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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) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
PROVISION OF FINANCIAL ASSISTANCE;**

AND

(2) CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 1 November 2013, Ausnutria (Dutch), as the lender, and Ausnutria Hyproca, as the borrower, and DDI entered into the Second Shareholder Loan Agreement in relation to the granting of the Second Shareholder Loan of EURO 10 million (equivalent to approximately HK\$107.0 million) by Ausnutria (Dutch) to Ausnutria Hyproca to further meet the need of capital expenditure plan for expansion of the Ausnutria Hyproca Group; and the Company and Ausnutria Hyproca entered into the Framework Supply Agreement in relation to the supply of paediatric milk formula products by the Ausnutria Hyproca Group to the Ausnutria Group from time to time till the earlier of 31 December 2015 (both days inclusive) or the date when Ausnutria Hyproca and its associates cease to be the connected persons of the Company.

Terms of the Second Shareholder Loan Agreement are substantially the same as those of the First Shareholder Loan Agreement except for the amount and the date of granting of the First Shareholder Loan, being EURO 7 million (equivalent to approximately HK\$74.9 million) and granted on 7 June 2013, respectively.

The price at which the paediatric milk formula products are to be supplied by the Ausnutria Hyproca Group to the Ausnutria Group shall be at market price, or if the same is not available, a price which is no less favourable to the Ausnutria Group than the price at which the Ausnutria Group purchases similar paediatric milk formula products from independent third parties.

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 (together with his son) is indirectly interested in approximately 46.55% equity interests in DDI and is an executive Director and chief executive officer of the Company as at the date of this announcement. Therefore, Mr. Bartle van der Meer, DDI and Ausnutria Hyproca are connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Second Shareholder Loan Agreement constitute connected transactions of the Company under Rule 14A.13(2)(a) of the Listing Rules and the Framework Supply Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the provision of financial assistance under the Second Shareholder Loan Agreement, on a standalone basis and when aggregated with that of the First Shareholder Loan under Rule 14A.25 of the Listing Rules, are more than 5% and the total loan amount is more than HK\$10,000,000, the Second Shareholder Loan Agreement and the transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rule 14A.63 of the Listing Rules.

As the applicable percentage ratios in respect of the provision of financial assistance under the Second Shareholder Loan Agreement, on a standalone basis and when aggregated with those of the First Shareholder Loan under Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Second Shareholder Loan Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements.

As the applicable percentage ratios in respect of the Proposed Annual Caps are more than 25% and the annual considerations are more than HK\$10,000,000, the Continuing Connected Transactions are subject to annual review, announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, except for Mr. Bartle van de Meer, none of the Directors has a material interest in the Second Shareholder Loan Agreement and the Framework Supply Agreement and therefore, only Mr. Bartle van de Meer abstained from voting on the relevant Board resolutions in this aspect.

As DDI, being the 49% shareholder of Ausnutria Hyproca and a party to the Second Shareholder Loan Agreement, is interested in the Second Shareholder Loan Agreement and the Framework Supply Agreement, DDI and its associates will abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in respect of the terms of the Second Shareholder Loan Agreement, the Framework Supply Agreement together with the transactions contemplated thereunder and the Proposed Annual Caps. Halcyon has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular will be despatched to the Shareholders on or before 26 November 2013 setting out, among other things, details of the provision of the Second Shareholder Loan, the Continuing Connected Transactions, the Proposed Annual Caps and the respective letters from the Independent Board Committee and Halcyon.

INTRODUCTION

Reference is made to the Announcement pursuant to which (i) Ausnutria (Dutch) has provided to Ausnutria Hyproca on 7 June 2013 the First Shareholder Loan of EURO 7 million (equivalent to approximately HK\$74.9 million; and (ii) Ausnutria (Dutch) has been granted a call option by DDI to further acquire the residual 49% equity interests in Ausnutria Hyproca upon satisfaction of several conditions precedent as stated in the Announcement. Reference is also made to the Company's announcements dated 18 September 2013 and 17 October 2013, in relation to, among others, the Proposed Transaction.

