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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 TRANSACTIONS IN RELATION TO
THE GRANTING OF CALL OPTION AND
PROVISION OF SHAREHOLDER LOAN; AND
(2) CHANGE OF DIRECTORS**

The Call Option Agreement

The Board is pleased to announce that on 7 June 2013, the Call Option Agreement was entered into between, amongst others, DDI (as the grantor), the Company, and Ausnutria (Dutch) (as the grantee). Pursuant to the Call Option Agreement, DDI has granted to Ausnutria (Dutch) the Call Option at a premium of HK\$1.00, which was paid by Ausnutria (Dutch) to DDI at the date of the Call Option Agreement. Ausnutria (Dutch) has the right to assign the Call Option to the Company or its designated nominee by sending a written notification of such assignment to DDI. The Call Option is exercisable at the sole discretion of Ausnutria (Dutch) at any time during the Option Period by giving the Call Option Notice to require DDI to sell to Ausnutria (Dutch) the AH Shares, i.e. the remaining 49% equity interests held by DDI. As at the date of this announcement, Ausnutria Hyproca is an indirectly 51% owned subsidiary of the Company. In the event that Ausnutria (Dutch) or its designated nominee exercises the Call Option, the Company is required to issue the Consideration Shares to DDI, representing approximately 17% of the enlarged issued share capital of the Company upon the issue of the Consideration Shares, as the consideration for the acquisition of the AH Shares. Subject to Completion taking place, Ausnutria Hyproca will become an indirectly wholly-owned subsidiary of the Company.

The Shareholder Loan Agreement

Further, on 7 June 2013, Ausnutria (Dutch) has provided the Shareholder Loan of EURO seven (7) million (equivalent to approximately HK\$71.84 million) to Ausnutria Hyproca

pursuant to the Shareholder Loan Agreement. The term of the Shareholder Loan shall be twelve (12) months from the date of granting the Shareholder Loan, which can be further extended for twelve (12) months at the unilateral right of Ausnutria Hyproca in accordance with the same term of the Call Option Agreement.

Listing Rules implications

As at the date of this announcement, DDI holds (i) 49% equity interests in Ausnutria Hyproca, which is an indirectly 51% owned subsidiary of the Company, and (ii) 11,000,000 Shares, representing approximately 1.11% of the issued Shares. In addition, Mr. Bartle van der Meer is a controlling shareholder of DDI and was appointed as an executive Director and chief executive officer of the Company on the same date of the Call Option Agreement. Therefore Mr. Bartle van der Meer, DDI and Ausnutria Hyproca are connected persons of the Company under the Listing Rules.

Accordingly, each of the granting of the Call Option to Ausnutria (Dutch) by DDI and the provision of the Shareholder Loan by Ausnutria (Dutch) to Ausnutria Hyproca constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Call Option are less than 0.1%, the granting of the Call Option to Ausnutria (Dutch) is exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.31(2)(a) of the Listing Rules.

As the relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Shareholder Loan are less than 5%, the provision of the Shareholder Loan is exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.66(2)(i) of the Listing Rules.

Upon the exercise of the Call Option, the Company will comply with the applicable Listing Rules, including the making of further announcements and the obtaining of approvals from the independent Shareholders and the Stock Exchange in relation to the acquisition of the AH Shares and the issue of the Consideration Shares (where required).

Change of Directors

Mr. Wu Yueshi (伍躍時) has resigned as an executive Director and chairman of the Board with effect from 7 June 2013. Upon his resignation, Mr. Wu also ceased to be a member and the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 7 June 2013. Mr. Wu also resigned from other positions within the Group with effect from 7 June 2013.

Mr. Chen Yuanrong (陳遠榮) has resigned as an executive Director and chief executive

officer of the Company with effect from 7 June 2013. Mr. Chen has also resigned from other positions within the Group with effect from 7 June 2013.

Mr. Bartle van der Meer has been appointed as an executive Director and chief executive officer of the Company with effect from 7 June 2013. Mr. Dai Li (戴理) has been appointed as a non-executive Director with effect from 7 June 2013.

Mr. Yan Weibin (顏衛彬), the executive Director, has been appointed in place of Mr. Wu as the chairman of the Board, a member and the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 7 June 2013.

General

At the Company's request, trading in the Shares was suspended from 9:00 a.m. on 29 March 2012, and will remain suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. The publication of this announcement does not warrant any approval from the Stock Exchange on the Resumption. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.

