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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)**

### **VOLUNTARY ANNOUNCEMENT PROVISION OF SHAREHOLDERS' LOAN**

The Board announces that on 16 September 2014, Ausnutria (Dutch) and DDI, as the lenders, and Ausnutria Hyproca, as the borrower, entered into the Shareholders' Loan Agreement in relation to the granting of the Shareholders' Loan of EURO 10.0 million (equivalent to approximately HK\$99.8 million) to Ausnutria Hyproca by Ausnutria (Dutch) and DDI proportional to their respective shareholdings in Ausnutria Hyproca to meet the further working capital needs of the Ausnutria Hyproca Group.

Terms of the Shareholders' Loan Agreement are substantially the same as those of the Second Shareholder Loan Agreement except the Shareholders' Loan were granted by Ausnutria (Dutch) and DDI proportional to their respective shareholdings in Ausnutria Hyproca while the Second Shareholder Loan was solely granted by Ausnutria (Dutch).

As at the date of this announcement, Ausnutria Hyproca was held as to 51% by the Company and 49% by DDI. 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. Therefore, Mr. Bartle van der Meer, DDI and Ausnutria Hyproca are connected persons of the Company under Chapter 14A of the Listing Rules. Given the fact that the provision of the Shareholders' Loan is conducted on terms better than normal commercial terms and is made proportional to the equity interest in Ausnutria Hyproca held by the Company and DDI, the provision of the Shareholders' Loan are fully exempt under Rule 14A.89 of the Listing Rules.

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

This is a voluntary announcement made by Ausnutria Dairy Corporation Ltd. The Company would like to give an update of the Shareholders' Loan to the Shareholders and/or investors.

## **INTRODUCTION**

References are made to the Announcements pursuant to which (i) Ausnutria (Dutch) has provided Ausnutria Hyproca on 7 June 2013 the First Shareholder Loan of EURO 7.0 million (equivalent to approximately HK\$69.9 million); (ii) Ausnutria (Dutch) has been granted the Call Option by DDI to further acquire the residual 49% equity interests in Ausnutria Hyproca; and (iii) Ausnutria (Dutch) has provided Ausnutria Hyproca on 1 November 2013 the Second Shareholder Loan of EURO 10.0 million (equivalent to approximately HK\$99.8 million).

The Board announces that on 16 September 2014, Ausnutria (Dutch) and DDI, as the lenders, and Ausnutria Hyproca, as the borrower, entered into the Shareholders' Loan Agreement in relation to the granting of the Shareholders' Loan of EURO 10.0 million (equivalent to approximately HK\$99.8 million) by Ausnutria (Dutch) and DDI on a proportion basis based on their respective shareholdings in Ausnutria Hyproca to Ausnutria Hyproca to meet the further working capital needs of the Ausnutria Hyproca Group.

## **THE SHAREHOLDERS' LOAN AGREEMENT**

Details of the Shareholders' Loan Agreement are as follows:

- Date : 16 September 2014
- Parties : Ausnutria (Dutch) and DDI, as the lenders  
Ausnutria Hyproca, as the borrower
- Principal amount of the Shareholders' Loan : EURO 10.0 million (equivalent to approximately HK\$99.8 million)
- Tenure : (a) the term of the Shareholders' Loan shall be due upon the expiration of the COA, 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 Shareholders' Loan, i.e. the Shareholders' Loan Long Stop Date;
- (b) upon the expiration of the term of the Shareholders' 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 Shareholders' Loan Agreement can only be extended (i) with same term of the COA in accordance with (a) and (b) above only if the parties to the COA agree to extend the COA according to the provisions therein; or (ii) if the Call Option is exercised in accordance with the terms in the COA

- Condition Precedent : the compliance by the Company of all requirements under the Listing Rules applicable to the granting of the Shareholders' Loan
- Advance : within five (5) business days after the satisfaction of the condition precedent of the provision of the Shareholders' Loan as stated above, Ausnutria (Dutch) and DDI shall advance the Shareholders' Loan to Ausnutria Hyproca of EURO 5.1 million (equivalent to approximately HK\$50.9 million) and EURO 4.9 million (equivalent to approximately HK\$48.9 million), respectively
- Interest rate : 2% per annum payable half yearly in arrears
- Repayment : Ausnutria Hyproca shall repay the Shareholders' Loan upon the expiration of the term of the Shareholders' Loan, i.e. the Shareholders' Loan Long Stop Date, including its extension (if applicable), in whole or in part (which in this case shall be made on a proportion basis), provided that upon repayment of the Shareholders' Loan (standing alone or aggregated with the First and Second Shareholder Loans), 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 Shareholders' 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 and Second Shareholder Loans, the Shareholders' Loan and the accrued interests

Ranking of the Shareholders' Loan : the Shareholders' 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, and the First and Second Shareholder Loans

## **REASONS FOR AND BENEFITS OF THE PROVISIONS 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 as well as under its own brand name.