The Board announces that on 1 November 2013, after the discussion in relation to the Proposed Transaction has commenced, (i) Ausnutria (Dutch), as the lender, and Ausnutria Hyproca, as the borrower, and DDI entered into the Second Shareholder Loan Agreement in relation to the granting of the Second Shareholder Loan of EURO 10 million (equivalent to approximately HK\$107.0 million) by Ausnutria (Dutch) to Ausnutria Hyproca; and (ii) the Company and Ausnutria Hyproca entered into the Framework Supply Agreement in relation to the supply of paediatric milk formula products by the Ausnutria Hyproca Group to the Ausnutria Group.

THE SECOND SHAREHOLDER LOAN AGREEMENT

Reference is made to the Announcement that, in relation to, among other things, on 7 June 2013, Ausnutria (Dutch) (as the lender), Ausnutria Hyproca (as the borrower), and DDI entered into the First Shareholder Loan Agreement. The First Shareholder Loan was fully drawn down on 13 June 2013 and utilised for the capital expenditure on machinery in accordance with the planned uses as disclosed in the Announcement. As the relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the First Shareholder Loan are less than 5%, the provision of the First Shareholder Loan is exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.66(2)(i) of the Listing Rules.

To further meet the need of capital expenditure plan for expansion of the Ausnutria Hyproca Group's business and operation, on 1 November 2013, Ausnutria (Dutch), as the lender, and Ausnutria Hyproca, as the borrower, and DDI entered into the Second Shareholder Loan Agreement. Terms of the Second Shareholder Loan Agreement are substantially the same as those of the First Shareholder Loan Agreement except for the amount and the date of granting of the shareholder loan. Details of the Second Shareholder Loan Agreement are as follows:

- Date : 1 November 2013
- Parties : Ausnutria (Dutch), as the lender
Ausnutria Hyproca, as the borrower
DDI
- Principal amount of the Second Shareholder Loan : EURO 10 million (equivalent to approximately HK\$107.0 million)
- Tenure : (a) the term of the Second Shareholder Loan is twelve (12) months from the date of granting the Second Shareholder Loan, which can be further extended for another twelve (12) months at the unilateral right of Ausnutria Hyproca within fifteen (15) business days prior to the expiry of the Second Shareholder Loan, i.e. the Second Loan Long Stop Date. The expiration of the term of the Second Shareholder Loan does not mean that Ausnutria Hyproca shall be in default with the performance of its obligations in accordance with the Second Shareholder Loan;
- (b) upon the expiration of the term of the Second Shareholder Loan, including its extension (if applicable) as stated in (a) above, the terms in the below paragraph headed "Repayment" in this announcement will come into force; and
- (c) the Second 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 the parties to the Call Option Agreement agree to extend the Call Option Agreement according to the provisions therein; or (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 requirements under the Listing Rules applicable to the granting of the Second Shareholder Loan
- Advance : within ten (10) business days after the satisfaction of the condition precedent of the provision of the Second Shareholder Loan as stated above, Ausnutria (Dutch) shall advance the Second Shareholder Loan to Ausnutria Hyproca with internal available fund

Interest rate	:	5% per annum payable half yearly in arrears
Repayment	:	Ausnutria Hyproca shall repay the Second Shareholder Loan upon the expiration of the term of the Second Shareholder Loan, i.e. the Second Loan Long Stop Date, including its extension (if applicable), in whole or in part, provided that upon repayment of the Second Shareholder Loan (standing alone or aggregated with the First Shareholder Loan), Ausnutria Hyproca will be able to meet the 30% solvency ratio as set out by the existing lending bank to the Ausnutria Hyproca Group 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 Second Shareholder Loan, Ausnutria Hyproca will not (i) be 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 the Ausnutria Hyproca Group; and (ii) distribute any dividends to its shareholders before full repayment of the First Shareholder Loan, the Second Shareholder Loan and the accrued interests
Ranking of the Second Shareholder Loan	:	the Second Shareholder Loan is subordinate to all the existing and future secured and unsecured loans as granted by its existing lending bank to the Ausnutria Hyproca Group, but ranks the same as the First Shareholder Loan
Undertaking by Ausnutria Hyproca	:	Ausnutria Hyproca undertakes that the whole of the Second Shareholder Loan will be strictly applied towards funding of the Ausnutria Hyproca Group's capital expenditure plan, including the acquisition of the Land (as defined herein below), as approved in the Board meeting held on 1 November 2013

The amount of the Second Shareholder Loan is determined with reference to the capital expenditure plan of the Ausnutria Hyproca Group. Ausnutria Hyproca intends to use the fund from the Second Shareholder Loan for financing its capital expenditure plan, including but not limited to the acquisition of about 140,000 square meters of land (the “**Land**”) in the Netherlands for the intended construction of new production facilities and headquarters of the Ausnutria Hyproca Group and the purchase of new machineries, as approved by the Board on 1 November 2013.