THE CALL OPTION AGREEMENT

Reference is made to the Company's announcement dated 30 November 2012, in relation to the letter of intent entered into among the Company, Ausnutria (Dutch), DDI and Ausnutria Hyproca, pursuant to which, Ausnutria (Dutch) and the Company have expressed their intention to acquire 49% equity interests in Ausnutria Hyproca from DDI by way of a share swap of the issue of new Shares to DDI.

The Board is pleased to announce that on 7 June 2013, the Call Option Agreement was entered into between, amongst others, DDI, as the grantor, the Company, and Ausnutria (Dutch) as the grantee.

The details of the Call Option Agreement are as follows:

| | | |
|---------|---|--|
| Date | : | 7 June 2013 |
| Parties | : | DDI, as the grantor Ausnutria (Dutch), as the grantee the Company Ausnutria Hyproca |

PMH
Manids
Elbe

Subject matter : DDI grants to Ausnutria (Dutch) the Call Option, subject to the terms and conditions contained in the Call Option Agreement, which is exercisable at the sole discretion of Ausnutria (Dutch) or its designated nominee (including the Company) at any time during the Option Period by giving the Call Option Notice, to require DDI to sell the AH Shares to Ausnutria (Dutch) or its designated nominee.

Ausnutria (Dutch) has the right to assign the Call Option to the Company or its designated nominee, by sending a written notification of such assignment to DDI.

As at the date of this announcement, Ausnutria Hydroca is an indirectly 51% owned subsidiary of the Company. In the event that Ausnutria (Dutch) or its designated nominee exercises the Call Option and, subject to Completion taking place, Ausnutria Hydroca will become an indirectly wholly-owned subsidiary of the Company.

Consideration for acquiring of the Call Option : A premium of HK\$1.00 was paid by Ausnutria (Dutch) to DDI upon signing of the Call Option Agreement, the receipt of which was acknowledged by DDI.

Option Period : Twelve (12) months from the date of the Call Option Agreement, and in any case expiring at the earlier of (i) fifteen (15) business days from the date of fulfillment of the conditions precedent in the paragraph “Conditions precedent of exercising the Call Option” in this announcement; or (ii) a period of three (3) months after the Resumption.

If the conditions precedent to the exercise of the Call Option cannot be satisfied on or before the Option Long Stop Date, (i) DDI has the unilateral right to extend the Option Long Stop Date for a further twelve (12) months; or (ii) the Company, Ausnutria (Dutch) and DDI shall commence negotiation to extend the Option Period and the Option Long Stop Date upon mutual agreement of the Company, Ausnutria (Dutch) and DDI. Otherwise, the Call Option Agreement shall be terminated.

- Exercise Price : 202,125,000 new Shares to be issued by the Company to DDI, i.e. the Consideration Shares, representing approximately 17% of the enlarged issued share capital of the Company upon the issue of the Consideration Shares if the Call Option is exercised.
- Condition precedent for the granting of the Call Option : the compliance by the Company of all applicable requirements of the Listing Rules in relation to the granting of the Call Option to Ausnutria (Dutch)
- Short Stop Date : the Company and Ausnutria (Dutch) undertake to use their reasonable endeavours to ensure that the condition precedent for the granting of the Call Option as stated above is satisfied as soon as possible after the date of the Call Option Agreement and in any event no later than twenty (20) business days from the date of the Call Option Agreement, i.e. the Short Stop Date.

If the condition precedent for the granting of the Call Option is not satisfied on or before the Short Stop Date, DDI has a unilateral right to extend the Short Stop Date for a further fifteen (15) business days. If DDI does not exercise its unilateral right to extend the Short Stop Date and if the condition precedent for the granting of the Call Option as stated above is not satisfied on or before the Short Stop Date, the Call Option Agreement shall terminate.

Conditions precedent of exercising the Call Option

The exercise of the Call Option is conditional upon the satisfaction of each of the following conditions precedent:

- (i) Resumption has taken place;
- (ii) all approvals, consents and acts to be obtained or completed before Completion as required under the Listing Rules and any other rules and regulations in Hong Kong, or as otherwise required by the Stock Exchange or other regulatory authority(ies) in Hong Kong and to be obtained or completed from the Shareholders in connection with the Call Option Agreement and the exercise of the Call Option contemplated thereunder, including but not limited to the granting of listing approval by the Stock Exchange in relation to the Consideration Shares to be issued, have been obtained; and

- (iii) all requisites waivers, consents and approvals from any other relevant governments or regulatory authorities or other relevant third parties in connection with the exercise of the Call Option contemplated by the Call Option Agreement have been obtained.

