich**”), an indirect wholly-owned subsidiary of Agricultural Bank of China Limited (“**Agricultural Bank**”), through Fund B; (iii) Star Link International Investments Limited (“**Star Link**”), the sole owner of which is an existing Shareholder, through Fund B; (iv) Aeolus Industry Investment Limited (“**Aeolus Industry**”), being an existing Shareholder, through Fund B; (v) Hibiscus Vantage Investment L.P (“**Hibiscus Vantage**”), a limited partnership owned as to 75% by GLP China Holding Limited, through Fund C; and (vi) several independent parties.

Guotiao CITIC, Enlightenment Rich and Hibiscus Vantage each indirectly holds approximately 48%, 8% and 30% beneficial interests, and in aggregate hold approximately 86%, in the Subscriber Nominee respectively. The remaining 14% beneficial interests in the Subscriber Nominee are indirectly held by Star Link, Aeolus Industry and the abovementioned independent parties.

Each of Guotiao CITIC, Enlightenment Rich, Star Link, Aeolus Industry, Hibiscus Vantage and the independent parties is a limited partner of the Funds, while the Subscriber (or through its wholly-owned subsidiary, namely Citagri Nutrition Investment Co., Limited (Cayman) (“**Citagri Nutrition**”)) is the sole general partner and the fund manager of each of the Funds. As such, the Subscriber is vested exclusively with the overall control (as a general partner) and is also responsible for managing the day-to-day affairs (as the fund manager) of each of the Funds.

LETTER FROM THE BOARD

The following chart depicts the corporate structure of the Subscriber Nominee.



Note:

- Each of Guotiao CITIC, Enlightenment Rich, Star Link, Aeolus Industry, Hibiscus Vantage and the independent parties is a limited partner of the respective Funds, while the Subscriber (or through its wholly-owned subsidiary, Citagri Nutrition) is the sole general partners and the fund manager of the Funds.

LETTER FROM THE BOARD

Background of the Funds

Fund A is a limited partnership registered in Changsha, Hunan Province, the PRC. Being one of the limited partners, Guotiao CITIC contributed approximately 91% of the capital commitment of Fund A. Guotiao CITIC is a limited partnership owned as to 41% by CITIC Agriculture and the Subscriber in aggregate and as to 35% by China Structural Reform Fund Co., Ltd (中國國有企業結構調整基金股份有限公司), which is owned by ten state-owned enterprises and financial institutions and entrusted by the State-owned Asset Supervision and Administration Commission of the PRC. The remaining 9% of the capital commitment of Fund A is contributed by several state-owned and independent parties. Upon completion of the Subscription and the Transfer, Fund A will be beneficially interested in 198,671,800 Shares, representing approximately 13% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares.

Fund B is an exempted limited partnership registered in the Cayman Islands. Being the limited partners, Agricultural Bank (through Enlightenment Rich), Star Link and Aeolus Industry contributed approximately 46%, 34% and 15% of the capital commitment of Fund B respectively, while the remaining capital commitment is contributed by several independent parties. Enlightenment Rich is indirectly wholly-owned by Agricultural Bank, a state-owned commercial bank listed on both the Stock Exchange (stock code: 01288.HK) and the Shanghai Stock Exchange (stock code: 601288.SH). It ranks the 40th in Fortune's Global 500 and ranked the 4th in The Banker's "Top 1000 World Banks" list in terms of tier 1 capital in 2018. Upon completion of the Subscription and the Transfer, Fund B will be beneficially interested in 65,036,400 Shares, representing approximately 4% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares.

Fund C is an exempted limited partnership registered in the Cayman Islands. Being a limited partner, Hibiscus Vantage contributes approximately 100% of the capital commitment of Fund C. Hibiscus Vantage is 25% owned by Youshan Equity Partners and 75% owned by New Age Investment Limited. New Age Investment Limited is wholly-owned by GLP China Holdings Limited, which is 66.2% owned by GLP Pte. Ltd. (formerly known as Global Logistic Properties Limited), a company previously listed on Singapore Exchange Limited and subsequently having been privatised since 22 January 2018. GLP Pte Ltd. is a leading global provider of modern logistics facilities and technology-led solutions. Through its network of strategically-located properties, GLP is able to offer both space and technology-led solutions to drive value for its customers. Upon completion of the Subscription and the Transfer, Fund C will be beneficially interested in 115,291,800 Shares, representing approximately 7% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the sole owner of Star Link, who was beneficially interested in 39,311,500 Shares (representing 2.95% of the total number of issued Shares as at the Latest Practicable Date) and Aeolus Industry, which held 2,910,000 Shares (representing 0.22% of the total number of issued Shares as at the Latest Practicable Date), the Subscriber and its subsidiaries, the Subscriber Nominee and their ultimate beneficial owner(s) did not own any Shares.

EQUITY FUND RAISING ACTIVITIES IN THE PART TWELVE MONTHS

The Company has not raised any funds by way of issuing Shares in the past twelve months immediately before the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the sole owner of Star Link and Aeolus Industry, who were interested in 2.95% and 0.22% of the total number of issued Shares as at the Latest Practicable Date, the Subscriber, the Subscriber Nominee and their ultimate beneficial owner(s) are independent from the Company and its connected persons. Nevertheless, as the Subscriber entered into the Subscription Agreement with the Company and entered into the Transfer SPA with the Center Lab Group, the Subscriber has been deemed by the Stock Exchange to be a connected person of the Company pursuant to Rule 14A.19 and Rule 14A.20 of the Listing Rules. As such, the Subscription constitutes a connected transaction and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Center Lab Group, which in aggregate held 505,931,772 Shares as at the Latest Practicable Date, representing 37.98% of the total number of issued Shares, will abstain from voting on the proposed resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

The sole owner of Star Link (who was beneficially interested in 39,311,500 Shares as at the Latest Practicable Date, representing 2.95% of the total number of issued Shares) and Aeolus Industry (which held 2,910,000 Shares as at the Latest Practicable Date, representing 0.22% of the total number of issued Shares) are required to abstain from voting in respect of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder pursuant to Rule 14A.36 of the Listing Rules.

Saved as disclosed above, to the best of the knowledge, information and belief of the Directors, no Director or other Shareholder has material interests in the Subscription and/or the Increase in Authorised Share Capital and is required to abstain from voting on the proposed resolutions to approve (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the Increase in Authorised Share Capital at the EGM; and (iii) the amendments to the Memorandum of Association.

LETTER FROM THE BOARD

EGM

The 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, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares; (ii) the Increase in Authorised Share Capital; and (iii) amendments to the Memorandum of Association.

The notice convening the EGM of the Company to be held at 8th Floor, Xin Da Xin Building A, No. 168 Huangxing Middle Road, Changsha City, Hunan Province, the PRC, on Wednesday, 10 October 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to read the notice of EGM and complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meetings should you so wish.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors, whose view has been included in the section headed "Letter from the Independent Board Committee" in this circular) consider the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, the Subscription is on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares.

