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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)

CONNECTED TRANSACTION IN RELATION TO THE MORNRING SHARE TRANSFER AGREEMENT

THE MORNRING ACQUISITION

In order to expand the production, supply and storage capacities of the Group, on 11 July 2016 (after trading hours), Ausnutria China and Hunan XinDaXin entered into the Mornring Share Transfer Agreement, pursuant to which Ausnutria China agreed to acquire and Hunan XinDaXin agreed to sell the Mornring Sale Shares, being the entire equity interests of Hunan Mornring, which as at the date of this announcement, owned the Land and Building that is adjacent to the Group's existing production facility in Changsha city, the PRC, at a consideration of RMB28.5 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Yan Weibin, being the chairman of the Board and an executive Director, is a director of Hunan XinDaXin. Further, Hunan XinDaXin is beneficially owned by Mr. Yan Weibin as to approximately 9.76% and Mr. Wu Yueshi, a former Director, as to the remaining of 90.24%. In view of the above, Hunan XinDaXin is therefore regarded a connected person of the Company. Accordingly, the Mornring Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under the Listing Rules in respect of the Mornring Acquisition exceed 0.1% but are less than 5%, the Mornring Acquisition is only subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

In order to expand the production, supply and storage capacities of the Group, on 11 July 2016 (after trading hours), Ausnutria China and Hunan XinDaXin entered into the Mornring Share Transfer Agreement. Pursuant to the Mornring Share Transfer Agreement, Ausnutria China agreed to acquire and Hunan XinDaXin agreed to sell the Mornring Sale Shares, being the entire equity interests of Hunan Mornring, which as at the date of this announcement, owned the Land and Building that is adjacent to the Group's existing production facility in Changsha city, the PRC, at a consideration of RMB28.5 million. Salient terms of the Mornring Share Transfer Agreement are set out below.

THE MORNRING SHARE TRANSFER AGREEMENT

Date

11 July 2016

Parties

- (1) Ausnutria China, being the purchaser; and
- (2) Hunan XinDaXin, being the vendor.

Shares to be transferred

Morning Sale Shares, being the entire equity interests of Hunan Morning

Consideration

The Consideration amounts to RMB28.5 million, which will be settled in cash in the following manner:

- (1) RMB14.25 million, being 50% of the Consideration, shall be payable within five (5) Business Days from the date of the Morning Share Transfer Agreement; and
- (2) RMB14.25 million, being the remaining 50% of the Consideration, shall be payable within five (5) Business Days from the date when the Industrial and Commercial Registration (as defined below) is completed.

The Consideration was determined after arm's length negotiation between Ausnutria China and Hunan XinDaXin based on the appraised value of the Land and Building (which is as at the date of this announcement the key asset of Hunan Morning) reported under a valuation report as produced by an independent qualified appraisal company in Hong Kong (the "**Valuation Report**").

Completion

Completion of the Morning Acquisition is conditional upon the completion of the industrial and commercial registration (工商登記) (the "**Industrial and Commercial Registration**").

INFORMATION ON HUNAN MORNRING

Hunan Morning is a company established in the PRC and incorporated on 18 April 2000. As at the date of this announcement, Hunan Morning has a registered capital of RMB27.4 million and is principally engaged in the holding of the Land and Building.

Hunan XinDaXin's original acquisition cost of the Morning Sale Shares was RMB209.75 million. Prior to the Morning Acquisition and subsequent to the termination of the production of the cereal business of Hunan Morning, Hunan XinDaXin implemented a capital reduction plan for Hunan Morning to reduce its registered capital from RMB164.7 million to RMB27.4 million by offsetting the receivables due from Hunan XinDaXin and its affiliates.