If any conditions precedent above for exercising the Call Option is not satisfied on or before the Option Long Stop Date:

- (i) DDI has an unilateral right to extend the Option Long Stop Date for a further twelve (12) months; or
- (ii) the Company, Ausnutria (Dutch) and DDI shall commence negotiation to extend the Option Period and the Option Long Stop Date upon mutual written agreement of the Company, Ausnutria (Dutch) and DDI. If DDI does not exercise its unilateral right to extend the Option Long Stop Date or the Company, Ausnutria (Dutch) and DDI fail to achieve a mutual written agreement within a period of fifteen (15) business days from the Option Long Stop Date and if any conditions precedent above for exercising the Call Option is not satisfied on or before the Option Long Stop Date, the Call Option Agreement will be terminated and no party shall have any claim against the other Parties.

Exercise of the Call Option and Completion

Ausnutria (Dutch) or the Company shall at its sole discretion have the right to exercise the Call Option within fifteen (15) business days after the fulfilment of the conditions precedent of exercising the Call Option set out above or on such other date mutually agreed in writing between the Parties, by sending the Call Option Notice to DDI.

Completion shall take place within fifteen (15) business days from the date of receipt of the Call Option Notice and the following actions together being completed:

- (i) a deed of waiver of pledge in relation to the pledge of the AH Shares by DDI to Ausnutria (Dutch) pursuant to the SHA shall be executed before the Notary;
- (ii) the AH Shares shall be transferred by DDI to Ausnutria (Dutch) or its designated nominee by execution of the deed of transfer in the Call Option Agreement before the Notary; and
- (iii) the Consideration Shares shall be issued to DDI and admitted to trading on the Stock Exchange.

DDI agreed that the Consideration Shares shall be subject to lock up period up to 31 May 2015, regardless of the date of Completion and the issue date of the Consideration Shares.

Key warranties by DDI

DDI warrants that:

- (i) there are no rights outstanding to acquire new shares in Ausnutria Hyproca or its subsidiaries, by conversion or otherwise. There will be no further rights to acquire new shares in Ausnutria Hyproca or its subsidiaries, by conversion or otherwise will be granted from the date of the Call Option Agreement to the Option Long Stop Date. There will be no issuance of new shares by Ausnutria Hyproca or its subsidiaries from the date of the Call Option Agreement to the Option Long Stop Date;
- (ii) there are no outstanding options or rights granted by DDI, PMH, Manids, Elbe or Ausnutria Hyproca and its subsidiaries under which third parties could demand sale, transfer or encumbrance of any of the AH Shares, by conversion or otherwise (other than as contemplated by the Call Option Agreement). There will be no further options or rights under which third parties could demand sale, transfer or encumbrance of any of the AH Shares, by conversion or otherwise (other than as contemplated by the Call Option Agreement) will be granted by DDI from the date of the Call Option Agreement to the Option Long Stop Date and DDI shall procure none of PMH, Manids, Elbe or Ausnutria Hyproca and its subsidiaries will grant the same from the date of the Call Option Agreement to the Option Long Stop Date; and
- (iii) no dividends, interim dividends or other distribution, whether paid or still outstanding, have been declared on any of the AH Shares since 1 January 2013 nor does any other right exist to distribution from or payment based upon reserves or profits of any of Ausnutria Hyproca and its subsidiaries at the date of the Call Option Agreement. Subject to mutual agreement, no further dividends or other distribution of Ausnutria Hyproca will be declared and/or paid from the date of the Call Option Agreement to the date of Completion or Option Long Stop Date, whichever is earlier.

DDI's maximum aggregate liability for claims for breach of the warranties above is limited to EURO one (1) million (equivalent to approximately HK\$10.26 million).

Key warranties by the Company and Ausnutria (Dutch)

The Company and Ausnutria (Dutch) warrant that:

- (i) prior to Completion, the Company and Ausnutria (Dutch) shall have obtained all approvals, consents and acts to be obtained or completed before Completion as required under the Listing Rules and any other rules and regulations in Hong Kong or as otherwise required by the Stock Exchange or regulators in Hong Kong in connection with the Call Option Agreement and the granting of Call Option to the

Company and Ausnutria (Dutch) have been obtained and completed;

