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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 TRANSACTION ACQUISITION OF A NUTRITIONAL AND HEALTHCARE BUSINESS AND (2) CONNECTED TRANSACTION PROVISION OF SHAREHOLDER LOAN

THE ACQUISITION

The Board is pleased to announce that on 24 August 2016 (after trading hours), NC Holding, an indirect wholly-owned subsidiary of the Company, the Vendor and Professor Brighthope entered into the Business Sale Agreement. Contemporaneously, NC Holding also entered the Land Sale Contracts with Professor Brighthope and Brighthope Pty respectively.

It is also agreed that, on or prior to Completion, the Shareholders Deed and the Consultancy Agreement will also be entered into.

Under the Business Sale Agreement, NC Holding conditionally agreed to purchase and the Vendor conditionally agreed to sell the Business and the Assets at a consideration of AUD26.4 million (equivalent to approximately RMB133.6 million), which will be satisfied by the payment of cash.

Under the Land Sale Contracts, NC Holding conditionally agreed to purchase and Brighthope Pty and Professor Brighthope conditionally agreed to sell the Properties at an aggregate consideration of AUD5.2 million (equivalent to approximately RMB26.3 million), which shall be satisfied by the payment of cash.

Upon completion of the Business Sale Agreement and the Land Sale Contracts with a total consideration of AUD31.6 million (equivalent to approximately RMB159.9 million), NC Holding will own the Business (which is TGA licensed), the Assets and the Properties and will immediately be able to continue and develop the Business that was carried out by the Vendor.

THE SHAREHOLDERS DEED

Upon completion of the Business Sale Agreement, NC Holding will issue and allot 22,498,500 shares and 7,500,000 shares to Ausnutrition and Bagley Investments respectively, at a subscription price of AUD1.0 per share (i.e. the Subscription).

On or prior to Completion, Ausnutrition will enter into the Shareholders Deed with Professor Brighthope and Bagley Investments in relation to, among other things, governance of the commercial joint venture, i.e. NC Holding, to develop the Business in Australia and overseas. Pursuant to the Shareholders Deed, Ausnutrition will make a shareholder loan of AUD7.5 million to NC Holding on the Completion Date for the working capital and future expenditure purpose.

IMPLICATION UNDER THE LISTING RULES

Upon completion of the Subscription, the equity interest in NC Holding held by the Group will be diluted from 100.0% to 75.0%. Such dilution of equity interest in NC Holding constitutes a deemed disposal of NC Holding under Rule 14.29 of the Listing Rules.

As the Put Option under the Shareholders Deed is not at the Company's discretion, pursuant to Rule 14.74 of the Listing Rules, the grant of such option will be classified as if it had been exercised.

Since some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and the Subscription and the grant of the Put Option, either considered separately or in aggregate exceed 5% but are less than 25%, the relevant transactions contemplated under the Business Sale Agreement, the Land Sale Contracts and the Shareholders Deed constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to the requirements of reporting and announcement, but are exempted from the requirement of shareholders' approval pursuant to Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the provision of financial assistance under the Shareholders Deed under Rule 14.07 of the Listing Rules is less than 5%, the provision of financial assistance under the Shareholders Deed is subject to reporting and announcement requirements pursuant to Rule 14A.87 of the Listing Rules, but is exempted from the requirement of shareholders' approval pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, none of the Directors has a material interest in the Shareholders Deed and therefore, none of the Directors was required to abstain from voting on the relevant Board resolutions in this aspect.

As Bagley Consultancy is beneficially owned by Professor Brighthope, which will indirectly own 25.0% of the equity interest of NC Holding upon Completion, Bagley Consultancy is a connected person of the Company at the subsidiary level under the Listing Rules. The Consultancy Agreement and the transaction contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are less than 1% and the transaction is a connected transaction only because it involves connected person at the subsidiary level, the transactions contemplated under the Consultancy Agreement are fully exempted from the reporting, announcement, circular and shareholders' approval requirements.

INTRODUCTION

The Board is pleased to announce that on 24 August 2016 (after trading hours), NC Holding, an indirect wholly-owned subsidiary of the Company, the Vendor and Professor Brighthope entered into the Business Sale Agreement. Contemporaneously, NC Holding also entered the Land Sale Contracts with Professor Brighthope and Brighthope Pty respectively.

