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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)

**MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF EQUITY INTEREST IN HYPROCA DAIRY GROUP B.V.
AND
RESUMPTION OF TRADING**

THE ACQUISITION AGREEMENT

After the Stock Exchange trading hours on 19 July 2011, DDI, the DDI Shareholders, Hyproca Dairy, the Purchaser and the Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares at the Consideration of Euro 10,369,000 (equivalent to approximately HK\$115.51 million). The Sale Shares represent approximately 31.56% of the issued share capital of Hyproca Dairy. The Consideration for the Sale Shares shall be satisfied by the Purchaser as to (i) Euro 7,419,000 by the setting off of the Prepayment; and (ii) Euro 2,950,000 by the issue of the Consideration Shares. Taking into account of the Subscription Shares held by the Purchaser, the Purchaser will be interested in an aggregate of 51% of the issued share capital of Hyproca Dairy upon Completion.

THE SHAREHOLDERS' AGREEMENT

In connection with the Share Purchase, DDI, the DDI Shareholders, Hyproca Dairy, the Purchaser and the Company also entered into the Shareholders' Agreement on 19 July 2011 to regulate their respective rights and obligations in Hyproca Dairy. The Shareholders' Agreement superseded all prior agreements, understandings or arrangement among the shareholders of Hyproca Dairy, including but not limited to the shareholders' agreement entered into among the parties on 3 July 2011 as disclosed in the Announcement. The principal terms of the Shareholders' Agreement are disclosed in the section headed "The Shareholders' Agreement" in this announcement.

LISTING RULES IMPLICATION

The Share Purchase, on its own and when aggregated with the Subscription, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder are therefore subject to the approval by the Shareholders at the EGM by way of poll.

GENERAL

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, DDI, the DDI Shareholders, Hyproca Dairy and their respective associates (as defined under the Listing Rules) do not hold any Shares and no Shareholder is required to abstain from voting in respect of the Share Purchase at the EGM.

A circular containing, among other things, (i) details of the Acquisition Agreement; (ii) the financial and other information of the Group and the Hyproca Dairy Group; and (iii) the notice convening the EGM will be despatched by the Company to the Shareholders. As additional time is required to prepare the information to be included in the circular, including but not limited to the accountants' report on the Hyproca Dairy Group, the circular is expected to be despatched to the Shareholders on or before 30 September 2011.

Trading of the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 20 July 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on 21 July 2011.

Reference is made to the announcements of the Company dated 29 March 2011, 13 June 2011 and 4 July 2011 respectively in relation to, among other things, the entering into of a letter of intent, the Subscription, the Share Purchase and the Prepayment. The Board is pleased to announce that after the Stock Exchange trading hours on 19 July 2011, DDI, the DDI Shareholders, Hyproca Dairy, the Purchaser and the Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares at the Consideration of Euro 10,369,000 (equivalent to approximately HK\$115.51 million). In conjunction with the Acquisition Agreement, the parties also entered into the Shareholders' Agreement to regulate their respective rights and obligations in Hyproca Dairy. Details of the Acquisition Agreement and the Shareholders' Agreement are set out below.

THE ACQUISITION AGREEMENT

Date

19 July 2011

Parties

- (i) DDI, the vendor of the Sale Shares;
- (ii) the DDI Shareholders;
- (iii) Ausnutria Dairy (Dutch) Coöperatief U.A., a wholly-owned subsidiary of the Company, as the purchaser of the Sale Shares;
- (iv) the Company; and
- (v) Hyproca Dairy.

DDI is an investment holding company with limited liability incorporated under the laws of the Netherlands and is interested in approximately 80.56% issued share capital of Hyproca Dairy as at the date of the Acquisition Agreement. The DDI Shareholders are Participatiemaatschappij Heerenveen B.V., Manids B.V. and Elbe B.V. Participatiemaatschappij Heerenveen B.V. is a private equity investment company with limited liability incorporated under the laws of the Netherlands. Each of Manids B.V. and Elbe B.V. is an investment holding company with limited liability incorporated under the laws of the Netherlands. Hyproca Dairy is a private company with limited liability incorporated under the laws of the Netherlands and is principally a holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the common shareholding interest (direct or indirect) in Hyproca Dairy, DDI and its ultimate beneficial owners, the DDI Shareholders and Hyproca Dairy are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares. The Sale Shares represent approximately 31.56% of the existing issued share capital of Hyproca Dairy. Taking into account the Subscription Shares held by the Purchaser, the Purchaser will hold 51% of the issued share capital of Hyproca Dairy upon Completion and Hyproca Dairy will become an indirect non wholly-owned subsidiary of the Company.