- (ii) the Call Option Agreement and the entry into and performance by the Company and Ausnutria (Dutch) of the Call Option Agreement will not (a) breach any provision of their respective articles of association; or (b) result in a breach of any laws or of any order, decree of judgment of any court or any governmental or regulatory authority, or (c) result in a breach of any agreement to which the Company or Ausnutria (Dutch) is a party, where any such breach would adversely affect their ability to enter into or perform their obligations under the Call Option Agreement;
- (iii) there are no outstanding options or rights under which third parties could demand sale, transfer or encumbrance of any of the Consideration Shares when these have been issued to the DDI, by conversion or otherwise (other than as contemplated by the Call Option Agreement);
- (iv) there are no outstanding options or rights under which third parties (including for the avoidance of doubt the current Shareholders) could demand the issue of Shares and no resolution has been taken to issue Shares (other than as contemplated by the Call Option Agreement);
- (v) the Consideration Shares, when issued in accordance with the provisions of the Call Option Agreement, will be free and clear from any encumbrance and there is no agreement, arrangement or obligation to create or give an encumbrance in relation to the Consideration Shares, except the restriction of lock up period of the Consideration Shares as stated in the paragraph “Exercise of the Call Option and Completion” in this announcement; and
- (vi) since 29 March 2012, no dividends, interim dividends or other distribution, whether paid or still outstanding, have been declared on any of the shares in the capital of the Company nor does any other right exist to distribution from or payment based upon reserves or profits of the Company. No dividends, interim dividends or other distribution will be declared by the Company during the period from the Resumption to the issuing of the Consideration Shares.

The maximum aggregate liability of the Company and Ausnutria (Dutch) for claims for breach of the warranties above is limited to EURO one (1) million (equivalent to approximately HK\$10.26 million).

Other information under the Call Option Agreement

Upon Completion, the relevant Parties to the SSA, the SPA and the SHA therewith agree that the SSA, the SPA and the SHA will be terminated and cease to exist with the exception of certain clauses such as non-competition and confidentiality.

THE SHAREHOLDER LOAN AGREEMENT

On 7 June 2013, Ausnutria (Dutch), as the lender, and Ausnutria Hyproca, as the borrower, and DDI entered into the Shareholder Loan Agreement. Details of the Shareholder Loan Agreement are as follows:

- Date : 7 June 2013
- Parties : Ausnutria (Dutch), as the lender
Ausnutria Hyproca, as the borrower
DDI
- Principal amount of Shareholder Loan : EURO seven (7) million (equivalent to approximately HK\$71.84 million).
- Tenure : (a) the term of the Shareholder Loan is twelve (12) months from the date of granting the Shareholder Loan, which can be further extended for twelve (12) months at the unilateral right of Ausnutria Hyproca within fifteen (15) business days prior to the expiry of the Shareholder Loan, i.e. the Loan Long Stop Date. The expiration of the term of the Shareholder Loan does not mean that Ausnutria Hyproca shall be in default with the performance of its obligations in accordance with the Shareholder Loan;
- (b) upon the expiration of the term of the Shareholder Loan, including its extension (if applicable) as stated in (a) above, the term in the below paragraph “Repayment” in this announcement will come into force; and
- (c) the Shareholder Loan Agreement can only be extended (i) with same term of the Call Option Agreement in accordance with (a) and (b) above only if Parties to the Call Option Agreement agree to extend the Call Option Agreement according to the provisions therein; and (ii) if the Call Option is exercised in accordance with the terms in the Call Option Agreement.
- Condition Precedent : the compliance by the Company of all applicable requirements under the Listing Rules.

- Advance : Within ten (10) business days after the satisfaction of the condition precedent of the provision of the Shareholder Loan as stated above, Ausnutria (Dutch) shall advance the Shareholder Loan to Ausnutria Hyproca in immediately available fund.
- Interest rate : 5% per annum payable half yearly in arrears.
- Repayment : Ausnutria Hyproca shall repay the Shareholder Loan upon the expiration of the term of the Shareholder Loan, i.e. the Loan Long Stop Date, including its extension (if applicable), in whole or in part, provided that upon repayment of the Shareholder Loan, Ausnutria Hyproca will be able to meet the 30% solvency ratio as set out by the existing lending bank to Ausnutria Hyproca which is commonly used in Europe and mainly refers to the size of the equity relative to the total assets (excluding goodwill, deferred tax and etc.).
- Covenants : Ausnutria Hyproca covenants and agrees with Ausnutria (Dutch) that as a result of the drawdown of the Shareholder Loan, Ausnutria Hyproca will not in breach with any financial covenants or cross-default covenants pursuant to the existing secured and unsecured loans granted by the existing lending bank to Ausnutria Hyproca.
- Ranking of the Shareholder Loan : the Shareholder Loan is subordinate to all the existing and future secured and unsecured loans as granted by its existing lending bank to Ausnutria Hyproca.
- Undertaking by Ausnutria Hyproca : Ausnutria Hyproca undertakes that the whole of the Shareholder Loan will be strictly applied towards funding of Ausnutria Hyproca's capital expenditure plans as approved by the Company.