It is also agreed that, on or prior to Completion, the Shareholders Deed and the Consultancy Agreement will also be entered into.

Under the Business Sale Agreement, NC Holding conditionally agreed to purchase and the Vendor conditionally agreed to sell the Business (which is TGA licensed) and the Assets. Based on the current information available to the Company, the consideration under the Business Sale Agreement is estimated to be AUD26.4 million (equivalent to approximately RMB133.6 million), which shall be satisfied by the payment of cash.

Under the Land Sale Contracts, NC Holding conditionally agreed to purchase and Brighthope Pty and Professor Brighthope conditionally agreed to sell the Properties at an aggregate consideration of AUD5.2 million (equivalent to approximately RMB26.3 million), which shall be satisfied by the payment of cash.

It was further agreed that NC Holding will issue and allot 22,498,500 shares and 7,500,000 shares to Ausnutrition and Bagley Investments respectively at a subscription price of AUD1.0 per share upon completion of the Business Sale Agreement (i.e. the Subscription). Upon completion of the Subscription, NC Holding will be owned 75.0% as to Ausnutrition and 25.0% as to Bagley Investments.

The Shareholders Deed will be entered into among Ausnutrition, Bagley Investments, Professor Brighthope and NC Holding on or immediately prior to completion of the Business Sale Agreement to formalise their agreement as to their rights and obligations regarding the management and operation of NC Holding and the Business.

Under the Consultancy Agreement, NC Holding shall pay a service fee for the provision of consultancy services by Bagley Consultancy.

Salient terms of the Business Sale Agreement, the Land Sale Contracts, the Shareholders Deed and the Consultancy Agreement are set out below.

THE BUSINESS SALE AGREEMENT

Date: 24 August 2016 (after trading hours)

Purchaser: NC Holding

Vendor: The Vendor

Guarantor: Professor Brighthope

As at the date of this announcement, NC Holding is an indirect wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and Professor Brighthope are Independent Parties.

Asset to be acquired

Pursuant to the Business Sale Agreement, NC Holding conditionally agreed to purchase and the Vendor conditionally agreed to sell the Business (which is TGA licensed) and the Assets. Further information on the Business and the Assets is set out in the paragraph headed "Information of the Business, the Assets and the Properties – The Business and the Assets".

Consideration and payment terms

The consideration under the Business Sale Agreement (subject to the Post-Completion Adjustments agreed by NC Holdings, the Vendor and Professor Brighthope) is the sum of:

- (1) AUD30.0 million (exclusive of GST); and
- (2) the Inventory Amount;
less:
- (3) AUD5.2 million, being the consideration for the purchase of Property A and Property B under the Land Sale Contracts.

Assuming (i) the Inventory Amount will remain at AUD1.6 million (being the value of the Inventory Amount as at 30 June 2016); and (ii) there will be no Post-Completion Adjustments, the consideration under the Business Sale Agreement is estimated to be AUD26.4 million.

The consideration under the Business Sale Agreement will be settled in the following manner:

- (1) A refundable deposit of AUD3.0 million has been settled in cash to the Escrow Agent upon the execution of the Business Sale Agreement;
- (2) An amount of AUD21.8 million will be settled in cash upon Completion;
- (3) the amount of Post-Completion Adjustments will be payable by NC Holding on the Adjustment Date, if any;
- (4) 50% of the Inventory Amount will be payable on the date that is six (6) months from the Completion Date;
and
- (5) the remaining 50% of the Inventory Amount will be payable on the date that is twelve (12) months from the Completion Date.

The consideration under the Business Sale Agreement was determined after arm's length negotiations between NC Holding and the Vendor with reference to, among other things, the business prospects, historical performance of the Vendor, the Inventory Amount, the future synergies to be derived by the Business and the Assets.