Consideration

The Consideration for the Sale Shares is Euro 10,369,000 (equivalent to approximately HK\$115.51 million) and is payable by the Purchaser to DDI in the following manner:

- (i) as to Euro 7,419,000 by the setting off of the Prepayment on the Completion Date; and
- (ii) as to Euro 2,950,000 to be satisfied by the allotment and issuance of 11,000,000 Consideration Shares, credited as fully paid, by the Company to DDI after the Completion Date.

The Consideration has been determined after arm's length negotiations among the parties to the Acquisition Agreement with reference to, among other things, the historical financial performance of the Hyproca Dairy Group, the growth potential of the Hyproca Dairy Group and the potential synergy between the Group's existing business and that of the Hyproca Dairy Group.

Adjustments to the Consideration

Pursuant to the Acquisition Agreement, if the average of net profit after taxation of Hyproca for the two years ended 31 December 2010 and 2011 (as calculated and adjusted in accordance with the terms set out in the Acquisition Agreement and as to be agreed between the Purchaser and DDI or as determined by an independent accountant) (the "**Adjusted Results**") are above or below 10% of Euro 2,600,000, the parties shall adjust the Consideration in accordance with the formula below.

In the event and to the extent that the Adjusted Results exceed Euro 2,600,000 by more than 10%, the difference in excess of 10% multiplied by 10 times, up to a maximum amount of Euro 3,000,000 (the "**Purchaser Adjusted Consideration**") shall be payable by the Purchaser to Hyproca Dairy, provided that the upward adjustment to the consideration for the Subscription Shares as disclosed in the Announcement shall be deducted from the amount payable under the Purchaser Adjusted Consideration.

In the event and to the extent that the Adjusted Results are below Euro 2,600,000 by more than 10%, the difference in excess of 10% multiplied by 10 times and 51% (the "**DDI Adjusted Consideration**") shall be payable by DDI to the Purchaser, provided that the downward adjustment to the consideration for the Subscription Shares as disclosed in the Announcement shall be deducted from the amount payable under the DDI Adjusted Consideration.

The Purchaser Adjusted Consideration or the DDI Adjusted Consideration shall be due to DDI or the Purchaser, as the case may be, within ten Business Days from the date that (i) the audited and consolidated financial statements of the Hyproca Dairy Group for the year ending 31 December 2011 have been adopted by the general meeting of shareholders of Hyproca Dairy; and (ii) the calculation of the Purchaser Adjusted Consideration or the DDI Adjusted Consideration, as the case may be, has become final in accordance with the terms and conditions of the Acquisition Agreement.

Consideration Shares

The Consideration Shares will be issued by the Company to DDI after the Completion Date. Under the Acquisition Agreement, DDI is not entitled, directly or indirectly, without the prior approval of the Company, to (i) sell or transfer any of the Consideration Shares; or (ii) create any encumbrance on any of the Consideration Shares, during a period of six months from the Completion Date.

In the event that no Consideration Shares are allotted and issued by the Company to DDI within three months after the Completion Date, DDI shall have the right to demand a cash compensation in the sum of Euro 2,950,000 from the Company (instead of the issuance of the Consideration Shares), which shall be paid on first demand to DDI. The cash compensation, if required, will be funded by the internal resources of the Group.

Based on the portion of the Consideration of Euro 2,950,000 and the 11,000,000 Consideration Shares to be issued, the issue price per Consideration Share is equivalent to approximately Euro 0.268 (equivalent to approximately HK\$2.99). The issue price of the Consideration Shares was arrived at after arm's length negotiations among the parties to the Acquisition Agreement and taking into account the prevailing trading prices of the Shares.

The issue price of HK\$2.99 per Consideration Share represents:

- (i) a premium of approximately 40.4 % over the closing price of HK\$2.13 per Shares on 19 July 2011 (being the date of the Acquisition Agreement and the last trading day of the Shares immediately prior to the suspension in trading of the Shares pending the release of this announcement);
- (ii) a premium of approximately 39.3 % over the five trading days average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 19 July 2011 of HK\$2.146 per Share;
- (iii) a premium of approximately 36.2% over the ten trading days average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 19 July 2011 of HK\$2.196 per Share; and
- (iv) a premium of approximately 129.3% over the audited net asset value per Shares of HK\$1.304 as at 31 December 2010 (calculated based on the audited total equity of the Group of RMB1,135.67 million (equivalent to approximately HK\$1,362.80 million) and 1,045,000,000 Shares in issue as at that date).