INFORMATION OF THE GROUP, AUSNUTRIA (DUTCH) AND AUSNUTRIA HYPROCA

The Group (excluding Ausnutria Hyproca and its subsidiaries) is principally engaged in the production, marketing and distribution of high-end and premium paediatric nutrition products in the PRC. Ausnutria (Dutch) is an investment holding company indirectly wholly-owned by the Company and is interested in 51% equity interests in Ausnutria Hyproca as at the date of this announcement.

Ausnutria Hyproca is an investment holding company with limited liability incorporated under the laws of the Netherlands and, together with its subsidiaries, 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.

INFORMATION OF DDI

DDI is an investment holding company with limited liability incorporated under the laws of the Netherlands and is interested in 49% equity interests in Ausnutria Hyproca as at the date of this announcement. The DDI's shareholders are PMH, Manids and Elbe. PMH is a private equity investment company with limited liability incorporated under the laws of the Netherlands. Each of Manids and Elbe is an investment holding company with limited liability incorporated under the laws of the Netherlands.

REASONS AND BENEFIT FOR THE CALL OPTION AND THE PROVISION OF SHAREHOLDER LOAN

Ausnutria Hyproca currently produces infant and toddler nutrition products for the Group under the brand name of the Group and also provides private label production and contract manufacturing services for infant and toddler nutrition products for its worldwide customers.

In anticipation of an increase in demand and a growing market for such segment worldwide, the Company has intended to further consolidate the business currently conducted by Ausnutria Hyproca and its subsidiaries into the Group by acquiring the residual 49% equity interests in Ausnutria Hyproca from DDI and facilitate the business expansion of Ausnutria Hyproca.

Pursuant to the negotiation with DDI, the consideration for the proposed acquisition of AH Shares is to be made by the Consideration Shares to be issued to DDI. As the trading in the Shares was suspended and the listing approval for such new Shares will only be available until the Resumption, in order to secure the opportunity while to remain a flexibility to acquire, the AH Shares, the remaining equity interests of Ausnutria Hyproca not yet held by the Group, the Company and Ausnutria (Dutch) entered into the Call Option Agreement with DDI at a nominal option premium consideration.

With the binding arrangement under the Call Option Agreement and, in the event the Call Option is exercised, the potential 100% control over Ausnutria Hyproca, the Company is willing to provide the Shareholder Loan as working capital to Ausnutria Hyproca for its business expansion. On the contrary, as DDI will dispose of its entire equity interest in Ausnutria Hyproca, it has expressed its unwillingness for such funding. In order to protect the interest of the Company and the Shareholders, the tenure of the Shareholder Loan has been set to match with the Option Period and no dividend of Ausnutria Hyproca shall be distributed to

its shareholders during the Option Period. If the Call Option cannot be exercised due to the failure to satisfy any of the conditions precedent of exercising the Call Option as stated in the paragraph headed “Conditions precedent of exercising the Call Option” in this announcement, Ausnutria Hyproca shall repay the Shareholder Loan and the accrued interest at 5% per annum to the Company in accordance with the repayment term as set out above. Therefore, the Directors are of the view that the interest of the Company and the Shareholders is protected.

The Directors have considered, among others, the bank deposit rates in the PRC, where most of the deposits of the Group are placed, and the prevailing bank borrowing costs in Europe, and have concluded that the provision of the Shareholder Loan is not on worse terms to the Company. The Group intends to pledge an equivalent amount of RMB deposit in the PRC to obtain a bank facility in Europe to finance the Shareholder Loan. The Directors believe that the provision of the Shareholder Loan will not have a significant impact on the Group’s financial or liquidity position and the provision of the Shareholder Loan to finance Ausnutria Hyproca’s expansion of production capacity will benefit the Group in the medium to long run.