The Directors also consider that the Increase in Authorised Share Capital and the amendments to the Memorandum of Association are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Increase in Authorised Share Capital and the amendments to the Memorandum of Association.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares. Innovax Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

Accordingly, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser set out on pages 23 to 41 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholder; and (iii) the general information set out in the Appendix to this circular.

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



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)

17 September 2018

To the Independent Shareholders

Dear Sirs or Madams,

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular dated 17 September 2018 (the “**Circular**”) issued by the Company of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular have the same meanings herein.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on the fairness and the reasonableness of the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares. Innovax Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 5 to 20 of the Circular; (ii) the letter from the Independent Financial Adviser as set out on pages 23 to 41 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares, as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the Appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking account of the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Subscription Shares under the Specific Mandate, are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the granting of the Specific Mandate to issue and allot the Subscription Shares at the EGM.

Yours faithfully

For and on behalf of the

Independent Board Committee

Ms. Ho Mei-Yueh

Mr. Jason Wan

Mr. Lau Chun Fai Douglas

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Innovax Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



To the Independent Board Committee and the Independent Shareholders,

17 September 2018

Dear Sirs,

CONNECTED TRANSACTION – SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the Letter from the Board contained in this circular of the Company dated 17 September 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

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.

On 4 April 2018 (after trading hours), the Board was also notified by Center Lab that, 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, or procure its nominees to, purchase 130,000,000 Shares (representing 9.76% of the issued Shares as at the Latest Practicable Date) at a total consideration of HK\$673,400,000, representing HK\$5.18 per Share. Pursuant to the Transfer SPA, completion of the Transfer is conditional upon completion of the Subscription.

On 22 June 2018, the Company received a letter from the Stock Exchange notifying the Company its decision to deem the Subscriber as a connected person of the Company pursuant to Rule 14A.19 and 14A.20 of the Listing Rules. As such, the Subscription constitutes a connected transaction and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 20 August 2018, the Subscriber notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas, has been formed to advise the Independent Shareholders as to whether the Subscription is fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole and how to vote in the relevant resolutions in the EGM. In our capacity as the Independent Financial Adviser, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The EGM will be convened on 10 October 2018. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolutions at the EGM. Accordingly, (i) the Center Lab Group, which in aggregate hold 37.98% of the total number of issued Shares as at the Latest Practicable Date; (ii) the sole owner of Star Link, who holds 2.95% of the total number of issued Shares as at the Latest Practicable Date; and (iii) Aeolus Industry, who holds 0.22% of the total number of issued Shares as at the Latest Practicable Date, are required to abstain from voting in respect of the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to the independence of Innovax Capital. Accordingly, we are considered to be eligible to give independent advice in respect of the Subscription and the transactions contemplated thereunder.

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects as at the date of the Circular. We have also relied on our discussion with management of the Company regarding the Group and the respective terms of the Subscription, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SUBSCRIPTION

In arriving at our opinion and recommendations on the Subscription, we have taken the following principal factors and reasons into consideration:–

A. Principal business of the Group

The principal business activity of the Company is investment holding. 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, the Netherlands 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 Group sells its products under its own brand names, including *Allnutria*, *A-choice*, *Best-Choice*, *Hyproca 1897*, *Puredo*, *Mygood* and *Eurlate* for cow milk infant formula, and *Kabrita* for goat milk infant formula. Except for *Kabrita* which is distributed globally, most of the own-branded cow milk infant formulas (which are all produced overseas) are principally designated for consumers located in the PRC. The Group also sells its products under contract manufacturing and private label arrangements for its worldwide customers. Since 2016, the Group has expanded into the international nutritional product market through its acquisition of majority interest in *Nutrition Care* (a professional high-end nutritional product brand with production facilities located in Australia).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarizes the audited consolidated statements of profit or loss and other comprehensive income of the Group for the three years ended 31 December 2015, 2016 and 2017 (“**FY2015**”, “**FY2016**” and “**FY2017**”, respectively) and the unaudited consolidated statements of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2017 and 2018 (“**2017H1**” and “**2018H1**” respectively) as extracted from the Company’s annual reports for FY2016 and FY2017 and interim report for 2018H1 (the “**2016 Annual Report**”, the “**2017 Annual Report**” and the “**2018 Interim Report**”, respectively):

	2018H1	2017H1	FY2017	FY2016	FY2015
	<i>RMB’M</i>	<i>RMB’M</i>	<i>RMB’M</i>	<i>RMB’M</i>	<i>RMB’M</i>
Revenue	2,582.4	1,702.9	3,926.5	2,740.3	2,103.5
– Own-branded cow milk infant formula	1,168.7	647.4	1,582.8	1,018.9	665.9
– Own-branded goat milk infant formula	907.8	541.3	1,279.8	798.9	539.9
– Private labels	192.0	238.4	422.0	472.1	274.6
– Nutrition products	52.5	32.6	75.3	11.0	–
– Others	261.4	243.2	566.6	439.4	623.1
Gross profit	1,197.6	713.0	1,690.2	1,124.9	590.0
Profit before tax	394.1	221.9	438.5	297.8	3.8
Profit for the year	336.8	168.0	334.8	234.0	3.1
– Profit attributable to owners of the parent	327.3	153.3	308.1	212.7	50.6
– Profit attributable to non-controlling interests	9.4	14.7	26.7	21.3	(47.5)

Revenue

Own-branded cow milk infant formula – The Group’s revenue from own-branded cow milk infant formula increased by 53.01% from RMB665.9 million in FY2015 to RMB1,018.9 million in FY2016, which accounted for 37.18% of the Group’s total revenue in FY2016. For FY2017, revenue from own-branded cow milk infant formula increased by 55.34% to RMB1,582.8 million as compared to FY2016, which accounted for 40.31% of the Group’s total revenue in FY2017. For 2018H1, the Group generated revenue of RMB1,168.7 million from its own-branded cow milk infant formula, which represented an increase of RMB521.3 million, or 80.52%, as compared to that of 2017H1. Such increase was mainly attributable to, among other things, (i) the continuous increase in demand for infant formula in the PRC; (ii) the increasing recognition of the high quality standards of infant formula manufactured by the Group; (iii) the clear brand positioning and the adjusted business strategies implemented by the Group; and (iv) the high industry entry barrier as a result of the raising industry regulatory standards implemented by the PRC government.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Own-branded goat milk infant formula – The Group’s revenue from own-branded goat milk infant formula increased by 47.97% from RMB539.9 million in FY2015 to RMB798.9 million in FY2016, which accounted for 29.15% of the Group’s total revenue in FY2016. For FY2017, revenue from own-branded goat milk infant formula increased by 60.20% to RMB1,279.8 million as compared to FY2016, which accounted for 32.59% of the Group’s total revenue in FY2017. Such increase was mainly attributable to, among other things, (i) the effective marketing strategy launched by the Group; (ii) the unique formula; and (iii) the unique position and business model of the Group’s upstream supply chain which facilitates the development and manufacture of Kabrita. For 2018H1, the Group generated revenue of RMB907.8 million from its own-branded goat milk infant formula products, representing an increase of RMB366.5 million, or 67.71% as compared with that for the 2017H1.