The Consideration Shares represent approximately 1.11% of the existing issued share capital of the Company and approximately 1.10% of the issued share capital of the Company as enlarged by the Consideration Shares. The Consideration Shares, when issued, will rank pari passu with all other Shares in issue as at the date of allotment and issue of the Consideration Shares. The aggregate nominal value of the Consideration Shares to be issued amounts to HK\$1,100,000. The Consideration Shares will be issued pursuant to a specific mandate to be sought from the Shareholders at the EGM.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion of the Share Purchase contemplated under the Acquisition Agreement is conditional upon the fulfilment or waiver (where applicable) of the following conditions:

- (i) all approvals, consents and acts to be obtained or completed before Completion as required under the Listing Rules, the Hong Kong Code on Takeovers and Mergers or as otherwise required by the Stock Exchange or the Securities and Futures Commission of Hong Kong in connection with the Acquisition Agreement and the transactions contemplated thereunder (including the Shareholders' Agreement) have been obtained and completed or, as the case may be, the relevant waiver from

compliance with any of such rules or requirements has been obtained from the Stock Exchange or the Securities and Futures Commission of Hong Kong; and

- (ii) all requisite waivers, consents and approvals from any other relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Acquisition Agreement have been obtained.

The condition (ii) above is waivable at the discretion of the Company. Save as mentioned above, no other condition is waivable by any party. If the above conditions precedent are not satisfied or waived on or before the Long Stop Date, the Acquisition Agreement shall terminate and none of the parties to the Acquisition Agreement shall have any claim against the others. The Long Stop Date may be extended by mutual consent of the Company, the Purchaser, the DDI Shareholders and DDI.

Completion

Completion will take place on the date falling three Business Days after the fulfilment or waiver (as the case may be) of the conditions precedents above, or such other date agreed in writing between the parties to the Acquisition Agreement.

Security

Pursuant to the Acquisition Agreement, DDI will establish a first right of pledge up to a maximum amount of Euro 2,950,000 in favour of the Purchaser over all of its Hyproca Dairy Shares as security for the liability of DDI and the DDI Shareholders in relation to the warranties and indemnities given by DDI and the DDI Shareholders under the Acquisition Agreement. Such right of pledge shall be effective as of the Completion Date and will expire at the later of (i) the date falling three months after the audited and consolidated financial statements of the Hyproca Dairy Group for the year ending 31 December 2011 have been adopted by the general meeting of shareholders of Hyproca Dairy (the “**Expiration Date**”); (ii) the date on which any and all claims in relation to warranties and indemnities given by DDI and the DDI Shareholders in respect of which notice was given by the Purchaser to DDI and the DDI Shareholders prior to the Expiration Date, have been fully and finally settled among the parties or as appears from a final arbitral award or an irrevocable judgement; or (iii) the date on which all the reported deferred tax assets as referred to in the Acquisition Agreement have been effectively realised by the relevant company in the Hyproca Dairy Group.

THE SHAREHOLDERS’ AGREEMENT

In connection with the Share Purchase, DDI, the DDI Shareholders, Hyproca Dairy, the Purchaser and the Company also entered into the Shareholders’ Agreement on 19 July 2011 to regulate their respective rights and obligations in Hyproca Dairy. The Shareholders’ Agreement superseded all prior agreements, understandings or arrangement among the shareholders of Hyproca Dairy, including but not limited to the shareholders’ agreement entered into among the parties on 3 July 2011 as disclosed in the Announcement.

Parties

- (i) DDI;
- (ii) the DDI Shareholders;
- (iii) the Purchaser;
- (iv) the Company; and
- (v) Hyproca Dairy.