The terms of the Call Option Agreement and the Shareholder Loan were determined after arm’s length negotiation between the Company, Ausnutria (Dutch) and DDI. The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated thereunder are on normal commercial terms and that such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, DDI holds (i) 49% equity interests in Ausnutria Hyproca, which is an indirectly 51% owned subsidiary of the Company, and (ii) 11,000,000 Shares, representing approximately 1.11% of the issued Shares. In addition, Mr. van der Meer is a controlling shareholder of DDI and was appointed as an executive Director and chief executive officer of the Company on the same date of the Call Option Agreement. Therefore Mr. van der Meer, DDI and Ausnutria Hyproca are connected persons of the Company under the Listing Rules.

Accordingly, each of the granting of the Call Option to Ausnutria (Dutch) by DDI and the provision of the Shareholder Loan by Ausnutria (Dutch) to Ausnutria Hyproca constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Call Option are less than 0.1%, the granting of the Call Option to Ausnutria (Dutch) is exempt from the reporting, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.31(2)(a) of the Listing Rules.

As the relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Shareholder Loan are less than 5%, the provision of the Shareholder Loan is exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.66(2)(i) of the Listing Rules.

As Mr. van der Meer was only appointed as an executive Director of the Company on a later agenda on the same board meeting approving the Call Option Agreement and the Shareholder Loan Agreement, Mr. van der Meer was not entitled to vote at this board meeting held on 7 June 2013.

None of the Directors have material interest in the Call Option Agreement or the Shareholder Loan Agreement and therefore no Directors have abstained from voting on such board resolutions.

Upon the exercise of the Call Option, the Company will comply with the applicable Listing Rules, including the making of further announcements and the obtaining of approvals from the independent Shareholders and the Stock Exchange in relation to the acquisition of the AH Shares and the issue of the Consideration Shares (where required).

CHANGE OF DIRECTORS

(1) Resignation of executive Director and chairman of the Board

Mr. Wu Yueshi (伍躍時) (“**Mr. Wu**”) has resigned as an executive Director and chairman of the Board with effect from 7 June 2013 due to his increasing commitment in his other personal investments and businesses on a full-time basis as well as his active involvement in social community and political works, which substantially consumes his time and energy. Upon his resignation, Mr. Wu also ceased to be a member and the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 7 June 2013. Mr. Wu also resigned from other positions within the Group with effect from 7 June 2013.

Mr. Wu has confirmed to the Board that there is no disagreement between him and the Board, and there is no other matter in relation to his resignation that needs to be brought to the attention of the Shareholders and the Stock Exchange.

(2) Resignation of executive Director and chief executive officer of the Company

Mr. Chen Yuanrong (陳遠榮) (“**Mr. Chen**”) has resigned as an executive Director and chief executive officer of the Company with effect from 7 June 2013. He is aware of the news release issued by the Stock Exchange on 28 May 2013, which publicly censured the Company and himself in relation to failing to disclose the deterioration of the Group's financial performance in the second half of the financial year 2010 which would have constituted the

then price sensitive information to the public in a timely manner. He is also regret that the Company has yet to publish its results for the two financial years ended 31 December 2011 and 2012. Furthermore, after leading the Group for almost ten years since its establishment in 2003, he believes the Group will be better served by an executive with international experience in paediatric nutritional products for its continuing growth in international platform with further cooperation with Ausnutria Hyproca. As a result, he felt that it is in the Group's best interest to pass on the top management responsibilities to his successors in the midst of the growing internationalisation of the Group. Mr. Chen also resigned from other positions within the Group with effect from 7 June 2013.

Mr. Chen has confirmed to the Board that there is no disagreement between him and the Board, and there is no other matter in relation to his resignation that needs to be brought to the attention of the Shareholders and the Stock Exchange.

(3) Appointment of executive Director and chief executive officer and non-executive Director

Mr. Bartle van der Meer (“**Mr. van der Meer**”) has been appointed as an executive Director and chief executive officer of the Company with effect from 7 June 2013. Mr. Dai Li (戴理) (“**Mr. Dai**”) has been appointed as a non-executive Director of the Company with effect from 7 June 2013.

The biographical details of Mr. van der Meer and Mr. Dai are set out below.

Mr. van der Meer

Mr. van der Meer, aged 67, is one of the founders of Ausnutria Hyproca, an indirectly 51% owned subsidiary of the Company. He indirectly held equity interests in Ausnutria Hyproca and has been involved in the strategic management since the establishment of Ausnutria Hyproca in 1994. He has also been a member of the board of directors and chief executive officer of Ausnutria Hyproca since 2012.

Mr. van der Meer graduated with a business administration degree in the Netherlands with a major in banking in 1966. He worked for Rabobank, a multinational banking and financing services company in the Netherlands for more than 25 years. He is serving as the executive director of PMH and Vegelin Group B.V. since 1994.