Private labels – The Group’s revenue from private labels increased by 71.92% from RMB274.6 million in FY2015 to RMB472.1 million in FY2016, which accounted for 17.23% of the Group’s total revenue in FY2016. As disclosed in the 2016 Annual Report, the growth was mainly due to the Group having allocated more of its production capacity in FY2016 to serve private label customers after the completion of the Group’s facilities upgrading plans in the Netherlands in 2015. For FY2017, revenue from private labels decreased by 10.61% to RMB422.0 million from RMB472.1 million in FY2016. Such decrease was mainly due to a higher proportion of the Group’s production capacities allocated to serve the Group’s own-branded infant formula business during the year, which recorded an increase in sales by 57.48% during FY2017. For 2018H1, the Group generated revenue of RMB192.0 million from its private label business, representing a decrease of RMB46.4 million, or 19.46% as compared with that for the 2017H1. The Group explained in its 2018 Interim Report the decrease in revenue of the private label business was due to a higher proportion of the production capacity and resources being allocated to serve the Group’s own-branded dairy business.

Nutrition products – The Group commenced its manufacturing and distribution of nutrition products through the acquisition of the nutrition business in Australia. The acquisition was completed in October 2016 and has derived revenue of RMB11.0 million in FY2016. Since the acquisition, the Group has been active in streamlining the operations of the nutrition business and identifying the key and potential products to be introduced into and launched in overseas markets, particularly the PRC. The Group has also launched a number of nutrition products including *Gut Relief* in late 2016, which has a beneficial effect on the gastrointestinal tract, and *Soforla* in late 2017, a supplement that resolves lactose intolerance in infants. Due to the increasing market demand for the Group’s nutrition products, the nutrition business segment has contributed revenue of RMB75.3 million in FY2017. For 2018H1, the Group generated revenue of RMB52.5 million from its nutrition product business, representing an increase of RMB19.9 million, or 61.04% as compared with that for the 2017H1. The Group disclosed in its 2018 Interim Report that its nutrition products launched in late 2016 and late 2017 generated substantial portion of its revenue from this segment in the 2018H1.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gross profit

The gross profit of the Group amounted to RMB590.0 million in FY2015, which increased to RMB1,124.9 million in FY2016. The gross profit margin of the Group increased from 28.05% in FY2015 to 41.05% in FY2016. As disclosed in the 2016 Annual Report, the increase in gross profit margin in FY2016 was mainly driven by the proportionate increase in the sales of the higher profit margin own-branded business as compared with the other business sectors. Overall contribution to revenue by own-branded business increased from 57.32% in FY2015 to 66.34% in FY2016.

The Group's gross profit for FY2017 amounted to RMB1,690.2 million, representing an increase of 50.25%, when compared with FY2016. The gross profit margin of the Group increased from 41.05% in FY2016 to 43.05% in FY2017. The increase in the gross profit margin of the Group was mainly attributable to the proportionate increase in the sales of the higher profit margin own-branded business as compared with the other business sectors. Overall contribution to revenue by the own-branded business increased from 66.34% in FY2016 to 72.90% in FY2017.

The Group's gross profit for 2018H1 amounted to RMB1,197.6 million, representing an increase of RMB484.6 million, or 67.97%, when compared with that for 2017H1. The Group's gross profit margin for 2018H1 was 46.38%, which was higher than that for 2017H1, being 41.87%. The Group disclosed in its 2018 Interim Report that the increase in the gross profit margin in 2018H1 was mainly attributable to the proportionate increase in the sales of the higher profit margin own-branded dairy business as compared with the other business sectors.

Net profit

The Group's profit attributable to owners of the parent amounted to RMB50.6 million in FY2015, which increased significantly to RMB212.70 million in FY2016. The significant increase in net profit in FY2016 was mainly driven by the increase in revenue of own-branded cow and goat milk-based infant formula as a result of the clear brand positioning and the adjusted business strategy and the increasing market demands for the products of the Group.

For FY2017, the Group's profit attributable to owners of the parent amounted to RMB308.1 million, representing an increase of 44.85% when compared with that for FY2016. As disclosed in the 2017 Annual Report, the improvement in the Group's financial performance was resulted from the continuous growth in the sales of own-branded cow and goat milk infant formula which was driven by the clear brand positioning, the effective business strategy implemented by the Group as well as the increasing market demands for the products of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For 2018H1, the Group's profit attributable to owners of the parent amounted to RMB327.3 million, representing an increase of 113.50% when compared with that for 2017H1. As disclosed in the 2018 Interim Report, the improvement in the Group's financial performance was resulted from, apart from some non-recurring accounting gains, the continuous growth in the sales of own-branded cow and goat milk infant formula which was driven by the clear brand positioning, the effective business strategy implemented by the Group as well as the increasing market demands for the products of the Group.

The following table summarizes the audited consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and the unaudited consolidated statements of financial position of the Group as at 30 June 2018 as extracted from the 2017 Annual Report, the 2016 Annual Report and the 2018 Interim Report:

	2018H1	FY2017	FY2016	FY2015
	<i>RMB' M</i>	<i>RMB' M</i>	<i>RMB' M</i>	<i>RMB' M</i>
Non-current assets	2,604.6	2,402.0	1,386.6	837.1
Current assets	<u>3,605.6</u>	<u>3,219.1</u>	<u>2,537.0</u>	<u>2,193.4</u>
Total assets	<u>6,210.2</u>	<u>5,621.1</u>	<u>3,923.6</u>	<u>3,030.5</u>
Non-current liabilities	859.9	910.9	505.4	228.7
Current liabilities	<u>3,424.8</u>	<u>2,763.2</u>	<u>1,828.6</u>	<u>1,474.3</u>
Total liabilities	<u>4,284.7</u>	<u>3,674.1</u>	<u>2,334.0</u>	<u>1,703.0</u>
Equity attributable to owners of the Company	1,783.8	1,740.5	1,468.0	1,312.6
Non-controlling interests	<u>141.7</u>	<u>206.5</u>	<u>121.6</u>	<u>14.9</u>
Total equity	<u>1,925.5</u>	<u>1,947.0</u>	<u>1,589.6</u>	<u>1,327.5</u>