Formation of Hyproca Nutrition (Hong Kong) Co. Ltd and Hyproca Nutrition (China) Co. Ltd

Pursuant to the Shareholders' Agreement, in addition to Hyproca Nutrition (Hong Kong) Co. Ltd which has been incorporated in Hong Kong as a wholly-owned subsidiary of Hyproca Dairy, Hyproca Nutrition (China) Co. Ltd will be established in the PRC with 85% equity and 100% voting interests be held by Hyproca Nutrition (Hong Kong) Co. Ltd and 15% equity and non-voting interests being held by the management of Hyproca Nutrition (China) Co. Ltd (the allocation of such interests among the management of Hyproca Nutrition (China) Co. Ltd. is to be further decided by the parties to the Shareholders' Agreement). It is the current intention of the parties that Hyproca Nutrition (Hong Kong) Co. Ltd and Hyproca Nutrition (China) Co. Ltd. will be a marketing and sales platform for nutritional products in consumer packs to the PRC and other Asian countries.

Management of the Hyproca Dairy Group

Pursuant to the Shareholders' Agreement, Hyproca Dairy will have a supervisory board comprising three or five members, of which two or three members (as the case may be) shall be appointed upon the binding nomination by the Purchaser and one or two member(s) (as the case may be) shall be appointed upon the binding nomination by DDI. It is further provided that the chairman of the supervisory board must be a member appointed by the Purchaser. The management board of Hyproca Dairy shall continue to consist of one managing director; and the management team shall consist of five members including the managing director. The general meeting of the shareholders of Hyproca Dairy will appoint the members of the management board by a majority of votes cast in such meeting.

Non-compete undertaking

Each of the DDI Shareholders, Messrs. I. Jorna, Bart Van Der Meer and B. Busser and DDI undertakes towards the each other and the other parties to the Shareholders' Agreement that, subject to the provisions in the Shareholders' Agreement, neither he/it nor his/its Affiliates will (unless with the written approval of the other parties), either alone or jointly with others, whether as principal, agent or manager, shareholder, independent contractor or in any other capacity, directly or indirectly through any other person, for his/its own benefit or that of others during the Restricted Period and other than through the Hyproca Dairy Group:

- (i) engage in or carry out or be concerned or interested in any Restricted Activity in the Prohibited Area in competition with the Hyproca Dairy Group;
- (ii) canvass or solicit or accept orders for the supply of goods or services substantially similar to the Restricted Activity in the Prohibited Area in the normal course of business by the Hyproca Dairy Group from any person who has been a customer of the Hyproca Dairy Group, or induce or seek to induce any person to cease being a customer or supplier of the Hyproca Dairy Group; or
- (iii) in relation to any Restricted Activity in the Prohibited Area, solicit or employ from the Hyproca Dairy Group any (former) director or (former) employee, whether or not this would be a breach of contract on the part of the (former) director or (former) employee.

Each of the Company and the Purchaser undertakes towards the other parties to the Shareholders' Agreement that, subject to the provisions in the Shareholders' Agreement, neither it nor its Affiliates will (unless with the written approval of DDI), either alone or jointly with others, whether as principal, agent or manager, shareholder, independent contractor or in any other capacity, directly or indirectly through any other person, for its own benefit or that of others during the Restricted Period and other than through the Hyproca Dairy Group:

- (i) engage in or carry out or be concerned or interested in any business activities regarding goat milk or goat milk based products in the Prohibited Area; or
- (ii) in relation to any Restricted Activity in the Prohibited Area, solicit or employ from the Hyproca Dairy Group or the subsidiaries any (former) director or (former) employee, whether or not this would be a breach of contract on the part of the (former) director or (former) employee,

provided that the Company or the Purchaser shall not be limited in its opportunities to purchase a company or a group of companies of which part of the business activities consist of activities as described in paragraph (i) above, provided that it shall first offer to sell such part of the business activities as described in paragraph (i) above (either through a share or an asset deal) to a company in the Hyproca Dairy Group, whereby in case the relevant company in the Hyproca Dairy Group chooses not to accept such offer, the Company or the Purchaser shall be free to purchase such company or group of companies and will take reasonable measures to contribute the relevant business activities to the Hyproca Dairy Group.

The restrictions as mentioned above shall not operate to prohibit each party alone or jointly with others from holding a passive interest without operational involvement of up to 25% of the shares of any company or group engaged in any Restricted Activity, the shares of which are listed or dealt in on a recognised stock exchange.

Other major terms of the Shareholders' Agreement

It is provided in the Shareholders' Agreement that subject to the existing contractual arrangements between the Group and its suppliers, the Group will grant the Hyproca Dairy Group a preferred supplier position to supply products to the Company or its Affiliates, provided that the Hyproca Dairy Group is able to supply its products on conditions and requirements satisfactory to the Company.