Mr. van der Meer has been the chairman of supervisory board of sc Heerenveen NV (a soccer club which plays in the premier division in the Netherlands) since 1998, and a member of Foundation Accell Group (a company listed on Euronext Amsterdam (formerly known as Amsterdam Stock Exchange) since 1998.

Mr. Dai

Mr. Dai, aged 31, graduated from Beijing institute of Technology with a bachelor degree in science in 2004. He obtained a master degree in international economics, banking and finance at Cardiff University in 2006. He was also awarded a PhD in economics in 2012.

Mr. Dai has served Ausnutria China as a researcher in 2011. His main duty is collecting and analysing information and data in relation to dairy industry. He worked as an assistant in Northland Bank Cooperation, London from March 2012 to October 2012. He then worked as a project manager in Hunan High-Tech Venture Capital Group* (湖南高新創業投資集團有限公司), a state-owned enterprise, from November 2012 to May 2013. Mr. Dai is currently working as a senior researcher in China Building Materials (Hong Kong) Ltd, which is a state owned enterprise.

As at the date of this announcement and save as disclosed herein, Mr. van der Meer and Mr. Dai do not hold any other positions within the Group and they have not held any directorships in any other listed companies in the last three years.

As at the date of this announcement and save as disclosed herein, neither Mr. van der Meer nor Mr. Dai has any relationship with any Directors, senior management or any substantial or controlling shareholders of the Company. They do not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) in any securities of the Company.

The initial term of office of Mr. van der Meer and Mr. Dai are three (3) years commencing from 7 June 2013. The Company will enter into service agreements with Mr. van der Meer and Mr. Dai and their respective remuneration will be subject to the determination of the Remuneration Committee of the Company.

Save as disclosed in this announcement, there is no information of Mr. van der Meer and Mr. Dai required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and the Company is not aware of any other matters relating to the appointment of Mr. van der Meer and Mr. Dai that need to be brought to the attention of the Shareholder.

(4) Appointment of chairman of the Board and members of Nomination Committee and Remuneration Committee

The Board further announces that Mr. Yan Weibin (顏衛彬), the executive Director, has been appointed in place of Mr. Wu as the chairman of the Board, a member and the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 7 June 2013.

The Board would like to express its gratitude to Mr. Wu and Mr. Chen for their contributions to the Group during the tenure of their service and to extend its warm welcome to Mr. van der Meer and Mr. Dai for joining the Board.

GENERAL

At the Company's request, trading in the Shares was suspended from 9:00 a.m. on 29 March 2012, and will remain suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. The publication of this announcement does not warrant any approval from the Stock Exchange on the Resumption. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.

DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context otherwise requires:

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| “AH Shares” | 441,000 existing issued shares in Ausnutria Hyproca, representing 49% of the existing issued share capital of Ausnutria Hyproca, which are held by DDI as at the date of this announcement |
| “Ausnutria (Dutch)” | Ausnutria Dairy (Dutch) Coöperatief U.A., an indirect wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands, which is interested in 51% equity interests in Ausnutria Hyproca as at the date of this announcement |
| “Ausnutria China” | Ausnutria Dairy China Co., Ltd* (澳優乳業(中國)有限公司), a company established in the PRC which is an indirectly wholly-owned subsidiary of the Company and the principal operating company of the Company's business in the PRC |
| “Ausnutria Hyproca” | Ausnutria Hyproca B.V. (formerly known as Hyproca Dairy Group B.V.), a private company with limited liability incorporated under the laws of the Netherlands and is owned as to 51% by Ausnutria (Dutch) and 49% by DDI as at the date of this announcement |
| “Board” | the board of Directors |

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| “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 |
| “Call Option” | the call option granted by DDI to Ausnutria (Dutch) pursuant to the Call Option Agreement |
| “Call Option Agreement” | the call option agreement dated 7 June 2013 entered into, among others, Ausnutria (Dutch) and DDI in relation to the granting of the Call Option by DDI to Ausnutria (Dutch) |
| “Call Option Notice” | a notice exercising the Call Option under the Call Option Agreement |
| “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 |
| “Completion” | completion of the sale and transfer of the AH Shares by DDI to Ausnutria (Dutch), or its designated nominee (including the Company) |
| “connected person(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Consideration Shares” | 202,125,000 new Shares to be issued by the Company, representing approximately 17% of the enlarged issued share capital of the Company upon the issue of the Consideration Shares if the Call Option is exercised |
| “DDI” | Dutch Dairy Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands, which is interested in 49% equity interests in Ausnutria Hyproca as at the date of this announcement |
| “Director(s)” | the director(s) of the Company |
| “EURO” | Euro, the legal currency of the member states of the European Union |

