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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)

**ANNOUNCEMENT
PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE
AND
INSIDE INFORMATION PROVISION;
AND
RESUMPTION OF TRADING**

Financial adviser to Ausnutria Dairy Corporation Ltd



This announcement is made by Ausnutria Dairy Corporation Ltd (the **“Company”**), together with its subsidiaries, the **“Group”**) pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the **“Takeovers Code”**), the disclosure obligations under Rule 13.09 of the Rules Governing the Listing of Securities (the **“Listing Rules”**) on The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

LETTER OF INTENT

The board of directors (the **“Directors”**) of the Company (the **“Board”**) has been informed by Brave Leader Limited (**“Brave Leader”**) and Ausnutria Holdings Co. Ltd (**“Ausnutria Holdings”**) (collectively the **“Sellers”**), both being substantial shareholders of the Company, that a non-binding letter of intent (the **“LOI”**) was entered into between the Sellers and Center Laboratories, Inc. (**“Center Lab”** or the **“Purchaser”**) on 21 January 2015. Pursuant to the LOI, the Purchaser intends to purchase and the Sellers intend to sell such number of shares of the Company (the **“Shares”**) held by the Sellers representing 15% to 20% of the issued shares of the Company (the **“Possible Transaction”**). The

indicative purchase price per Share for the Possible Transaction is HK\$3.00 or above. The details of the split of shareholding between the Sellers and the purchase price per Share will ultimately be determined by the parties to the formal agreement to be entered into in respect of the Possible Transaction (the “SPA”). Further announcement will be made to inform the shareholders of the Company (the “Shareholders”) the above matters when the SPA is entered into.

If the Possible Transaction materialises, the SPA is to be entered into on or before 15 May 2015 and, in any event, no later than 31 May 2015 (or such later date as the parties may agree). Further, prior to the completion of the Possible Transaction, the Sellers will be reorganised so that Mr. Yan Weibin (“**Mr. Yan**”), the current executive Director and chairman of the Company, will receive from the Sellers such number of shares in the Company as representing his effective interests in the Company held through the Sellers and he will cease to have any interest in the Sellers (the “**Reorganization**”). Mr. Yan is currently a shareholder of each of the Sellers. The Sellers do not have any plans on the remaining Shares if the LOI materialises and, other than Mr. Yan who will cease to be a shareholder of each of the Sellers after the Reorganization, the remaining shareholders of the Sellers do not have any plan regarding their respective shareholding in the Company.

The details of the Reorganization have not yet been finalized, and the Reorganization may be carried out through a share swap, a distribution in species or capital reduction by the Sellers, an acquisition of the Shares by Mr. Yan from the Sellers, or a combination of the above. The Company will make further announcement(s) to disclose the relevant details when appropriate.

The Sellers have also informed the Company that the Sellers and the Purchaser have not reached any legally binding agreement in respect of the Possible Transaction nor have the parties reached any agreement on the exact number of Shares that may be acquired by the Purchaser from the Sellers under the Possible Transaction.

The Company has also been informed that the discussions in respect of the Possible Transaction are still in progress and the Possible Transaction may or may not proceed. The Possible Transaction, if it materialises, may or may not result in the Purchaser acquiring such number of Shares from the Sellers resulting in the Purchaser and parties acting in concert with it holding 30% or more of the issued Shares. In the event that following completion of the Possible Transaction, the Purchaser and parties acting in concert with it hold in aggregate 30% or more of the issued Shares, the Purchaser is required to make a mandatory offer for all the Shares (other than those already owned or agreed to be acquired by the Purchaser or parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code.

Pursuant to the LOI, the Purchaser agrees to pay Ausnutria Holdings a refundable earnest money of HK\$60.0 million within seven days of the LOI. The Purchaser and the Sellers further agree that if either the Purchaser or any of the Sellers fails to sign and complete the SPA on or before 31 May 2015 (or such later date as the parties may agree) in accordance with their respective obligations stated in the SPA, the party in default shall pay the party(ies) not in default a break fee, or a reverse break fee, of HK\$6 million.

INFORMATION ON THE PURCHASER

Center Lab was founded in 1959 and is a limited liability company incorporated under the laws of Taiwan. The shares of Center Lab have been listed on the GreTai Securities Market in Taiwan since 2003. Center Lab is an industrial biotechnological company which specializes in manufacturing liquid oral drugs including capsule and tablet formulations for infants, children, the elderly and special care patients. Mr. Lin Jung-chin (“**Mr. Lin**”), an executive Director, is the chairman of Center Lab and the largest shareholder of Center Lab through his holdings of approximately 13.07% equity interests (direct and indirect) in Center Lab. The remaining 86.93% of issued shares of Center Lab are held as to 5.24% by the directors of Center Lab, 12.46% by a substantial shareholder of Center Lab (as defined under the Listing Rules) and 69.23% by the public shareholders.

Center Lab and BioEngine Capital Inc. (“**BioEngine**”), a non-wholly owned subsidiary of Center Lab, agreed to acquire a total of 255,026,450 Shares, representing approximately 25.84% of the issued share capital of the Company, from All Harmony International Limited (“**All Harmony**”) and Brave Leader, one of the Sellers, pursuant to a sale and purchase agreement dated 11 November 2014 and completion of this transaction took place on 12 December 2014. Details of this transaction are set out in the announcements of the Company dated 12 November 2014 and 12 December 2014.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, the table below sets forth the changes in the shareholding structure of the Company arising from the Reorganization (assuming Mr. Yan receives 86,805,450 Shares from the Reorganization) and immediately after the completion of the Possible Transaction (assuming (i) 15% of the issued Shares; or (ii) 20% of the issued Shares is transacted):-