It is also provided in the Shareholders' Agreement that the resolutions of the management board or the shareholders of Hyproca Dairy (together with those of the management boards of its subsidiaries) regarding certain reserved matters shall be subject to the prior written approval of the general meeting of the shareholders of Hyproca Dairy by virtue of a resolution adopted with a majority of votes or (as the case may be) a majority of at least 80% of votes cast in a meeting where the entire capital of Hyproca Dairy is represented and/or (in respect only of certain reserved matters to be resolved by the management board) the prior written approval of the relevant supervisory board by virtue of a resolution adopted with a majority. These reserved matters include, among others, issuance and repurchase of equity instruments of any of the companies in the Hyproca Dairy Group, amendments to the articles of association of Hyproca Dairy and acquisitions or disposals of assets outside the ordinary course of business.

It is further provided in the Shareholders' Agreement that each of DDI and the Purchaser, being all the shareholders of Hyproca Dairy, shall not, other than with the prior consent of the other party or in accordance with the Shareholders' Agreement:

- (i) for the duration of the Shareholders' Agreement, pledge, grant a right of usufruct or otherwise encumber all or any of the Hyproca Dairy Shares;
- (ii) for a period of five years following 29 March 2011, sell, transfer or otherwise dispose of all or any of its Hyproca Dairy Shares or any (beneficial) interest in its Hyproca Dairy Shares (including through the issuance of depository receipts in respect of its Hyproca Dairy Shares (except in accordance with the Shareholders' Agreement));
- (iii) for the duration of the Shareholders' Agreement, enter into any agreement with respect to the voting rights attached to all or any of its Hyproca Dairy Shares; or
- (iv) for the duration of the Shareholders' Agreement (in the case of (i) and (iii) above), or for a period of five years following 29 March 2011 (in the case of (ii) above), agree, whether conditionally or otherwise, to do any of the foregoing.

Each of the DDI Shareholders has also provided similar undertakings to the Company and the Purchaser as mentioned in paragraphs (i) and (ii) above for a period of five years following 29 March 2011.

Any transfer of the Hyproca Dairy Shares by a shareholder to a third party will be subject to right of first refusal of the other shareholder. Tag along rights to sell at the same time and on the same terms is also provided in the Shareholders' Agreement.

Effective date

The Shareholders' Agreement shall take effect from the Completion Date for an indefinite period and shall cease to have effect in relation to a shareholder of Hyproca Dairy if that shareholder of Hyproca Dairy ceases to hold any Hyproca Dairy Shares and such cessation was in accordance with the provisions of the Shareholders' Agreement.

INFORMATION ON THE HYPROCA DAIRY GROUP

Hyproca Dairy is a private company with limited liability incorporated under the laws of the Netherlands and is principally a holding company. As at the date of the Acquisition Agreement, Hyproca Dairy is owned as to approximately 19.44% by the Purchaser and 80.56% by DDI.

The Hyproca Dairy Group is principally engaged in the dairy industry in the Netherlands with activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products. It also has its own formula milk powder productions and is a leading producer of goat milk powder in the world. Upon Completion, the principal operating subsidiaries of the Hyproca Dairy Group are Hyproca Dairy B.V., Lypack Holding B.V., HB Food Group B.V. and Hyproca Lyempf B.V..

The history of Hyproca Dairy goes back to 1897 when its first factory was established. The factory of Hyproca Dairy B.V. forms the basis of the Hyproca Dairy Group. The factory of Hyproca Dairy B.V. started its first milk powder productions in 1928 and has been producing milk powders since then.

The factory of Lypack Holding B.V. first started its production of baby formulae in 1938. Lypack Holding B.V. and its subsidiaries are experienced and dedicated producers of a wider range of infant formulae of high quality.

HB Food Group B.V. and its subsidiaries specialise in the complete chain of fresh Dutch goat milk from collection from farms to finished products. HB Food Group B.V. is a leading producer of goat milk powder in the world.

The Hyproca Dairy Group also completed the acquisition of certain assets which were previously owned by Lyempf B.V., including the dairy plant for pre-processing of raw milk, two spray dryers with capacity of 27,000 tons of powder, and other related assets such as inventory and trade receivables. These assets were previously employed by Lyempf B.V. for its production of liquid and powder milk products and other dairy products. The assets acquired from Lyempf B.V. is currently owned and operated in the name of Hyproca Lyempf B.V.. As a result of the aforesaid acquisition, the Hyproca Dairy Group is equipped with a full production chain of infant formula milk powder products and other dairy products.