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| “Elbe” | Elbe B.V., a private company with limited liability incorporated under the laws of the Netherlands and is interested in approximately 6.9% equity interests of DDI. Elbe is entirely owned by Mr. Ben Busser, who is also a director of certain subsidiaries of Ausnutria Hyproca |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administration Region of the PRC |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Long Stop Date” | being the expiry date of the term of the Shareholder Loan, which is in twelve (12) months from the date of granting the Shareholder Loan, which can be further extended for twelve (12) months at the unilateral right of Ausnutria Hyproca within fifteen (15) business days prior to the expiry of the Shareholder Loan |
| “Manids” | Manids B.V., a private company with limited liability incorporated under the laws of the Netherlands and is interested in approximately 46.55% equity interests of DDI. Manids is entirely owned by Mr. Ignatius Petrus Jorna, who is also a former director and chief executive officer of Ausnutria Hyproca |
| “Notary” | Mr. G Mulder or his deputy, civil law notary in Leeuwarden, the Netherlands |
| “Option Long Stop Date” | being the expiry date of the Option Period that the Company and Ausnutria (Dutch) undertake to use their reasonable endeavours to ensure the conditions precedent in the paragraph “Conditions precedent of exercising the Call Option” in this announcement |
| “Option Period” | twelve (12) months from the date of the Call Option Agreement, and in any case expiring at the earlier of (i) fifteen (15) business days from the date of fulfillment of the conditions in the paragraph “Conditions precedent of exercising the Call Option” in this announcement; or |

(ii) a period of three (3) months after the Resumption

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| “Parties” | all the parties to the Call Option Agreement, the SHA, the SPA and the SSA, when applicable, namely DDI, Ausnutria (Dutch), the Company, Ausnutria Hyproca, PMH, Manids and Elbe |
| “PMH” | PMH Investments B.V. (also named as Participatiemaatschappij Heerenveen B.V.), a private company with limited liability incorporated under the laws of the Netherlands and is interested in approximately 46.55% equity interests of DDI. PMH is beneficially owned as to 85% by Mr. van der Meer and 15% by Mr. Durk Andries van der Meer, being the son of Mr. van der Meer |
| “PRC” | the People’s Republic of China. For the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Resumption” | the resumption of trading in the Shares on the Stock Exchange |
| “SHA” | the shareholder’s agreement dated 19 July 2011 entered into by the relevant Parties to regulate the respective rights and obligations of the shareholders of Ausnutria Hyproca, namely DDI and Ausnutria (Dutch), in relation to Ausnutria Hyproca |
| “SPA” | the share purchase agreement dated 19 July 2011 entered into by the relevant Parties in relation to the purchase of 284,000 shares of Ausnutria Hyproca by Ausnutria (Dutch) from DDI, representing approximately 31.56% of the enlarged issued share capital of Ausnutria Hyproca |
| “SSA” | the share subscription agreement dated 3 July 2011 entered into by the relevant Parties in relation to the subscription of 175,000 new shares of Ausnutria Hyproca by Ausnutria (Dutch), representing approximately 19.44% of the enlarged issued share capital of Ausnutria Hyproca |

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| “Shares” | the ordinary shares each with a nominal value of HK\$0.10 in the capital of the Company |
| “Shareholder Loan” | the principal amount granted by Ausnutria (Dutch) to Ausnutria Hyproca which is (i) subordinated to all the existing and future secured and unsecured loans granted by its existing lending banks to Ausnutria Hyproca; and (ii) unsecured in nature under and in accordance with the terms and conditions of the Shareholder Loan Agreement or the principal amount for the time being outstanding in respect thereof |
| “Shareholder Loan Agreement” | the shareholder loan agreement dated 7 June 2013 entered into between Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the granting of the Shareholder Loan by Ausnutria (Dutch) to Ausnutria Hyproca |
| “Shareholders” | the shareholders of the Company |
| “Short Stop Date” | being 20 business days from the date of the Call Option Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

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

Changsha City, the People’s Republic of China, 7 June 2013

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Yan Weibin, Mr. Bartle van der Meer and Ms. Ng Siu Hung, one non-executive director, namely, Mr. Dai Li, and three independent non-executive directors, namely, Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.

** for identification purpose only*