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As at 31 December 2017, total assets amounted to RMB5,621.1 million and total liabilities amounted to RMB3,674.1 million. Total assets and liabilities went up by 43.26% and 57.42% respectively as compared with those as at 31 December 2016. According to the 2017 Annual Report, the increase in total assets of the Group was mainly due to (i) the purchase of the entire equity interest in ADP Holdings (Australia) Pty Ltd by the Group on 22 May 2017 and the purchase of the 60% equity interest in Youluck International Inc. by the Group on 23 March 2017 and 28 April 2017 respectively, which resulted in an increase in property, plant and equipment, goodwill and other intangible assets of RMB56.4 million, RMB14.9 million and RMB153.4 million, respectively; (ii) the increase in construction in progress as a result of the investments in the Ausnutria Heerenveen Hector B.V., Ausnutria Heerenveen Pluto B.V, a new plant in Rolleston, New Zealand and a new infant formula blending and packaging factory on the Changsha Land made during FY2017 of a total of RMB636.0 million; (iii) the increase in inventories of RMB283.1 million as a result of the increase in the scale of operations of the Group; and (iv) the net increase in cash and cash equivalents and pledged deposits of a total of RMB279.4 million derived mainly from cash generated from operating activities.

The Group recorded net current assets of RMB455.9 million as at 31 December 2017. The Group's outstanding borrowings increased from RMB1,212.6 million as at 31 December 2016 to RMB1,972.2 million as at 31 December 2017, among which the current portion of outstanding borrowings increased by 52.07% to RMB1,158.0 million over the same period. The increase is attributable to the net drawdown of the additional bank loans and other borrowings of a total balance of RMB999.3 million during FY2017. The current ratio of the Group slightly decreased from 1.39 times as at 31 December 2016 to 1.16 times as at 31 December 2017, mainly due to the increase in current liabilities has outweighed the increase in current assets. As at 31 December 2017, total equity attributable to owners of the Company amounted to RMB1,740.5 million represented RMB1.39 per Share based on 1,256,061,530 Shares in issue as at the Latest Practicable Date.

B. Reasons for and possible benefits of the Subscription

As depicted in the Letter from the Board, 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 is a professional investment institution jointly established by CITIC Agriculture Technology Co. Ltd (中信農業科技股份有限公司), a wholly-owned subsidiary of CITIC Limited (stock code: 0267.HK), and a number of state-owned and sound enterprises in the PRC. It is expected that the Company will be benefited from the investment opportunities available to the Subscriber and the aforesaid reputable enterprises after the Subscriber becoming a Shareholder. Further, through the presence of the Subscriber Nominee, the Group's shareholders base is further broadened by the introduction of Agricultural Bank of China Limited, GLP China Holdings Limited and other institutional investors. Further details of the background of the Subscriber and the Subscriber Nominee can be referred to the sub-section headed "The Subscriber and the Subscriber Nominee" in the Letter from the Board.

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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. In this regard, we note that 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\$1,288,570,000, representing a net price of HK\$5.17 per Subscription Share. As discussed in the paragraph headed “F. Financial impacts of the Subscription” below, we concur with the Company’s view on the financial benefits that the Subscription may bring to the Company.

In view of the foregoing, we are of the opinion the reasons for the Subscription is fair and reasonable.

C. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Subscription Shares. Salient terms and conditions of the Subscription Agreement are summarised below. Further details are set out in the Letter from the Board.

(i) Date

4 April 2018 (after trading hours)

(ii) Parties

- (1) the Company, being the issuer; and
- (2) CITIC Agri Fund Management Co., Ltd. or its nominee(s), being the Subscriber

(iii) Number of the Subscription Shares

The Company will issue and the Subscriber will subscribe for 249,000,000 Subscription Shares, which represents (1) 18.69% of the total number of issued shares of the Company as at the Latest Practicable Date; and (2) 15.75% of the total number of issued Shares as enlarged by the issue and allotment of the Subscription Shares.

(iv) Subscription price

The aggregate consideration for the Subscription Shares is HK\$1,289,820,000, representing HK\$5.18 per Subscription Share. As set out in the Letter from the Board, the Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares. The Consideration shall be settled by cash in full.

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(v) Conditions

Completion of the Subscription is conditional upon the fulfilment (or waiver, if applicable) of the conditions precedent as set out in the section headed “Subscription Agreement – Conditions precedent” in the Letter from the Board on or before the Long Stop Date, including but not limited to (a) the obtaining of the approval by the Independent Shareholders at the EGM for the Subscription Agreement and the transactions contemplated thereunder; and (b) the Subscriber having obtained 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.

As at the Latest Practicable Date, save for conditions (i) and (iv) in the sub-section headed “Subscription Agreement – Conditions precedent” in the Letter from the Board, none of the conditions precedent has been fulfilled.

(vi) Completion

Completion of the Subscription shall take place on the fifth (5) Business Day after the fulfilment (or waiver as applicable) of the conditions set out in the Subscription Agreement, or such other date or place as the parties to the Subscription Agreement shall agree.

(vii) 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.

D. Assessment in relation to the Subscription Price

(i) Comparison of the subscription price

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

- (1) a discount of 20.67% to the closing price of HK\$6.53 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (2) a discount of 17.91% to the average closing price of 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 the Subscription Agreement;
- (3) a discount of 15.50% to the average closing price of 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 the Subscription Agreement; and

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- (4) No discount/premium when compared with the consideration price per Share (i.e. HK\$5.18) under the Transfer SPA.

These discounts are compared to the market range of comparable issues set out in the sub-section headed “Comparable issues” of this letter below.

(ii) Share price performance

The chart below illustrates the daily closing Share price per Share for the period from 1 January 2017 up to and including the Latest Practicable Date (the “**Review Period**”).



As illustrated in the chart above, the Share price closed in a range between HK\$2.95 and HK\$11.60 during the Review Period.

During the period from January 2017 to October 2017, the Share price increased steadily from HK\$3.08 (as at 3 January 2017) to HK\$5.25 (as at 6 October 2017). On 6 October 2017, the Company released an announcement in connection with the resignation of its then Director, Mr. Lin Jung-Chin. Thereafter, the Share price dropped significantly from HK\$5.67 (as at 10 October 2017) to HK\$3.88 (as at 20 December 2017) but succeeded in recovering most of the loss in January 2018 and reached HK\$4.84 as at 14 February 2018. Over the period, the Share price experienced an increase of 57.14% in 278 trading days.

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On 14 February 2018 (after trading hours), the Company released an announcement in connection with its acquisition of the remaining equity interest in its non-wholly subsidiary at a maximum consideration of HK\$400.87 million. On 27 March 2018, the Company announced the annual results for FY2017, during which the Company recorded an increase of 43.29% and 44.85% in revenue and profit for the year respectively, when compared to that of FY2016. Since 14 February 2018, the Share price rocketed from HK\$4.84 (as at 14 February 2018) to HK\$6.53 (as at 4 April 2018). Over this 31 trading days, the Share price increased by 34.92%.