Reference is made to the announcement of the Company dated 24 April 2013 regarding the intended acquisition of a plot of land in the Netherlands, the size of the Land to be acquired is determined to be about 140,000 square meters.

As at the date of this announcement, the Company is still in the process of conducting the feasibility study in relation to the construction of new production facilities in the Netherlands and further details will be made when the master plan to construct the new production facilities is finalised.

FRAMEWORK SUPPLY AGREEMENT

Date

1 November 2013

Parties

Ausnutria Hyproca, as the supplier; and

the Company, as the purchaser.

Principal terms

Pursuant to the Framework Supply Agreement, it was agreed that any members of the Ausnutria Group and any members of the Ausnutria Hyproca Group may from time to time, during the CCT Period, enter into contracts and/or purchase orders setting out the detailed terms for the procurement of paediatric milk formula products by any members of the Ausnutria Group from any members of the Ausnutria Hyproca Group, provided that such detailed terms shall not be inconsistent with the terms and conditions of the Framework Supply Agreement.

The price at which the paediatric milk formula products are to be supplied by any members of the Ausnutria Hyproca Group to any members of the Ausnutria Group shall be at market price, or if the same is not available, a price which is no less favourable to the Ausnutria Group than the price at which the Ausnutria Group purchases similar paediatric milk formula products from independent third parties.

The Framework Supply Agreement shall commence on 1 November 2013 (the “**Commencement Date**”) and shall remain in force until the earlier of: (1) 31 December 2015 (both days inclusive); or (2) the date when Ausnutria Hyproca and its associates cease to be connected persons of the Company.

Proposed Annual Caps and rationale

Set out below are the details of (i) the historical transaction amounts of the purchase of paediatric milk formula products from the Ausnutria Hyproca Group by the Ausnutria Group; and (ii) the Proposed Annual Caps for the CCT Period.

Historical transaction amounts			Proposed Annual Caps	
For the year ended 31 December 2012 (EURO million)	For the period between 1 January 2013 and 6 June 2013 (EURO million)	Commencement Date to 31 December 2013 (EURO million)	For the year ending 31 December 2014 (EURO million)	For the year ending 31 December 2015 (EURO million)
3.5 (equivalent to approximately HK\$37.5 million)	5.1 (equivalent to approximately HK\$54.6 million) <i>(Note)</i>	1.5 (equivalent to approximately HK\$16.1 million)	25.8 (equivalent to approximately HK\$276.1 million)	30.6 (equivalent to approximately HK\$327.4 million)

Note: The paediatric milk formula products which were ordered by the Ausnutria Group from the Ausnutria Hyproca Group before 7 June 2013 and have been or will be delivered after 7 June 2013 (the date Mr. Bartle van der Meer was appointed as an executive Director and chief executive officer of the Company) amounted to EURO 1.9 million (equivalent to approximately HK\$20.3 million), which was included in the historical transaction amount for the period between 1 January 2013 and 6 June 2013. There were no supply orders placed or agreements entered into between the Ausnutria Hyproca Group and the Ausnutria Group during the period from 7 June 2013 to 31 October 2013, the date prior to the Commencement Date.

The Directors estimate that the Proposed Annual Caps for the period from the Commencement Date to 31 December 2013 and the two financial years ending 31 December 2015 are EURO 1.5 million, EURO 25.8 million and EURO 30.6 million (equivalent to approximately HK\$16.1 million, HK\$276.1 million, and HK\$327.4 million), respectively.

The Proposed Annual Caps have been determined by both parties to the Framework Supply Agreement with reference to the following factors:

- the anticipated increase in the production capacity of the Ausnutria Hyproca Group as a result of its capital expenditure plan;
- the introduction of a number of new brands by the Ausnutria Group since 2013 which at least three of those products have been supplied by the Ausnutria Hyproca Group;
- the shift of some of the paediatric milk formula products that were previously supplied by other suppliers to the Ausnutria Group as part of the integration plan since the acquisition of 51% equity interests in Ausnutria Hyproca by the Group in 2011; and
- the anticipated growth in market demand for the Ausnutria Group's products.