The Directors consider that the consideration under the Business Sale Agreement is fair and reasonable and on normal commercial terms and that the entering into of the Business Sale Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Post-Completion Adjustments

Pursuant to the Business Sale Agreement, the Post-Completion Adjustments is calculated as follow:

Post-Completion Adjustments = A + B – C – D

Where,

- A: Prepayment of outgoings amount at Completion
- B: Prepayment to suppliers amount at Completion
- C: Accrual for outgoings amount at Completion
- D: Prepayments by customers amount at Completion

Conditions precedent

Completion shall be conditional upon the fulfillment of the following conditions:

- (a) the completion of the Land Sale Contracts;
- (b) the Consultancy Agreement being duly executed;
- (c) the Shareholders Deed being duly executed;
- (d) landlords (and any mortgagee of the land of the landlords) consenting in writing to the assignment or novation to NC Holding of the real property leases for warehouses located in Queensland and Western Australia; and
- (e) the deed of consent being duly executed by NC Holding and Professor Brighthope.

Conditions precedent as set out above may be waived in writing with the consent of both NC Holding and the Vendor.

Termination

If any of the conditions precedent set out above are not satisfied or waived on or before 7 October 2016, the Vendor or NC Holding may at any time after that date and before satisfaction or waiver of those conditions precedent, terminate the Business Sale Agreement by written notice. If the Business Sale Agreement is terminated in this manner, NC Holding and the Vendor must give a notice to the Escrow Agent directing the Escrow Agent to release the deposit to NC Holding.

If NC Holding lawfully terminates the Business Sale Agreement as a result of the default of the Vendor, the deposit must be paid to NC Holding and NC Holding and the Vendor must give a notice to the Escrow Agent directing the Escrow Agent to release the deposit to NC Holding.

If the Vendor lawfully terminates the Business Sale Agreement as a result of the default of NC Holding, the deposit must be paid to the Vendor and NC Holding and the Vendor must give a notice to the Escrow Agent directing the Escrow Agent to release the deposit to the Vendor.

Completion

Completion of the Business Sale Agreement is interdependent with completion of the Land Sale Contracts. Subject to the fulfillment of the conditions precedent set out above, the Business Sale Agreement and the Land Sale Contracts will be completed on the same date (i.e. the Completion Date). Upon completion of the Business Sale Agreement and the Land Sale Contracts, NC Holding will own the Business, the Assets and the Properties and will immediately be able to continue and develop the Business that was carried out by the Vendor.

Upon Completion, the refundable deposit of AUD3.0 million will be paid to the Vendor.

THE LAND SALE CONTRACT A

Date: 24 August 2016 (after trading hours)

Purchaser: NC Holding

Seller: Brighthope Pty

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Brighthope Pty is an Independent Party.

Asset to be acquired

Pursuant to the Land Sale Contract A, NC Holding conditionally agreed to purchase Property A. Further information on Property A is set out in the paragraph headed "Information of the Business, the Assets and the Properties – The Properties".

Consideration and payment terms

Pursuant to the Land Sale Contract A, total consideration for the acquisition of Property A is AUD3.0 million (equivalent to approximately RMB15.2 million), which shall be payable in cash on the Completion Date.

Completion deliverables

On completion of the Land Sale Contract A, Brighthope Pty should deliver the following completion deliverables:

- (i) payment of consideration by NC Holding;
- (ii) delivery of an instrument of transfer executed by Brighthope Pty;
- (iii) delivery of a discharge of any mortgage registered on the certificate of title for Property A to NC Holding;
- (iv) delivery of a consent by the caveator to the registration of the transfer and any mortgage granted by NC Holding;
- (v) delivery of a duplicate certificate of title for Property A to NC Holding; and
- (vi) a Form 2 Goods Statutory Declaration duly sworn by an appropriate person, and any other forms required under the Duties Act 2000 (Vic) executed by Brighthope Pty.

Completion

Completion of the Land Sale Contract A is interdependent with completion of the Business Sale Agreement and the Land Sale Contract B. Subject to the delivery of the completion deliverables set out above and the fulfillment of the conditions precedent to the Business Sale Agreement, the Business Sale Agreement and the Land Sale Contracts will be completed on the same date (i.e. the Completion Date). Upon completion of the Business Sale Agreement and the Land Sale Contracts, NC Holding will own the Business, the Assets and the Properties.

THE LAND SALE CONTRACT B

Date: 24 August 2016 (after trading hours)

Purchaser: NC Holding

Seller: Professor Brighthope

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Professor Brighthope is an Independent Party.

Asset to be acquired

Pursuant to the Land Sale Contract B, NC Holding conditionally agreed to purchase Property B. Further information on Property B is set out in the paragraph headed "Information of the Business, the Assets and the Properties – The Properties".