On 6 April 2018, the Company released an announcement in connection with the Subscription. Since then, the Share price experienced another wave of increase and reached all-time high closing price of HK\$11.60 as at 30 July 2018. Over this 77 trading days, the Share price increased by 74.70%. On 14 August 2018 (after trading hours), the Company released its interim results for 2018H1, during which the Company recorded an increase of 51.64% and 100.45% in revenue and profit for the period respectively, when compared to that for 2017H1. Despite the above, the Share price retreated gradually to HK\$8.10 (as at the Latest Practicable Date).

In our view, the increase in the Share price over the Review Period was likely to be attributable to the Company's impressive financial performance, and the accelerated surge in Share price from February 2018 to July 2018 indicated a favourable market reaction the Company's recent acquisition and the Subscription.

(iii) Comparable issues

To assess whether the Subscription Price is acceptable, we have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring) which issued a circular regarding a connected transaction involving a share subscription by connected person(s) under specific mandate for the period from 4 April 2017 and up to 3 April 2018, excluding (i) H-share companies whose share capital structure is different from that of the Company as not all the issued shares of H-share company can be traded on the Stock Exchange such as its A-share or domestic shares; (ii) any transactions involving other aspects that may affect pricing considerations such as issues of consideration shares or convertible securities and (iii) issues involving whitewash waiver applications. On this basis, we have identified 13 comparable companies (the "**Comparable Issues**"), which we consider an exhaustive list of relevant comparable companies based on the abovementioned criteria.

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We consider that a review period from 4 April 2017 to 3 April 2018 is appropriate since the comparable analysis are considered for the purpose of taking a general reference for the recent market practice in relation to the setting of subscription prices under similar market conditions. Comparable analysis further back in time may not be indicative of the current market sentiment. It should be noted that the Comparable Issues may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding of the pricing for this type of transaction in Hong Kong under the current market environment, we consider them to be relevant in assessing the fairness and reasonableness of the Subscription Price.

For each of the Comparable Issues identified, we compared the premium and discount, if applicable, of its issue/subscription price to (a) the closing price on the last trading day as set out in the respective announcement; (b) the average closing price for the last five trading days prior to the release of the respective announcement; and (c) the average closing price for the last ten trading days prior to the release of the respective announcement, as summarised in the following table.

Stock code	Company Name	Date of announcement	Premium and discount, if applicable, of the subscription price to		
			closing price per share on the last trading day as set out in the respective announcement (%)	average closing price per share for the last five (5) trading days prior to the release of the respective announcement (%)	average closing price per share for the last ten (10) trading days prior to the release of the respective announcement (%)
0371	Beijing Enterprises Water Group Limited	25/01/18	(1.50%)	(2.20%)	(2.00%)
0299	New Sports Group Limited	10/01/18	(21.88%)	(27.11%)	(31.79%)
0241	Alibaba Health Information Technology Limited	17/11/17	(4.31%)	(6.80%)	(5.12%)
1639	AKM Industrial Company Limited	30/11/17	(7.98%)	(7.29%)	(7.86%)
2668	Pak Tak International Limited	11/10/17	(21.40%)	(20.85%)	(21.13%)
6899	Ourgame International Holdings Limited	12/09/17	0.00%	(0.43%)	(0.59%)
0732	Truly International Holdings Limited	12/09/17	(12.90%)	(13.50%)	(14.60%)
1559	Kwan On Holdings Limited	01/09/17	(4.40%)	(3.70%)	(8.50%)
1908	C&D International Investment Group Limited	30/08/17	(13.10%)	(11.88%)	(10.50%)
0762	China Unicom (Hong Kong) Limited	20/08/17	7.12%	11.45%	12.11%
3639	Yida China Holdings Limited	17/08/17	1.77%	1.77%	1.77%

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Stock code	Company Name	Date of announcement	Premium and discount, if applicable, of the subscription price to		
			closing price per share on the last trading day as set out in the respective announcement (%)	average closing price per share for the last five (5) trading days prior to the release of the respective announcement (%)	average closing price per share for the last ten (10) trading days prior to the release of the respective announcement (%)
1803	Beijing Sports and Entertainment Industry Group Limited	25/07/17	(21.00%)	(20.33%)	(18.60%)
0605	China Financial Services Holdings Limited	17/05/17	(5.60%)	(6.80%)	(7.00%)
		Mean	(8.09%)	(8.28%)	(8.75%)
		Maximum	(21.88%)	(27.11%)	(31.79%)
		Minimum	7.12%	11.45%	12.11%
	The Subscription		(20.67%)	(17.91%)	(15.50%)

11 out of 13 Comparable Issues set out in the table above have generally involved a placing, subscription or issue of new shares at discounts to their respective closing prices on the last trading day as set out in the respective announcements and their respective historical trading prices.

As set out in the table above, the Subscription Price represents (a) a discount of 20.67% to the closing Share price on the Last Trading Day; (b) a discount of 17.91% to the average closing price for the last five consecutive trading days up to the Last Trading Day; and (c) a discount of 15.50% to the average closing price for the last ten consecutive trading days up to the Last Trading Day. These discounts are higher than the mean of discounts of the Comparable Issues for all the benchmark prices. Yet, with due consideration to the surge in Share price before the date of Announcement discussed in paragraph headed “(ii) Share price performance” above and there are Comparable Issues that exhibit deeper discounts when compared with the Subscription, we consider the discounts of the Subscription Price to the benchmark prices are reasonable.

(iv) Peer comparison by reference to price to book ratio

As mentioned in the sub-section headed “Reasons for and possible benefits of the Subscription” above of this letter, 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, the Netherlands 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.

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Accordingly, we have conducted a search on a best effort basis for companies (the “**PBR Comparable Companies**”) primarily listed on the Main Board of the Stock Exchange which, based on their latest published annual reports available as at the date immediately before the Latest Practicable Date, are principally engaged in, among other things, dairy industry. The PBR Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on this criterion.

We have performed an analysis of the Subscription Price based on the historical price to book ratio (“**PBR**”) of the Company and the PBR Comparable Companies. The results are as follows:

Comparable Companies	Stock code	Closing share price as at the date of the Subscription (HK\$)	Net asset value attributable to shareholders per share (HK\$) (Note 1)	Historical PBR (times) (Note 2)
China Mengniu Dairy Company Limited	2319	26.55	6.62	4.01
China Modern Dairy Holdings Limited	1117	1.30	1.31	0.99
Yashili International Holdings Limited	1230	1.88	1.33	1.41
China Shengmu Organic Milk Limited	1432	1.16	0.79	1.47
			Mean	1.97
			Maximum	4.01
			Minimum	0.99
			The Subscription (Note 3)	3.25

Notes:

- Figures are calculated based on (i) the net asset value attributable to shareholders of the Comparable Companies as set out in their respective latest annual results announcement available as at the date immediately prior to the date of the Announcement; and (ii) the number of issued shares as at the respective period/year end, where figures in Renminbi were translated at an exchange rate of RMB1 = HK\$1.15.
- The historical PBRs of the Comparable Companies are calculated based on their respective net asset value attributable to shareholders per share as set out in note 1 above and their respective closing share price as at the date of the Subscription.
- The implied PBR of the Subscription is calculated based on the Subscription Price of HK\$5.18 per Subscription Share and the net asset value attributable to equity shareholders of the Company per Share of HK\$1.594 as at 31 December 2017.