	As at the date of this announcement		Upon the completion of the Reorganization		Upon the completion of the Reorganization and 15% of the Shares is transacted		Upon the completion of the Reorganization and 20% of the Shares is transacted	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Center Lab	134,977,075	13.68	134,977,075	13.68	283,003,525	28.68	332,345,675	33.68
BioEngine ^(Note 1)	123,355,375	12.50	123,355,375	12.50	123,355,375	12.50	123,355,375	12.50
BioEngine Technology Development Inc. ^(Note 1)	9,864,000	1.00	9,864,000	1.00	9,864,000	1.00	9,864,000	1.00
Ms. Lin O, Li-Chu ^(Note 2)	498,000	0.05	498,000	0.05	498,000	0.05	498,000	0.05
Mr. Lin Wei-Hsuan ^(Note 3)	260,000	0.03	260,000	0.03	260,000	0.03	260,000	0.03
<i>Sub-total of Center Lab and parties acting in concert with it</i>	<u>268,954,450</u>	<u>27.26</u>	<u>268,954,450</u>	<u>27.26</u>	<u>416,980,900</u>	<u>42.26</u>	<u>466,323,050</u>	<u>47.26</u>
Sellers	326,619,550	33.10	239,814,100	24.30	91,787,650	9.30	42,445,500	4.30
Mr. Yan	-	-	86,805,450	8.80	86,805,450	8.80	86,805,450	8.80
Other Shareholders	<u>391,269,000</u>	<u>39.64</u>	<u>391,269,000</u>	<u>39.64</u>	<u>391,269,000</u>	<u>39.64</u>	<u>391,269,000</u>	<u>39.64</u>
Total	<u>986,843,000</u>	<u>100.00</u>	<u>986,843,000</u>	<u>100.00</u>	<u>986,843,000</u>	<u>100.00</u>	<u>986,843,000</u>	<u>100.00</u>
Public ^(Note 4)	<u>391,529,000</u>	<u>39.67</u>	<u>391,529,000</u>	<u>39.67</u>	<u>391,529,000</u>	<u>39.67</u>	<u>391,529,000</u>	<u>39.67</u>

Notes:

1. Both BioEngine and BioEngine Technology Development Inc. are non-wholly owned subsidiaries of Center Lab.
2. Ms. Lin O, Li-Chu is the spouse of Mr. Lin, an executive Director.
3. Mr. Lin Wei-Hsuan is the son of Mr. Lin, an executive Director.
4. Public shareholding includes 260,000 Shares held by Mr. Lin Wei-Hsuan.

SECURITIES IN THE COMPANY AND FURTHER INFORMATION

As at the date of this announcement, the total issued share capital of the Company is HK\$98,684,300 comprising 986,843,000 Shares. The Company has no other class of relevant securities in issue.

As at the date of this announcement, Brave Leader is interested in 126,619,550 Shares, representing approximately 12.83% of the issued Shares. It is a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, which is owned as to 59.57% by Mr. Wu Yueshi (“**Mr. Wu**”), the former executive Director and chairman of the Company who resigned on 7 June 2013, 30.67% by Ms. Wu Xing Xing (“**Ms. X Wu**”, the elder sister of Mr. Wu) and 9.76% by Mr. Yan, the current executive Director and chairman of the Company.

As at the date of this announcement, Ausnutria Holdings is interested in 200,000,000 Shares, representing approximately 20.27% of the issued Shares. It is a company incorporated in the BVI with limited liability, which is owned as to 60% by Mr. Wu, 30% by Mr. Yan and 10% by Ms. Xiong Fanyi, who is the spouse of Mr. Wu.

As at the date of this announcement, Center Lab and its subsidiaries in aggregate are interested in 268,196,450 Shares, representing approximately 27.18% of the issued Shares.

Save for a total of 255,026,450 Shares acquired by Center Lab and BioEngine as mentioned above, between 28 November 2014 and 5 December 2014, Center Lab acquired 3,306,000 Shares at an average price of HK\$2.40 per Share whereas BioEngine acquired 9,864,000 Shares at an average price of HK\$2.59 per Share. Between 27 August 2014 to 12 December 2014, Mrs. Lin O, Li-Chu, the spouse of Mr. Lin, acquired 498,000 Shares at an average price of HK\$2.36 per Share. Between 8 December 2014 to 11 December 2014, Mr. Lin Wei-Hsuan, the son of Mr. Lin, acquired 260,000 Shares at an average price of HK\$2.50 per Share.

Save for the above, the Purchaser and parties acting in concert with it have not dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the six months prior to the date of this announcement. As at the date of this announcement, save for the above, the Purchaser and parties acting in concert with it do not hold, own, control or direct any Shares, convertible securities, warrants, options or derivatives of the Company.

MONTHLY UPDATE

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the aforesaid discussions will be made until an announcement of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

DEALINGS DISCLOSURE

The associates (within the meaning ascribed thereto under the Takeovers Code, including any person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company) of the Company and the Purchaser are reminded to disclose their dealings in the relevant securities of the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and other intermediaries who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

Shareholders and potential investors of the Company shall be aware that the LOI is non-legally binding. There is no assurance that the Possible Transaction or any transactions mentioned in this announcement will materialise or eventually be consummated, and the discussion in relation to the Possible Transaction set out in the LOI may or may not proceed with and the terms of the Possible Transaction are subject to negotiations between the parties to the LOI. As such, the discussions may

or may not lead to a general offer under Rule 26.1 of the Takeovers Code. Shareholders and the potential investors of the Company are urged to exercise extreme caution when dealing in the Shares and/or other securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 19 January 2015 pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 22 January 2015.

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

Changsha City, the PRC, 21 January 2015

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.

The Directors jointly and severally accept fully responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.