Consideration and payment terms

Pursuant to the Land Sale Contract B, total consideration for the acquisition of Property B is AUD2.2 million (equivalent to approximately RMB11.1 million), which shall be payable in cash on the Completion Date.

Completion deliverables

On completion of the Land Sale Contract B, Professor Brighthope should deliver the following completion deliverables:

- (i) payment of consideration by NC Holding;
- (ii) delivery of an instrument of transfer executed by Professor Brighthope;
- (iii) delivery of a discharge of any mortgage registered on the certificate of title for Property B to NC Holding;
- (iv) delivery of a duplicate certificate of title for the Property B to NC Holding; and
- (v) a Form 2 Goods Statutory Declaration duly sworn by an appropriate person, and any other forms required under the Duties Act 2000 (Vic) executed by Professor Brighthope.

Completion

Completion of the Land Sale Contract B is interdependent with completion of the Business Sale Agreement and the Land Sale Contract A. Subject to the delivery of the completion deliverables set out above and the fulfillment of the conditions precedent to the Business Sale Agreement, the Business Sale Agreement and the Land Sale Contracts will be completed on the same date (i.e. the Completion Date). Upon completion of the Business Sale Agreement and the Land Sale Contracts, NC Holding will own the Business, the Assets and the Properties.

THE SHAREHOLDERS DEED

On or prior to Completion, Ausnutrition will enter into the Shareholders Deed with Professor Brighthope and Bagley Investments in relation to, among other things, governance of the commercial joint venture, i.e. NC Holding, to develop the Business in Australia and overseas.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bagley Investments is an Independent Party.

The principal terms of the Shareholders Deed are set out below:

Scope of business

The scope of NC Holding is to develop the Business in Australia and overseas, which includes developing and exploiting the intellectual property rights in or derived from the "Nutrition Care" and "Brighthope" brands, to include products, services and education in the fields of complementary medicine, herbal medicines, nutraceuticals, cosmeceuticals, natural health products, nutrigenomics, epigenetics and related activities.

The Subscription

As at the date of this announcement, Ausnutrition, an indirect wholly-owned subsidiary of the Company, is directly interested in the entire issued share capital of NC Holding. It is agreed that, upon completion of the Business Sale Agreement, NC Holding will issue and allot 22,498,500 shares and 7,500,000 shares to Ausnutrition and Bagley Investments respectively, at a subscription price of AUD1.0 per share. Upon completion of the Subscription, Bagley Investments will be interested in 25.0% of the issued share capital of NC Holding as enlarged by the Subscription and Ausnutrition's interest in NC Holding will be diluted to 75.0%.

Upon completion of the Subscription, the total issued capital of NC Holding will be AUD30.0 million, which will be contributed by the parties in cash as follows:

- (i) AUD22.5 million by Ausnutrition, representing 75.0% of the equity interest in NC Holding; and
- (ii) AUD7.5 million by Bagley Investments, representing 25.0% of the equity interest in NC Holding.

The amount of capital contribution to be made by the parties was arrived at after arm's length negotiations between the parties with reference to the expected capital requirements of NC Holding. The total capital contribution will be used to satisfy the working capital and capital expenditures of NC Holding (i.e. the consideration of the Acquisition).

Provision of shareholder loan

Pursuant to the Shareholders Deed, Ausnutrition will make a shareholder loan of AUD7.5 million to NC Holding on the Completion Date for the working capital and future expenditure purpose.

Details of the shareholder loan are set out below:

Lender: Ausnutrition

Borrower: NC Holding

Security:	Unsecured
Principal amount:	AUD7.5 million
Term:	One year, renewable for up to four 4 one-year terms at the option of NC Holding
Interest:	5% per annum to be paid quarterly in arrears
Repayment:	Principal amount to be repaid in a single payment at the end of the term

Board composition of NC Holding

The board of NC Holding will consist of 3 directors. Subject to the appointee director being eligible to act, Bagley Investments is entitled to appoint 1 director, and Ausnutrition is entitled to appoint 2 directors, one of which will be the chairman of the board of NC Holding.