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In general, it would be more favourable for existing shareholders if new shares are issued at higher implied PBR. In a case which new shares are issued at PBR above 1, the share issue will enhance the net assets value per share.

As depicted in the table above, the historical PBRs of the PBR Comparable Companies range from 0.99 time to 4.01 times, with an average of 1.97 times. The implied PBR of the Subscription of 3.25 times is above the mean of the historical PBRs of the PBR Comparable Companies. The implied PBR of the Subscription does not only indicate the Subscription Shares are issued above the mean of the historical PBRs of the PBR Comparable Companies, but also indicate the Subscription enhances the Group's net assets value per Share.

Despite (i) the Subscription Price represents discounts to closing prices of the Shares; and (ii) the discounts as represented by the Subscription Price are higher than the mean of the Comparable Issues, having considered (a) the surge in Share price immediately before the date of the Announcement may distort the comparable results; (b) the Subscription Price represents a substantial premium over the net asset value per Share; (c) the discounts as represented by the Subscription Price are within the range of the Comparable Issues; (d) the implied PBR of the Subscription is above the mean of the historical PBRs of the PBR Comparable Companies; and (e) the Subscription Price is same as the consideration price per Share under the Transfer SPA, we considered the Subscription Price is fair and reasonable as far as the Independent Shareholders are concerned.

E. Use of proceeds

As set out in the sub-section headed "Principal terms of the Subscription Agreement" of this letter above, the Consideration will be settled by cash in full. As depicted in the Letter from the Board, the net proceeds of approximately HK\$1,288.6 million from the Subscription will be applied as follows: (i) 70.00%, or approximately HK\$902.0 million for repayment of loans; (ii) 20.00%, or approximately HK\$257.7 million for future investments; and (iii) the remaining proceeds of 10.00%, or approximately HK\$128.9 million for general working capital.

As to the proceeds that the Company plans to repay its loans, we have reviewed the relevant borrowings and noted (i) the total outstanding interest-bearing bank borrowing amounts to RMB2,144.1 million as at 30 June 2018; and (ii) the borrowings that the Company plans to repay, which amount to approximately HK\$902.0 million, include short-term bank loans and revolving facility. While the relevant short-term bank loans will be due within a year, the short-term revolving facility will be rollover at the end of the interest period (i.e. monthly basis) with the lender's approval. The lender may, at its discretion and always subject to availability of funds, disagree to rollover the drawing at the end of an interest period and require repayment of the loan accordingly. Given the nature of the loans as mentioned above, the amount of interest expense related to the loans and the possible financial effects of the Subscription as described below, we are of the view that the use of proceeds for the Subscription is reasonable and practical.

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F. Financial impacts of the Subscription

(i) Net Asset Value of the Group

As set out in the 2017 Annual Report, the Group's net asset value was RMB1,947.0 million (equivalent to HK\$2,239.1 million at an exchange rate of RMB1 = HK\$1.15) as at 31 December 2017, representing HK\$1.78 per Share based on a total of 1,256,061,530 Shares in issue as at 31 December 2017. The Subscription Price of HK\$5.18 per Subscription Share represents a premium to net asset value per Share of 191.01%. As set out in the section headed "Subscription Shares" in the Letter from the Board, the Subscriber will subscribe for 249,000,000 Shares. Upon completion of the Subscription and assuming there was no change in the share capital of the Company since 1 January 2018 to completion of the Subscription, the net asset value per Share would increase by 31.46% to approximately HK\$2.34 per Share from HK\$1.78 per Share as at 31 December 2017.

(ii) Assets and liabilities

Upon completion of the Subscription and immediately following the repayment of bank loans, the cash level of the Group will be increased by approximately HK\$386.57 million. As such, the Subscription is expected to have a positive impact on the assets of the Group. In the meantime, the Subscription should lower the Group's overall debt level through repayment of loans as depicted above.

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G. Effect on the shareholding structure of the Company

Based on the information provided by the Company, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Subscription; and (iii) upon completion of the Subscription and the Transfer, assuming that no further Shares have been issued or repurchased before completion of the Subscription:

	As at the Latest Practicable Date		Immediately upon completion of the Subscription		Immediately upon completion of the Subscription and the Transfer	
	Number of Shares	Approximate % ^(Note 7)	Number of Shares	Approximate % ^(Note 7)	Number of Shares	Approximate % ^(Note 7)
Subscriber Nominee	-	-	249,000,000	15.75	379,000,000	23.97
Center Lab ^(Note 1)	361,738,129	27.15	361,738,129	22.88	327,940,089	20.74
BioEngine Capital Inc. ^(Note 1)	123,355,375	9.26	123,355,375	7.80	47,991,683	3.04
BioEngine Technology Development Inc. ^(Note 1)	20,838,268	1.56	20,838,268	1.32	-	-
Mr. Bartle van der Meer ^(Notes 2 & 3)	125,005,230	9.38	125,005,230	7.91	125,005,230	7.91
Mr. Yan Weibin ^(Notes 4 & 5)	119,339,085	8.96	119,339,085	7.55	119,339,085	7.55
Public Shareholders ^(Note 6)	581,974,566	43.68	581,974,566	36.80	581,974,566	36.80
	<u>1,332,250,653</u>	<u>100.00</u>	<u>1,581,250,653</u>	<u>100.00</u>	<u>1,581,250,653</u>	<u>100.00</u>

Notes:

- As at the Latest Practicable Date, 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.
- The amount represents the number of Shares Mr. Bartle van der Meer is deemed to be interested in under the SFO as at the Latest Practicable Date, and comprises (i) 800,000 Shares he beneficially owns; and (ii) 124,205,230 Shares held by Dutch Dairy Investments HK Limited, a corporation which he indirectly controls. Apart from these, Mr. Bartle van der Meer also holds share options granted by the Company on 21 January 2016 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enables him to further subscribe for 400,000 Shares.
- Dutch Dairy Investments HK Limited, which holds 124,205,230 Shares, is wholly-owned by Dutch Dairy Investments B.V.. Dutch Dairy Investments B.V. is wholly-owned by Fan Deming B.V., which is in turn wholly-owned by Mr. Bartle van der Meer.
- The amount represents the number of Shares Mr. Yan Weibin is deemed to be interested in under the SFO as at the Latest Practicable Date, and comprises (i) 800,000 Shares he beneficially owns; and (ii) 118,539,085 Shares held by Ausnutria Holding Co. Ltd., a corporation which is wholly-owned by him. Apart from these, Mr. Yan Weibin also holds share options granted by the Company on 21 January 2016 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enables him to further subscribe for 400,000 Shares.