Set out below is the unaudited combined financial information of the Hyproca Dairy Group for the two years ended 31 December 2009 and 2010, prepared using International Financial Reporting Standards and on an as-if basis assuming the Hyproca Dairy Group was in existence for the two years ended 31 December 2009 and 2010:

	For the year ended 31 December			
	2009		2010	
	<i>(Euro million)</i>	<i>(HK\$ million)</i>	<i>(Euro million)</i>	<i>(HK\$ million)</i>
Profit before taxation from continuing operations	2.3	25.6	2.1	23.4
Profit after taxation from continuing operations	1.7	18.9	1.6	17.8

As at 31 December 2010, the unaudited combined equity attributable to owners of Hyproca Dairy amounted to approximately Euro 6.0 million (equivalent to approximately HK\$66.8 million).

REASONS FOR THE ACQUISITION

The Group is principally engaged in the production, marketing and distribution of high-end and premium paediatric nutrition products in the PRC.

It is the Company's business strategy to invest in or acquire upstream milk powder related assets and operations, including investments in overseas cattle farms and/or milk powder producers in order to broaden the Group's milk powder supply sources to diversify the Group's risk in this aspect and to ensure a stable supply of milk powder to cope with the business growth. As announced by the Company on 29 March 2011, the Company, DDI and Hyproca Dairy entered into a letter of intent on 29 March 2011 for the Share Purchase and the Subscription. As further announced by the Company on 13 June 2011, the Company entered into an agreement with DDI, the DDI Shareholders and Hyproca Dairy and advanced the Prepayment to DDI to fund the acquisition of the assets of Lyempf B.V. as mentioned in the paragraph headed "Information on the Hyproca Dairy Group" above in this announcement. On 30 June 2011, the Purchasers subscribed for the Subscription Shares and the Group secured an equity interest in Hyproca Dairy, details of which are disclosed in the Announcement.

After completion of the Subscription, the Company has continued its negotiations with DDI with a view to acquiring a controlling stake in Hyproca Dairy. Given the potential synergies among the businesses of the Group and those of the Hyproca Dairy Group, the Company considers that the Acquisition is in the long-term interests of the Group. The Directors are therefore of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole. Upon Completion, Hyproca Dairy will be accounted for as an indirect no wholly-owned subsidiary of the Company and its financial results will be consolidated in the financial statements of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares, assuming there is no other changes in the shareholding structure of the Company after the date hereof:

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	No. of Shares	% to total	No. of Shares	% to total
All Harmony International Limited (Note 1)	107,000,000	10.84	107,000,000	10.72
Brave Leader Limited (Note 2)	214,646,000	21.74	214,646,000	21.50
Silver Castle International Limited (Note 3)	60,000,000	6.08	60,000,000	6.01
Ausnutria Holding Co. Ltd (Note 4)	200,000,000	20.26	200,000,000	20.04
	<hr/>	<hr/>	<hr/>	<hr/>
	581,646,000	58.92	581,646,000	58.27
DDI	–	–	11,000,000	1.10
Other public Shareholders	405,514,000	41.08	405,514,000	40.63
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>987,160,000</u>	<u>100.00</u>	<u>998,160,000</u>	<u>100.00</u>

Notes:

1. All Harmony International Limited is owned as to 49.22% by Mr. Chen Yuanrong (an executive Director) and 20 former and present employees of the Group.
2. Brave Leader Limited is owned as to 59.57% by Mr. Wu Yueshi (“Mr. Wu”, an executive Director), 30.67% by Ms. Wu Xing Xing (“Ms. X Wu”, the elder sister of Mr. Wu) and 9.76% by Mr. Yan Weibin (“Mr. Yan”, an executive Director).
3. Silver Castle International Limited is owned as to 59.57% by Mr. Wu, 30.67% by Ms. X Wu and 9.76% by Mr. Yan.
4. Ausnutria Holding Co. Ltd. is owned as to 60% by Mr. Wu, 30% by Mr. Yan and 10% by Ms. Xiong Fanyi (the spouse of Mr. Wu).

LISTING RULES IMPLICATION

The Share Purchase, on its own or when aggregated with the Subscription, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder are therefore subject to the approval by the Shareholders at the EGM by way of poll.

GENERAL

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, DDI, the DDI Shareholders, Hyproca Dairy and their respective associates (as defined under the Listing Rules) do not hold any Shares and no Shareholder is required to abstain from voting in respect of the Share Purchase at the EGM.