REASONS FOR AND BENEFITS OF THE PROVISION OF FINANCIAL ASSISTANCE

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

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 First Shareholder Loan and the Second Shareholder Loan to Ausnutria Hyproca for its business expansion. In order to protect the interest of the Company and the Shareholders, the tenures of the First Shareholder Loan and the Second Shareholder Loan have been set to link with the Option Period and subject to mutual agreement, no dividend of Ausnutria Hyproca shall be distributed to its shareholders till the earlier date of the expiry of the Option Period or the fulfillment of the relevant conditions precedent to the exercise of the Call Option, and pursuant to the Second Shareholder Loan Agreement, no dividend of Ausnutria Hyproca shall be distributed to its shareholders before full repayment of the First Shareholder Loan, the Second Shareholder Loan and the accrued interest. 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 the Announcement, Ausnutria Hyproca shall repay the First Shareholder Loan, the Second Shareholder Loan and the accrued interest at 5% per annum to the Ausnutria (Dutch) in accordance with the repayment terms under the First Shareholder Loan Agreement and the Second Shareholder Loan Agreement. Therefore, the Directors (with Mr. Bartle van der Meer abstaining) are of the view that the interest of the Company and the Shareholders is protected.

As all the amount under the First Shareholder Loan has been fully utilised, in view of meeting the capital expenditure plan of the Ausnutria Hyproca Group for, amongst other things, the acquisition of the Land for the intended construction of new production facilities and headquarters of the Ausnutria Hyproca Group and the purchase of new machineries as approved by the Board on 1 November 2013, the Company is ready to provide the Second Shareholder Loan.

In order to meet the expansion of production capacity of the Ausnutria Hyproca Group, the Directors have considered, among others, (i) the bank deposit rates in the PRC, where most of the deposits of the Ausnutria Group are placed, and the prevailing bank borrowing costs in Europe; (ii) terms of the Second Shareholder Loan Agreement, which are on substantially the same terms as those of the First Shareholder Loan Agreement, are not on worse terms to the Ausnutria Group; and (iii) the repayment ability of the Ausnutria Hyproca Group.

Similar to the financing arrangements under the First Shareholder Loan, the Ausnutria Group intends to finance the Second Shareholder Loan partly by pledging its RMB deposits in the PRC to obtain a back-to-back bank facility in Europe for an equivalent amount in EURO with the remaining balance by its internal available EURO-denominated bank balances in the Netherlands. The unaudited cash and bank balances (including bank time deposits) less bank loans and other borrowings of the Ausnutria Group amounted to approximately RMB677.2 million (equivalent to approximately HK\$862.8 million) as at 30 September 2013. Given the net cash position of the Ausnutria Group as at 30 September 2013 and the working capital requirements of the Ausnutria Group, the Directors consider that the granting of the

Second Shareholder Loan will not have a significant impact on the working capital condition, net assets and profitability of the Group. Moreover, the provision of the Second Shareholder Loan to finance the Ausnutria Hyproca Group's expansion of production capacity will benefit the Group in the medium to long run.

The terms of the Second Shareholder Loan Agreement were determined after arm's length negotiation among 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.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As disclosed in the circular of the Company dated 23 September 2011 in respect of the SSA, SHA and SPA, 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 Ausnutria Group's milk powder supply sources to diversify the Ausnutria Group's risk in this aspect and to ensure a stable supply of milk powder to cope with the business growth.

Upon completion of the transactions contemplated under the SSA and the SHA, the Ausnutria Hyproca Group has been supplying the Ausnutria Group paediatric milk formula products under separate independent contracts or purchase orders since 2012, which is in the ordinary course of business of the Ausnutria Group and such transactions were exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(1) of the Listing Rules until the appointment of Mr. Bartle van de Meer, who is indirectly interested in 49% equity interests in Ausnutria Hyproca, as an executive Director on 7 June 2013. Due to the increasing demand from the Ausnutria Group for the purchase of paediatric milk formula products from the Ausnutria Hyproca Group as a result of the anticipated growth in sales of the Ausnutria Group, the Directors estimate that the Proposed Annual Caps for the period from the Commencement Date to 31 December 2013 and each of the two years ending 31 December 2015 to be EURO 1.5 million, EURO 25.8 million and EURO 30.6 million (equivalent to approximately HK\$16.1 million, HK\$276.1 million and HK\$327.4 million), respectively.