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5. Ms. Chen Miaoyuan is the spouse of Mr. Yan Weibin and is therefore deemed to be interested in all the Shares in which Mr. Yan Weibin is deemed to be interested.
6. The amount includes the 39,311,500 Shares held by the sole owner of Star Link and the 2,910,000 Shares held by Aeolus Industry.
7. The percentages of the Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

Taking into account the table above, the public shareholders' interest will be diluted from 43.68% as at the Latest Practicable Date to 36.80% immediately after completion of the Subscription, representing a dilution of 6.88%. Further, based on the closing price of HK\$6.53 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement, the value dilution of the Subscription is 3.42%. In view of the fact that the Subscription provides an enhancement of net asset value per Share of 31.46%, we concur with the Company's view that the value dilution of the Subscription is acceptable to the Independent Shareholders,

IV. RECOMMENDATION

Having considered the reasons and benefits of the Subscription in the paragraph headed "B. Reasons for and possible benefits of the Subscription"; the positive effects of the Subscription on the Group's net asset value per Share as depicted in the paragraph headed "F. Financial impacts of the Subscription", and that the Subscription Price is fair and reasonable as discussed in the paragraph headed "D. Assessment in relation to the Subscription Price", we concur with the Directors' view that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned, is on normal commercial terms, and is in the interests of the Company and the independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to, and also recommend the Independent Shareholders to, vote in favour of the relevant resolutions in relation to the Subscription at the EGM.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Alvin Wong
Director

Mr. Alvin Wong is a licensed person under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as a responsible officer of Innovax Capital Limited. Mr. Alvin Wong has over 7 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued Shares as at the Latest Practicable Date were, and immediately following the issue of the Subscription Shares will be, as follows:

A. As at the Latest Practicable Date

<i>Authorised share capital</i>	<i>HK\$</i>
<u>1,500,000,000</u> Shares	<u>150,000,000</u>
 <i>Issued and fully paid share capital</i>	
<u>1,332,250,653</u> Shares	<u>133,225,065</u>

B. Immediately following the Increase in Authorised Share Capital and the issue and allotment of the Subscription Shares

<i>Authorised share capital</i>	<i>HK\$</i>
<u>3,000,000,000</u> Shares	<u>300,000,000</u>
 <i>Issued and fully paid share capital</i>	
1,332,250,653 Shares in issue as at the Latest Practicable Date	133,225,065
<u>249,000,000</u> Subscription Shares to be issued and allotted	<u>24,900,000</u>
 <u>1,581,250,653</u> Shares in issue immediately following the issue of the Subscription Shares	 <u>158,125,065</u>

All Shares in issue rank *pari passu* with each other in all respects including the rights as to voting and dividends.

As at the Latest Practicable Date, the number of share options outstanding under the Company's share option scheme, which was approved by the Shareholders on 19 September 2009, was 24,571,000 and the exercise price was HK\$2.45.

Save as disclosed above, no share, options, warrants, conversion rights or any equity or debt securities of the Company were outstanding or were proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

A. Directors' interests in Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("Model Code") were as follows:

Name of Director	Number of shares or underlying Shares ^(Note 1)	Nature of interest	Approximate percentage of issued Shares ^(Note 5)
Mr. Yan Weibin	800,000 (L)	Beneficial owner	0.06%
	400,000 (L)	Beneficial owner ^(Note 2)	0.03%
	118,539,085 (L)	Interest of a controlled corporation ^(Note 3)	8.90%
Mr. Bartle van der Meer	800,000 (L)	Beneficial owner	0.06%
	400,000 (L)	Beneficial owner ^(Note 2)	0.03%
	124,205,230 (L)	Interest of a controlled corporation ^(Note 4)	9.32%
Ms. Ng Siu Hung	666,000 (L)	Beneficial owner	0.05%
	334,000 (L)	Beneficial owner ^(Note 2)	0.03%
Mr. Tsai Chang-Hai	200,000 (L)	Beneficial owner	0.02%
	100,000 (L)	Beneficial owner ^(Note 2)	0.01%
Mr. Zeng Xiaojun	200,000 (L)	Beneficial owner	0.02%
	100,000 (L)	Beneficial owner ^(Note 2)	0.01%
Ms. Ho Mei-Yueh	200,000 (L)	Beneficial owner	0.02%
	100,000 (L)	Beneficial owner ^(Note 2)	0.01%
Mr. Jason Wan	200,000 (L)	Beneficial owner	0.02%
	100,000 (L)	Beneficial owner ^(Note 2)	0.01%
Mr. Lau Chun Fai Douglas	200,000 (L)	Beneficial owner	0.02%
	100,000 (L)	Beneficial owner ^(Note 2)	0.01%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. These are the Shares subject to the exercise of the share options granted by the Company to the Directors on 21 January 2016 under the Company’s share option scheme.
3. The Shares are held by Ausnutria Holding Co Ltd (“**Ausnutria BVI**”), a company wholly-owned by Mr. Yan Weibin. Mr. Yan Weibin is therefore deemed to be interested in 118,539,085 Shares held by Ausnutria BVI under the SFO.
4. The Shares are held by Dutch Dairy Investments HK Limited, which is in turn wholly-owned by Dutch Dairy Investments B.V. (“**DDI**”). DDI is wholly-owned by Fan Deming B.V., which is wholly-owned by Mr. Bartle van der Meer. Mr. Bartle van der Meer is therefore deemed to be interested in 124,205,230 Shares held by Dutch Dairy Investments HK Limited under the SFO.
5. Based on 1,332,250,653 shares of HK\$0.10 each in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