Financial information of Hunan Mornring

The table below sets out the financial information of Hunan Mornring for the years ended 31 December 2014 and 31 December 2015:

	Year ended 31 December	
	2014 <i>RMB 'M</i> (Audited)	2015 <i>RMB 'M</i> (Audited)
Net loss before tax and extraordinary items	<u>0.4</u>	<u>19.0</u>
Net loss after tax and extraordinary items	<u>0.4</u>	<u>19.0</u>

As at 31 December 2015, Hunan Mornring has a net asset value of RMB142.0 million and a total assets value of RMB142.1 million, which primarily represents the carrying value of the Land and Building and the receivables from Hunan XinDaXin and its affiliates. Subsequent to 31 December 2015, as part of the restructuring plan of Hunan XinDaXin. Hunan Mornring undergone a capital reduction plan to reduce its registered capital from RMB164.7 million to RMB27.4 million by offsetting the receivables due from Hunan XinDaXin and its affiliates. As a result of the above exercise, the net asset value and total assets value of Hunan Mornring was reduced to RMB4.5 million (which mainly represents the carrying value of the Land and Building) and RMB4.6 million, respectively, as at 30 June 2016. According to the Valuation Report, the appraised value of the net assets was RMB28.5 million.

INFORMATION ON THE GROUP

The Company acts as an investment holding company of the Group. The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

INFORMATION ON HUNAN XINDAXIN

Hunan XinDaXin is a company established in the PRC. As at the date of the announcement, Hunan XinDaXin is an investment holding company.

REASONS FOR AND BENEFITS OF THE MORNRING ACQUISITION

As set out above, Hunan Mornring possesses the Land and Building that is adjacent to the Group's existing production facility in Changsha city, the PRC. Through the Mornring Acquisition, the Group can take possession of the Land and Building which will facilitate the future expansion of its existing production facility in the PRC in order to meet the fast growing demand in the Group's paediatric nutrition products.

After considering the above, the Board (including the independent non-executive Directors) considers that the terms of the Mornring Acquisition are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Yan Weibin, being the chairman of the Board and an executive Director, is a director of Hunan XinDaXin. Further, Hunan XinDaXin is beneficially owned by Mr. Yan Weibin as to approximately 9.76% and Mr. Wu Yueshi, a former Director, as to the remaining of 90.24%. In view of the above, Hunan XinDaXin is therefore regarded a connected person of the Company.

Save as disclosed above, none of the Director has a material interest in the Mornring Share Transfer Agreement and the transactions contemplated thereunder and, other than Mr. Yan Weibin, none of the Directors abstained from voting on the relevant board resolutions of the Company.

Accordingly, the Mornring Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under the Listing Rules in respect of the Mornring Acquisition exceed 0.1% but are less than 5%, the Mornring Acquisition is only subject to the reporting and announcement requirements but exempt from the shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Ausnutria China”	Ausnutria Dairy (China) Co., Ltd, a major indirect wholly-owned subsidiary of the Company established in the PRC
“Board”	the board of Directors
“Business Day(s)”	A day other than a Saturday or a Sunday on which banks are open for transactions of regular business in the PRC
“Consideration”	RMB28.5 million, being the consideration of the Mornring Acquisition
“Director”	the director(s) of the Company (including independent non-executive Director(s))
“Hunan Mornring”	湖南沐林現代食品有限公司 (Hunan Mornring Foodstuff Co., Ltd.), a company established in the PRC on 18 April 2000
“Hunan XinDaXin”	湖南新大新股份有限公司 (Hunan XinDaXin Company Limited), a company established in the PRC on 19 January 2007
“Land and Building”	a plot of land with a site area of approximately 31,640 square meters and is adjacent to the Group's existing production facility at Hunan Hi-tech Food Industrial Park, Wangcheng County, Changsha city, the PRC and on which an industrial Building with a gross floor area of approximately 1,500 square meters was built
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mornring Acquisition”	the acquisition of the Mornring Sale Shares pursuant to the Mornring Share Transfer Agreement
“Mornring Sale Shares”	the entire equity interests in Hunan Mornring
“Mornring Share Transfer Agreement”	The share transfer agreement dated 11 July 2016 entered into between Ausnutria China and Hunan XinDaXin in relation to the Mornring Acquisition
“PRC”	The People’s Republic of China
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Changsha City, People’s Republic of China, 11 July 2016

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; two non-executive Directors, namely Mr. Tsai Chang-Hai and Mr. Zeng Xiaojun; and three independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.