In 2013, the Group granted the First and Second Shareholder Loans to the Ausnutria Hyproca Group for the financing of the capital expenditure plans, including but not limited to the upgrade of the milk powder spray towers and the purchases of new machineries for the increase in blending and packaging capacity of the Ausnutria Hyproca Group (the “**CAPEX Plan**”). The CAPEX Plan was substantially completed by June 2014. Additional working capital is required by the Ausnutria Hyproca Group to finance its increased scale of production as a result of the completion of the CAPEX Plan. In view of the above, the Company and DDI are willing to provide the Shareholders' Loan to Ausnutria Hyproca proportional to their respective shareholdings in Ausnutria Hyproca for the further working capital needs. In order to protect the interest of the Company and the Shareholders, the tenure of the Shareholders' Loan have been set to link with the Option Period (similar to that of the First and Second Shareholder Loans) 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 no dividend of Ausnutria Hyproca shall be distributed to its shareholders before full repayment of the First and Second Shareholder Loans, the Shareholders' 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, Ausnutria Hyproca shall repay the First and Second Shareholder Loans, the Shareholders' Loan and the accrued interest to its shareholders in accordance with the repayment terms under the First and Second Shareholder Loans Agreements and the Shareholders' Loan Agreement. Moreover, with the binding arrangement under the COA and, in the event the Call Option is exercised, the Group has the potential 100% control over Ausnutria Hyproca. 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. Details of the Call Option are set out in the announcement of the Company dated 7 June 2013.

Given the net cash position of the Ausnutria Group as at the date of this announcement and the working capital requirements of the Ausnutria Group, the Directors consider that the granting of the Shareholders' Loan will not have a significant impact on the working capital condition, net assets and profitability of the Group.

## **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 including 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. (“**Lypack**”), Hyproca Nutrition B.V. (“**Hyproca Nutrition**”) and Lyempf Kampen 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, Ausnutria Hyproca was held as to 51% by the Company and 49% by DDI. 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. Therefore, Mr. Bartle van der Meer, DDI and Ausnutria Hyproca are connected persons of the Company under Chapter 14A of the Listing Rules. Given the fact that the provision of the Shareholders’ Loan is conducted on terms better than normal commercial terms and is made proportional to the equity interest in Ausnutria Hyproca held by the Company and DDI, the provision of the Shareholders’ Loan are fully

exempt under Rule 14A.89 of the Listing Rules.

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

## **DEFINITIONS**

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

“Announcements”	the announcements of the Company dated 7 June 2013 and 1 November 2013 in relation to, among others, the provision of the First and Second Shareholder Loans, respectively
“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., 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 or a public holiday 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 COA
“COA”	the call option agreement dated 7 June 2013 (with the Option Period as extended for another 12 months to 6 June 2015 pursuant to the

notice issued by DDI to Ausnutria Dutch exercising its rights to extend the expiry date of the option period for another twelve months) entered into, among others, Ausnutria (Dutch) and DDI in relation to the granting of the Call Option by DDI to Ausnutria (Dutch)

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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 the date of this announcement
“Director(s)”	the director(s) of the Company
“First Shareholder Loan”	the principal amount of EURO 7.0 million (equivalent to approximately HK\$69.9 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Period”	Twenty-four (24) months from 7 June 2013, the date of the COA 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, i.e. 3 November 2014

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Second Shareholder Loan”	the principal amount of EURO 10.0 million (equivalent to approximately HK\$99.8 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 Second Shareholder Loan
“Shareholder(s)”	the holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholders’ Loan Long Stop Date”	being the expiry date of the term of the Shareholders’ Loan, which is in twelve (12) months from the date of granting the Shareholders’ 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 Shareholders’ Loan
“Shareholders’ Loan”	the principal amount of EURO 10.0 million (equivalent to approximately HK\$99.8 million) granted by Ausnutria (Dutch) and DDI on a proportion basis based on their respective shareholdings in Ausnutria Hyproca to Ausnutria Hyproca on 16 September 2014 pursuant to the Shareholders’ Loan Agreement
“Shareholders’ Loan Agreement”	the shareholders’ loan agreement dated 16 September 2014 entered into between Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the Shareholders’ Loan
“EURO”	Euro, the legal currency of the member states of the European Union
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Changsha City, the PRC, 23 September 2014

*For the purpose of this announcement, the exchange rate of EURO 1.00 = HK\$9.98 has been used for currency conversion. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and EURO 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, and three independent non-executive directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.*