B. Substantial shareholders' interests in Shares

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares <i>(Notes 1 & 2)</i>	Nature of interest	Approximate percentage of issued Shares <i>(Note 9)</i>
Center Laboratories, Inc. <i>(Note 3)</i>	361,738,129 (L)	Beneficial owner	27.15%
	33,798,040 (S)	Beneficial owner	2.54%
	144,193,643 (L)	Interest of a controlled corporation	10.82%
	96,201,960 (S)	Interest of a controlled corporation	7.22%
Beijing State-owned Capital Operations & Management Center <i>(Note 4)</i>	124,205,230 (L)	Interest of a controlled corporation	9.32%
China Securities (International) Finance Company Limited <i>(Note 4)</i>	124,205,230 (L)	Beneficial owner	9.32%
China Securities (International) Finance Holding Company Limited <i>(Note 4)</i>	124,205,230 (L)	Interest of a controlled corporation	9.32%
CSC Financial Co. Ltd. <i>(Note 4)</i>	124,205,230 (L)	Interest of a controlled corporations	9.32%
DDI <i>(Note 5)</i>	124,205,230 (L)	Interest of a controlled corporation	9.32%
Dutch Dairy Investments HK Limited <i>(Note 5)</i>	124,205,230 (L)	Beneficial owner	9.32%
Fan Deming B.V. <i>(Note 5)</i>	124,205,230 (L)	Interest of a controlled corporation	9.32%
BioEngine Capital Inc. <i>(Note 3)</i>	123,355,375 (L)	Beneficial owner	9.26%
Ms. Chen Miaoyuan <i>(Note 8)</i>	119,339,085 (L)	Interest of spouse	8.96%
Ausnutria BVI <i>(Note 6)</i>	118,539,085 (L)	Beneficial owner	8.90%
Babyland Holdings Limited <i>(Note 7)</i>	71,301,949 (L)	Beneficial owner	5.35%
Chengwei Evergreen Capital L.P. <i>(Note 7)</i>	71,301,949 (L)	Interest of controlled corporations	5.35%
Chengwei Evergreen Management, LLC <i>(Note 7)</i>	71,301,949 (L)	Interest of controlled corporations	5.35%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. The letter “S” denotes a person’s “short position” (as defined under Part XV of the SFO) in such Shares.
3. Both BioEngine Capital Inc. and BioEngine Technology Development Inc. are non-wholly-owned subsidiaries of Center Laboratories, Inc.. Center Laboratories, Inc. is therefore deemed to be interested in 123,355,375 Shares and 20,838,268 Shares held by BioEngine Capital Inc. and BioEngine Technology Development Inc., respectively under the SFO.
4. China Securities (International) Finance Company Limited is wholly-owned by China Securities (International) Finance Holding Company Limited. China Securities (International) Finance Holding Company Limited is wholly-owned by CSC Financial Co. Ltd. CSC Financial Co. Ltd is listed on the Main Board of the Stock Exchange (stock code: 6066) and owned as to 37.04% by Beijing State-owned Capital Operations & Management Center.
5. Dutch Dairy Investments HK Limited is wholly-owned by DDI. DDI is wholly-owned by Fan Deming B.V.. Fan Deming B.V. is wholly-owned by Mr. Bartle van der Meer.
6. Ausnutria BVI is wholly-owned by Mr. Yan Weibin. Mr. Yan Weibin is therefore deemed to be interested in 118,539,085 Shares held by Ausnutria BVI under the SFO.
7. Babyland Holdings Limited is owned as to 93.88% by Chengwei Evergreen Capital, L.P. Chengwei Evergreen Capital, L.P. is wholly-owned by Chengwei Evergreen Management, LLC.
8. Ms. Chen Miaoyuan is the spouse of Mr. Yan Weibin. Ms. Chen Miaoyuan is therefore deemed to be interested in 119,739,085 Shares held by Mr. Yan Weibin under the SFO.
9. Based on 1,332,250,653 Shares of HK\$0.10 each in issue as at the Latest Practicable Date.

Other than as disclosed above, as at the Latest Practicable Date, no person (other than Directors and chief executive of the Company) or company had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. FURTHER INFORMATION CONCERNING DIRECTORS

A. Competing interests

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had any business or interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

B. Directors’ service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

C. Directors' interest in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased, or which were proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

D. Directors' interest in contracts

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

7. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinions, letters or advice which are contained in this circular:

Name	Qualifications
Innovax Capital Limited	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Innovax Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report, as the case may be dated 17 September 2018, and reference to its name, and/or its advice in the form and context in which it appears.

As at the Latest Practicable Date, Innovax Capital did not:

- (i) have any shareholding, directly or indirectly, in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Unit 16, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, from the date of this circular up to and including the date of EGM:

- (i) the Subscription Agreement;
- (ii) the deed of amendment in relation to the Subscription Agreement;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 to this circular;
- (iv) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, the text of which is set out on pages 23 to 41 to this circular;
- (v) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (vi) this circular.

9. MISCELLANEOUS

In the event of inconsistency, the English version of this circular shall prevail over the Chinese text.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Ausnutria Dairy Corporation Ltd (the “Company”) will be held at 8th Floor, Xin Da Xin Building A, No. 168 Huangxing Middle Road, Changsha City, Hunan Province, the PRC on Wednesday, 10 October 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, without modifications, the following ordinary resolution of the Company. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 17 September 2018 of which the notice convening the EGM forms part.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional Subscription Agreement dated 4 April 2018 (a copy of which is tabled at the EGM and marked “A” and signed by the chairman of the EGM for identification purpose) entered into between the Company and the Subscriber in relation to the proposed Subscription of a total of 249,000,000 Shares at the Subscription Price of HK\$5.18 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one Director(s) be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Subscription Agreement and the transactions contemplated thereunder and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and

NOTICE OF EGM

- (c) subject to and conditional upon the Listing Committee of Stock Exchange having granted the listing of, and permission to deal in the Subscription Shares, the Directors be and are hereby granted the Specific Mandate which shall entitle the Directors to exercise all the powers of the Company to issue, allot and credit as fully paid, the Subscription Shares, on and subject to the terms and conditions of the Subscription Agreement, providing that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandates(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution.”

2. **“THAT**

- (a) the authorised share capital of the Company be increased from HK\$150,000,000 divided into 1,500,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 3,000,000,000 Shares by the creation of an additional 1,500,000,000 new Shares; and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”

SPECIAL RESOLUTION

3. **“THAT**

- (a) the capital clause of the Memorandum of Association be amended to reflect the Increase in Authorised Share Capital (the “**Amendments**”) by deleting the existing clause 8 of the Memorandum of Association and substituting therewith the following:

“8. The share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 of a nominal or par value of HK\$0.1 each”; and
- (b) the amended and restated Memorandum of Association be filed with the Registrar of Companies to reflect the Amendments”

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

Hong Kong, 17 September 2018

NOTICE OF EGM

Notes:

- (a) The register of members of the Company will be closed from Friday, 5 October 2018 to Wednesday, 10 October 2018, both days inclusive. No transfer of shares of the Company will be registered during that period. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 4 October 2018.
- (b) A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company but must be present in person to represent the member.
- (c) If the appointer is a corporation, the form of proxy must be under its common seal, or under the hand of an officer or attorney duly authorised on its behalf.
- (d) In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude a member from attending and voting at the meeting if he so wishes. In the event that he attends the meeting after having lodged the form of proxy, the form of proxy will be deemed to have been revoked.
- (e) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote and will be accepted to the exclusion of other joint registered holders in respect hereof.