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**AUSNUTRIA DAIRY CORPORATION LTD**

**澳優乳業股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1717)**

**MAJOR AND CONNECTED TRANSACTION  
RELATING TO  
THE ACQUISITION OF  
49% EQUITY INTEREST IN AUSNUTRIA HYPROCA**

**THE SHARE PURCHASE AGREEMENT**

On 12 January 2015 (after trading hours), the Share Purchase Agreement was entered into among DDI (the Vendor), Ausnutria (Dutch) (the Purchaser), the Company and the DDI Shareholders, pursuant to which the Vendor agrees to sell and the Purchaser agrees to purchase the Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, a 51%-owned subsidiary of the Company. The consideration for the Acquisition comprises: (i) the cash consideration, being HK\$20,125,000; and (ii) the share consideration, being 200,000,000 new Shares. Upon Completion, Ausnutria Hyproca will become a wholly-owned subsidiary of the Company.

The Purchaser shall also acquire the DDI Shareholder's Loans granted by DDI to Ausnutria Hyproca within 30 days of the Completion Date. The consideration for the DDI Shareholder's Loans shall be the total amount outstanding (including accrued interest) of the DDI Shareholder's Loans as at completion of the Loan Acquisition and will be settled in cash. As at the date of the Share Purchase Agreement, the outstanding amount of the DDI Shareholder's Loans is EURO 7.35 million (equivalent to approximately RMB55.13 million) and the accrued interest on the DDI Shareholder's Loans is EURO 36,970 (equivalent to approximately RMB277,275).

**LISTING RULES IMPLICATIONS**

As certain of the applicable percentage ratios are more than 25% but less than 100%, the Share

Purchase Agreement and the transactions contemplated thereunder, including the Loan Acquisition, constitute a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, DDI is a 30%-controlled company (as defined in the Listing Rules) held by Mr. Bartle van der Meer, an executive Director. As such, DDI is a connected person of the Company. Accordingly, the Share Purchase Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

## **GENERAL**

A circular containing, among others, (i) details of the Acquisition, the Loan Acquisition, the Share Purchase Agreement and the transactions contemplated thereunder; (ii) further information of the Ausnutria Hyproca Group; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Share Purchase Agreement and the transactions contemplated thereunder; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder; and (v) the notice of the EGM, is expected to be despatched to the Shareholders on or before 30 April 2015 as additional time is required for the preparation of the financial information to be included therein.

The Board is pleased to announce that on 12 January 2015 (after trading hours), the Share Purchase Agreement was entered into among DDI (the Vendor), Ausnutria (Dutch) (the Purchaser), the Company and the DDI Shareholders, pursuant to which the Vendor agrees to sell and the Purchaser agrees to purchase the Sale Shares.

## **THE SHARE PURCHASE AGREEMENT**

### **Date**

12 January 2015 (after trading hours),

### **Parties**

- (i) DDI, being the Vendor
- (ii) Ausnutria (Dutch), being the Purchaser
- (iii) The Company
- (iv) The DDI Shareholders

## **Assets to be acquired**

The Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, a 51%-owned subsidiary of the Company. Upon Completion, Ausnutria Hyproca will become a wholly-owned subsidiary of the Company. The Purchaser shall also acquire the DDI Shareholder's Loans granted by DDI to Ausnutria Hyproca within 30 days of the Completion Date.

## **Consideration**

The consideration for the Acquisition comprises:-

- (i) the cash consideration, being HK\$20,125,000 (the "**Cash Consideration**"); and
- (ii) the share consideration, being 200,000,000 new Shares (the "**Consideration Share(s)**").

The consideration for the DDI Shareholder's Loans shall be the total amount outstanding (including accrued interest) of the DDI Shareholder's Loans as at completion of the Loan Acquisition and will be settled in cash. As at the date of the Share Purchase Agreement, the outstanding amount of the DDI Shareholder's Loans is EURO 7.35 million (equivalent to approximately RMB55.13 million) and the accrued interest on the DDI Shareholder's Loans is EURO 36,970 (equivalent to approximately RMB277,275).

The consideration is determined after arm's length negotiations among the parties to the Share Purchase Agreement with reference to, among other things, the historical financial performance and the growth potential of the Ausnutria Hyproca Group.

Pursuant to the Share Purchase Agreement, the Vendor will receive the Cash Consideration and the Consideration Shares on the Completion Date.

## **The Consideration Shares**

200,000,000 Consideration Shares will be issued to DDI upon Completion.

The Consideration Shares represent:-

- (i) approximately 20.27% of the issued Shares of the Company as at the date of this announcement; and
- (ii) approximately 16.85% of the issued Shares of the Company as enlarged by the Consideration Shares.

The Consideration Shares shall be entitled to dividends, interim dividends or other distribution from the

Completion Date. The Vendor agrees that the Consideration Shares shall be subject to a lock-up period up to 31 December 2016, regardless of the Completion Date or the issue date of the Consideration Shares.