A circular containing, among other things, (i) details of the Acquisition Agreement; (ii) the financial and other information of the Group and the Hyproca Dairy Group; and (iii) the notice convening the EGM will be despatched by the Company to the Shareholders. As additional time is required to prepare the information to be included in the circular including but not limited to the accountants' report on the Hyproca Dairy Group, the circular is expected to be despatched to the Shareholders on or before 30 September 2011.

Trading of the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 20 July 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on 21 July 2011.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

“Acquisition Agreement”	the acquisition agreement dated 19 July 2011 and entered into among DDI, the DDI Shareholders, the Purchaser, the Company and Hyproca Dairy in relation to the Share Purchase
“Affiliate”	with respect to any party, any person (or persons acting in concert) directly or indirectly (a) having control over that party; or (b) under control of that party at any time during the period for which determination of Affiliate(s) is made
“Announcement”	the announcement of the Company dated 4 July 2011 in relation to the Subscription
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday or a Sunday on which banks are open for the transaction of regular business in Amsterdam, the Netherlands, Hong Kong and Beijing, the PRC
“Company”	Ausnutria Dairy Corporation Ltd (澳優乳業股份有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1717)

“Completion”	completion of the Share Purchase
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	Euro 10,369,000 (equivalent to approximately HK\$115.51 million), being the total consideration for the Sale Shares (subject to adjustment)
“Consideration Shares”	11,000,000 new Shares to be issued by the Company to DDI pursuant to the Acquisition Agreement
“DDI”	Dutch Dairy Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands
“DDI Shareholders”	collectively Participatiemaatschappij Heerenveen B.V., Manids B.V. and Elbe B.V., being all the existing shareholders of DDI
“Director(s)”	the director(s) of the Company (including independent non-executive director(s))
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
“Euro”	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hyproca Dairy”	Hyproca Dairy Group B.V., a private company with limited liability incorporated under the laws of the Netherlands
“Hyproca Dairy Group”	Hyproca Dairy and its subsidiaries from time to time
“Hyproca Dairy Share(s)”	ordinary shares with a nominal value of Euro 4.54 each in the capital of Hyproca Dairy

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2012, being the long stop date of the Acquisition Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prepayment”	the total sum of EUR7,419,000 (equivalent to approximately HK\$82.65 million) advanced by the Company to DDI pursuant to the terms of the agreement dated 31 May 2011 entered into among the Company, DDI, the DDI Shareholders and Hyproca Dairy
“Prohibited Area”	the countries in which the Hyproca Dairy Group is active or is concretely planning to be active as at the date of the Shareholders’ Agreement
“Purchaser”	Ausnutria Dairy (Dutch) Coöperatief U.A., a wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands
“Restricted Activity”	the business as conducted by the Hyproca Dairy Group as at the date of the Shareholders’ Agreement
“Restricted Period”	(i) an initial three-year period after the Completion Date; (ii) the period during which a relevant party to the Shareholders’ Agreement directly or indirectly holds Hyproca Dairy Shares; and (iii) thereafter a two-year period from the date on which the relevant party to the Shareholders’ Agreement ceases to, directly or indirectly, hold Hyproca Dairy Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	284,000 existing Hyproca Dairy Shares, representing approximately 31.56% of the existing issued share capital of Hyproca Dairy
“Share Purchase”	the purchase of the Sale Shares by the Purchaser from DDI pursuant to the Acquisition Agreement
“Share(s)”	ordinary shares with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shareholders’ Agreement”	the shareholders’ agreement dated 19 July 2011 entered into among DDI, the DDI Shareholders, the Purchaser, the Company and Hyproca Dairy in relation to, among others, the rights and obligation of the shareholders of Hyproca Dairy
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Purchaser on 30 June 2011
“Subscription Shares”	175,000 Hyproca Dairy Shares subscribed for by the Purchaser on 30 June 2011
“%”	per cent.

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

Changsha, China, 20 July 2011

For the purpose of illustration only, amounts in Euro in this announcement have been translated into HK\$ at the rate of Euro 1 = HK\$11.14 and amounts in RMB have been translated into HK\$ at the rate of RMB 1 = HK\$1.20. These exchange rates are adopted for illustration purpose only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rates or at all.

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wu Yueshi, Mr. Yan Weibin, Mr. Chen Yuanrong and Ms. Ng Siu Hung, and three independent non-executive Directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.