The terms of the Framework Supply Agreement were determined based on the market price, or if the same is not available, a price which is no less favourable to the Ausnutria Group than the price at which the Ausnutria Group purchases similar paediatric milk formula products from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the Framework Supply Agreement together with the transactions contemplated thereunder and the Proposed Annual Caps are in ordinary and usual course of business and 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.

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

The Ausnutria Group is principally engaged in the production, marketing and distribution of paediatric nutrition products.

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. It also has its own formula milk powder productions and is a leading producer of goat milk powder in the world.

There are four principal operating subsidiaries of the Ausnutria Hyproca Group, namely Hyproca Dairy B.V. (“**Hyproca Dairy**”), Lypack Leeuwarden B.V. (formerly known as Lypack B.V.) (“**Lypack**”), Hyproca Nutrition B.V. (“**Hyproca Nutrition**”) and Lyempf Kampen B.V. (formerly known as Hyproca Lyempf B.V.) (“**Lyempf**”).

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

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

Hyproca Nutrition and its subsidiaries specialise in the complete chain of fresh Dutch goat milk from collection from farms to finished products.

Lyempf is a well-established dairy company in the Netherlands principally engaged in the production of liquid milk products, milk powders and a range of combined milk based powders, including infant formulae.

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.

LISTING RULES IMPLICATION

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 (together with his son) is indirectly interested in approximately 46.55% equity interests of DDI and is an executive Director and chief executive officer of the Company as at the date of this announcement. Therefore, Mr. Bartle van der Meer, DDI and Ausnutria Hyproca are connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Second Shareholder Loan Agreement

constitute connected transactions of the Company under Rule 14A.13(2)(a) of the Listing Rules and the Framework Supply Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the provision of financial assistance under the Second Shareholder Loan Agreement, on a standalone basis and when aggregated with that of the First Shareholder Loan under Rule 14A.25 of the Listing Rules, are more than 5% and the total loan amount is more than HK\$10,000,000, therefore the Second Shareholder Loan Agreement and the transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rule 14A.63 of the Listing Rules.

As the applicable percentage ratios in respect of the provision of financial assistance under the Second Shareholder Loan Agreement, on a standalone basis and when aggregated with those of the First Shareholder Loan under Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Second Shareholder Loan Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting and announcement requirements.

As the applicable percentage ratios in respect of the Proposed Annual Caps are more than 25% and the annual considerations are more than HK\$10,000,000, the Continuing Connected Transactions are subject to annual review, announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, except for Mr. Bartle van de Meer, none of the Directors has a material interest in the Second Shareholder Loan Agreement and the Framework Supply Agreement and therefore, only Mr. Bartle van de Meer abstained from voting on the relevant Board resolutions in this aspect.

As DDI, being the 49% shareholder of Ausnutria Hyproca and a party to the Second Shareholder Loan Agreement, is interested in the Second Shareholder Loan Agreement and the Framework Supply Agreement, DDI and its associates are required to abstain from voting on the resolutions relating to the Second Shareholder Loan Agreement and the Framework Supply Agreement at the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in respect of the terms of the Second Shareholder Loan Agreement and the Framework Supply Agreement together with the transactions contemplated thereunder as well as the Proposed Annual Caps. Halcyon has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular will be despatched to the Shareholder on or before 26 November 2013 setting out, among other things, details of the provision of the Second Shareholder Loan, the Continuing Connected Transactions, the Proposed Annual Caps and the respective letters from the Independent Board Committee and Halcyon.