The Consideration Shares will be allotted and issued under the specific mandate to be sought from the Independent Shareholders at the forthcoming EGM, and when issued, will rank equally in all respects with the Shares in issue on the date of allotment and issuance. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

### **Conditions Precedent**

Completion of the Acquisition is subject to the following conditions:

- (a) the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at a special general meeting of resolution(s) approving the transactions contemplated under the Share Purchase Agreement;
- (b) all approvals, consents and acts to be obtained or completed before Completion as required under the Listing Rules, the Takeovers Code or as otherwise required by the Stock Exchange or the SFC in connection with the Share Purchase Agreement and the transactions contemplated thereunder have been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules or requirements has been obtained from the Stock Exchange or the SFC; and
- (c) all requisite waivers, consents and approvals from any other relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Share Purchase Agreement have been obtained.

Pursuant to the Share Purchase Agreement, the Company has the right to waive item (c) of the above conditions precedent.

If any above condition precedent is not satisfied or waived on or before the Long Stop Date, the Share Purchase Agreement shall terminate and no party to the Share Purchase Agreement shall have any claim against the others.

### **Completion**

Completion of the Share Purchase Agreement shall take place within 15 Business Days from the date of fulfilment of all the conditions precedent (unless the condition precedent referred to in paragraph (c) under the section headed “Conditions Precedent” above is otherwise waived) for the Share Purchase Agreement.

## INFORMATION OF THE GROUP AND AUSNUTRIA (DUTCH)

The Group (excluding Ausnutria Hyproca Group) is principally engaged in the production, marketing and distribution of 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.

## 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.

## INFORMATION OF AUSNUTRIA HYPROCA

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 from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands for its own brands as well as under contract manufacturing and private label arrangements. The contract manufacturing and private label arrangements are serving cow milk dairy products to customers in the Netherlands and other overseas countries, such as the PRC, Taiwan, other European and Middle East countries. The Ausnutria Hyproca Group also sells paediatric milk formula under its own brands (Kabrita for goat infant formula in the PRC, Russia, United States and the Middle East countries and Neolac for cow infant formula in the PRC). The Ausnutria Hyproca Group is one of the leading producers and distributors of goat milk products in the world. DDI acquired the Sale Shares on 22 March 2011 from the DDI Shareholders at a consideration of EURO 4,011,418.

As disclosed in the Company's announcement dated 24 April 2013, the Ausnutria Hyproca Group planned to expand its production capacity through the construction of new production facilities (the "**New Factory**") in response to the anticipated increase in demand of infant and toddler nutrition product worldwide. In this regard, the Ausnutria Hyproca Group has acquired a parcel of land in Heerenveen, the Netherlands, with a total area of approximately 140,000 square meters (the "**Land**") in 2014 for the intended construction of the New Factory which the Board has approved the Ausnutria Hyproca Group's investment plan on the New Factory (the "**Factory Investment Plan**").

Under the Factory Investment Plan, the total investment cost (including the Land and all the production facilities) is estimated to be approximately EURO 83.0 million (equivalent to approximately RMB622.5 million), which will be financed by banking facilities granted to the Ausnutria Hyproca Group as well as the internal working capital of the Group. The New Factory, which has a maximum blending and

packaging capacity of approximately 90,000 tons per annum, is expected to commence operation in mid 2016.

As of the date of this announcement, the Ausnutria Hyproca Group has already obtained the relevant approvals, including but not limited to the investment and the environment approvals from the relevant governmental authorities in the Netherlands for the construction of the New Factory.

### **Financial information of the Ausnutria Hyproca Group**

The unaudited total assets and net assets for the Ausnutria Hyproca Group as at 30 June 2014 were RMB1,020.6 million and RMB180.4 million, respectively. The audited financial information of the Ausnutria Hyproca Group for the two years ended 31 December 2012 and 2013 and the unaudited financial information of the Ausnutria Hyproca Group for the six months ended 30 June 2014 is as follows:

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2013</b>	<b>Six months ended 30 June 2014</b>
	RMB'000	RMB'000	RMB'000
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Net profit (before taxation and extraordinary items)	<u>32,106</u>	<u>15,943</u>	<u>12,618</u>
Net profit/(loss) (after taxation and extraordinary items*)	<u>(2,228)</u>	<u>12,334</u>	<u>11,385</u>

\* *In July 2012, the Ausnutria Hyproca Group suspended its production temporarily at the request by one of its supplier as one of the raw materials that was previously delivered by the supplier might have been contaminated. As a result of this incident, the Ausnutria Hyproca Group incurred a loss for the year ended 31 December 2012 amounting to approximately RMB35.0 million.*

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Ausnutria Hyproca Group 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. The Ausnutria Hyproca Group also sells paediatric milk formula under its own brands (Kabrita for goat infant formula in the PRC, Russia, United States and the Middle East countries and Neolac for cow infant formula in the PRC). The

Ausnutria Hyproca Group is one of the leading producers and distributors of goat milk products in the world. 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 the Ausnutria Hyproca Group into the Group by acquiring the residual 49% equity interests in Ausnutria Hyproca from DDI and to facilitate the future business expansion of the Ausnutria Hyproca Group, including the execution of the Factory Investment Plan.

The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the advice from the independent financial adviser) consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and its Shareholders as a whole.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately following Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion other than the issue of the Consideration Shares):

	As at the date of this announcement		Immediately upon the Completion	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Ausnutria Holding Co Ltd	200,000,000	20.27	200,000,000	16.85
Brave Leader Limited	126,619,550	12.83	126,619,550	10.67
Center Laboratories Inc.	134,977,075	13.68	134,977,075	11.37
BioEngine Capital Inc. <sup>(Note 1)</sup>	123,355,375	12.50	123,355,375	10.39
BioEngine Technology Development Inc. <sup>(Note 1)</sup>	9,864,000	1.00	9,864,000	0.83
Ms. Lin O, Li-Chu <sup>(Note 2)</sup>	498,000	0.05	498,000	0.04
DDI	-	-	200,000,000	16.85
Public <sup>(Note 3)</sup>	391,529,000	39.67	391,529,000	33.00
<b>Total</b>	<b>986,843,000</b>	<b>100.00</b>	<b>1,186,843,000</b>	<b>100.00</b>

Notes:

- Both BioEngine Capital Inc. and BioEngine Technology Development Inc. are non-wholly owned subsidiaries of Center Laboratories Inc.
- Ms. Lin O, Li-Chu is the spouse of Mr. Lin Jung-chin (“**Mr. Lin**”), an executive Director.
- Public shareholding includes 260,000 Shares held by Mr. Lin’s associate (as defined under the Listing Rules).

## LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios are more than 25% but less than 100%, the Share Purchase Agreement and the transactions contemplated thereunder, including the Loan Acquisition, constitute a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, DDI is a 30%-controlled company (as defined in the Listing Rules) held by Mr. Bartle van der Meer ("**Mr. van der Meer**"), an executive Director, DDI is a connected person of the Company. Accordingly, the Share Purchase Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

## GENERAL

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

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors has been established to make recommendations to the Independent Shareholders regarding the Share Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) details of the Acquisition, the Loan Acquisition, the Share Purchase Agreement and the transactions contemplated thereunder; (ii) further information of the Ausnutria Hyproca Group; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Share Purchase Agreement and the transactions contemplated thereunder; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder; and (v) the notice of the EGM is expected to be despatched to the Shareholders on or before 30 April 2015 as additional time is required for the preparation of the financial information to be included therein.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by Ausnutria (Dutch), pursuant to the Share Purchase Agreement
“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(s)”	a day other than a Saturday or a Sunday on which banks are open for the transaction of regular business in Amsterdam, the Netherlands, Hong Kong and Beijing, the PRC
“Company”	Ausnutria Dairy Corporation Ltd (澳優乳業股份有限公司), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1717)
“Completion”	the completion of the Acquisition
“Completion Date”	the date when the Completion occurs
“connected person(s)”	has the same meaning given to it under the Listing Rules
“DDI Shareholder’s Loans	The loans granted by DDI to Ausnutria Hyproca
“DDI Shareholders”	collectively, PMH Investments B.V., Manids B.V., and Elbe B.V., all being the shareholders of DDI
“Director(s)”	the director(s) of the Company (including independent non-executive Director(s))

“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Share Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
“EURO”	Euro, the legal currency of the member states of the European Union
“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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas
“Independent Shareholder(s)”	Shareholders other than DDI and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Acquisition”	the acquisition of the DDI Shareholder’s Loans by the Purchaser from DDI
“Long Stop Date”	the expiry date of the term of the Share Purchase Agreement, being 30 June 2015, which may be extended upon the mutual agreement of the Company, Ausnutria (Dutch) and DDI in writing
“PRC”	the People’s Republic of China. For the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser” or “Ausnutria (Dutch)”	Ausnutria Dairy (Dutch) Coöperatief U.A., an indirect wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	The Securities and Futures Commission
“Sale Shares”	49% of the issued share capital of Ausnutria Hyproca

“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Share Purchase Agreement”	the share purchase agreement dated 12 January 2015 and entered into among DDI, the DDI Shareholders, the Company and Ausnutria (Dutch) in relation to the Acquisition
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Taiwan”	Republic of China
“Vendor” or “DDI”	Dutch Dairy Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands
“%”	per cent

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

Changsha City, the PRC, 12 January 2015

*For the purpose of this announcement, the exchange rate of EURO 1.00 = RMB7.5 has been used for currency conversion. This is for the purpose of illustration only and does not constitute a representation that any amounts in 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 four executive Directors, namely Mr. Yan Weibin (Chairman), Mr. Lin Jung-chin, 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. Lau Chun Fai Douglas.*