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 of trading of the Shares. The Company will keep the public informed of the latest development by making further announcements as and when appropriate. Further, reference is made to the Company's announcements dated 18 September 2013 and 17 October 2013, in relation to, among others, the Proposed Transaction. The discussion relating to the Proposed Transaction has commenced before the entering into of the Framework Supply Agreement and the Second Shareholder Loan Agreement. Shareholders and potential investors of the Company shall be aware that no legally binding agreement has been entered into in respect of the Proposed Transaction. There is no assurance that the Proposed Transaction will either materialise or eventually be consummated, and the Proposed Transaction may or may not proceed with and the terms of the Proposed Transaction are subject to negotiations. As such, the discussion may or may not lead to the making of general offer for the Shares.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 7 June 2013 in relation to, among others, the provision of the First Shareholder Loan
“associates”	has the meaning ascribed to it under the Listing Rules
“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 Group”	the Group but excluding the Ausnutria Hyproca Group
“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
“Ausnutria Hyproca Group”	Ausnutria Hyproca and its subsidiaries
“Board”	the board of Directors

“business day”	means 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)
“CCT Period”	the duration of the Framework Supply Agreement, which shall commence on 1 November 2013 and shall remain in force until the earlier of (a) 31 December 2015 (both days inclusive); or (b) the date when Ausnutria Hyproca and its associates cease to be connected persons of the Company
“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
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Framework Supply Agreement
“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
“EGM”	the extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Second Shareholder Loan Agreement, the Framework Supply Agreement together with the transactions contemplated thereunder and the Proposed Annual Caps
“EURO”	Euro, the legal currency of the member states of the European Union
“First Shareholder Loan”	the principal amount of EURO 7 million (equivalent to approximately HK\$74.9 million) granted by Ausnutria (Dutch) to Ausnutria Hyproca on 7 June 2013 pursuant to the First Shareholder Loan Agreement

“First Shareholder Loan Agreement”	the shareholder loan agreement dated 7 June 2013 entered into between Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the First Shareholder Loan
“Framework Supply Agreement”	the framework supply agreement dated 1 November 2013 entered into between the Company and Ausnutria Hyproca in relation to the supply of paediatric milk formula products by the Ausnutria Hyproca Group to the Ausnutria Group
“Group”	the Company and its subsidiaries
“Halcyon”	Halcyon Capital Limited, a licensed corporation to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Shareholder Loan Agreement, the Framework Supply Agreement and the transactions contemplated thereunder and the Proposed Annual Caps
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Qiu Weifa, Mr. Jason Wan, Mr. Chan Yuk Tong
“Independent Shareholder(s)”	Shareholders other than DDI and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option Period”	twelve (12) months from 7 June 2013, the date of the call option agreement entered into, among others, Ausnutria (Dutch) and DDI in relation to the granting of the Call Option by DDI to Ausnutria (Dutch), 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 the announcement of the Company dated 7 June 2013 in relation to, among others, the provision of First Shareholder Loan; or (ii) a period of three (3) months after the resumption of trading in the Shares on the Stock Exchange
“Proposed Annual Cap(s)”	the maximum amount of paediatric milk formula products procured by any members of the Ausnutria Group from any members of the Ausnutria Hyproca Group under the Framework Supply Agreement for the period from the Commencement Date to 31 December 2013 and each of the two financial years ending 31 December 2015

“Proposed Transaction”	the proposed purchase of Shares from Brave Leader Limited, All Harmony International Limited, Silver Castle International Limited and Ausnutria Holdings Co. Ltd. (all being Shareholders and together hold in aggregate 581,646,000 Shares) by an independent third party purchaser, which has been disclosed in the Company’s announcement dated 18 September 2013 and 17 October 2013
“PRC”	the People’s Republic of China. For the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Loan Long Stop Date”	being the expiry date of the term of the Second Shareholder Loan, which is in twelve (12) months from the date of granting the Second 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 Second Shareholder Loan
“Second Shareholder Loan”	the principal amount of EURO 10 million (equivalent to approximately HK\$107.0 million) granted by Ausnutria (Dutch) to Ausnutria Hyproca on 1 November 2013 pursuant to the Second Shareholder Loan Agreement
“Second Shareholder Loan Agreement”	the shareholder loan agreement dated 1 November 2013 entered into between Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the granting of the Second Shareholder Loan by Ausnutria (Dutch) to Ausnutria Hyproca
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 and as amended and supplemented by a supplemental agreement dated 1 November 2013
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Changsha City, the People’s Republic of China, 5 November 2013

For the purpose of this announcement, the exchange rates of EURO 1.00 = HK\$10.70 and RMB1.00 = HK\$1.274 have been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$, EURO and RMB have been, could have been or may be converted at such rate or any other exchange rate.

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung, 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.