Dividend policy

Ausnutrition and Bagley Investments shall procure that all profits of NC Holding of the financial years up to and including the financial year ending 31 December 2019 shall be reinvested in NC Holding, shall not distribute any dividends or make other distributions from any other reserves or otherwise to the shareholders of NC Holding, unless both shareholders of NC Holding unanimously resolve otherwise.

Effective date

The Shareholders Deed shall take effect from the Completion Date for an indefinite period and shall cease to have effect in relation to a shareholder of NC Holding if that shareholder of NC Holding ceases to hold any shares and such cessation was in accordance with the provisions of the Shareholders Deed.

Grant of Put Option

Pursuant to the Shareholders Deed, Ausnutrition grants to Bagley Investments the right, at any time after 1 January 2020 during the first quarter of each calendar year, to require Ausnutrition to purchase all of Bagley Investments' shares (provided that at the time of exercise, Bagley Investments' shareholding is less than 25% of the issued share capital in NC Holding).

The Put Option shall be exercisable by Bagley Investments giving a notice in writing, specifying the Put Option Settlement Date, to Ausnutrition and to NC Holding.

Pursuant to the Shareholders Deed, the Put Option exercise price will be equal to the lower of:

- (a) AUD45.0 million (equivalent to approximately RMB227.7 million); and
- (b) percentage of total issued shares of Bagley Investments x Y

where Y will be six times the amount of EBITDA of the financial year ending 31 December 2019 if exercised in 2020, and Y will be six times the average EBITDA of the two financial years prior to the date of exercise if exercised after 2020.

THE CONSULTANCY AGREEMENT

Contemporaneously with Completion, NC Holding and Bagley Consultancy will enter into the Consultancy Agreement, pursuant to which NC Holding shall pay a service fee for the provision of consultancy services by Bagley Consultancy.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bagley Consultancy is an Independent Party.

The principal terms of the Consultancy Agreement are set out below:

Term of operation

The Consultancy Agreement shall take effect from Completion and will operate for a period of three (3) years unless terminated earlier by the parties in writing. From Completion, Bagley Consultancy shall provide consultancy services to NC Holding for no more than 26 weeks in any calendar year. Bagley Consultancy further agrees to provide consultancy service for 9 weeks for the year ending 31 December 2016.

The Consultancy Agreement will terminate at the end of the contract term. The parties may agree in writing to extend the agreement for an additional year, subject to revision of consultancy fee by Bagley Consultancy to reflect any change in the relevant consumer price index. Besides, either parties may terminate the Consultancy Agreement for any reason upon three (3) months' notice in writing.

Consultancy Fees

Pursuant to the Consultancy Agreement, Bagley Consultancy will charge a consultancy fee of AUD200,000 (exclusive of GST) per calendar year. Such fee will be paid by monthly installments upon receipt of the invoice.

The consultancy fee is arrived at after arm's length negotiations between NC Holding and Bagley Consultancy with regard to the works and responsibilities of Bagley Consultancy under the Consultancy Agreement.

BASIS OF THE CONSIDERATION OF THE ACQUISITION

The aggregate value of the consideration for the Acquisition is arrived at after arm's length negotiations between the Company and the Vendor, with reference to, among other things, the business prospects, historical performance of the Vendor, the future synergies to be derived by the Business and the Assets, the market value of Property A, Property B and inventory as at the Completion Date.

The Directors consider that the consideration for the Acquisition is fair and reasonable and on normal commercial terms and that the entering into of the Business Sale Agreement and the Land Sale Contracts and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND NC HOLDING

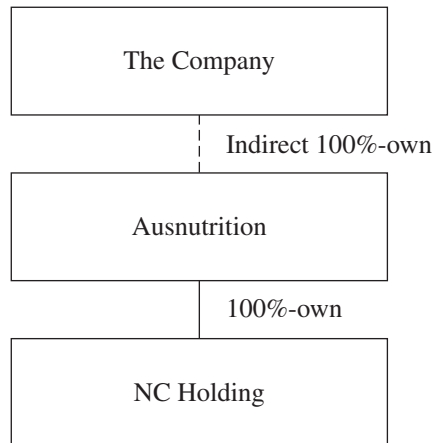
The principal business activity of the Company is investment holding. The Group is principally engaged in the production, marketing and distribution of infant nutrition products in the PRC and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from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

Upon Completion, NC Holding will be engaged in the Business and the holding of the Assets.

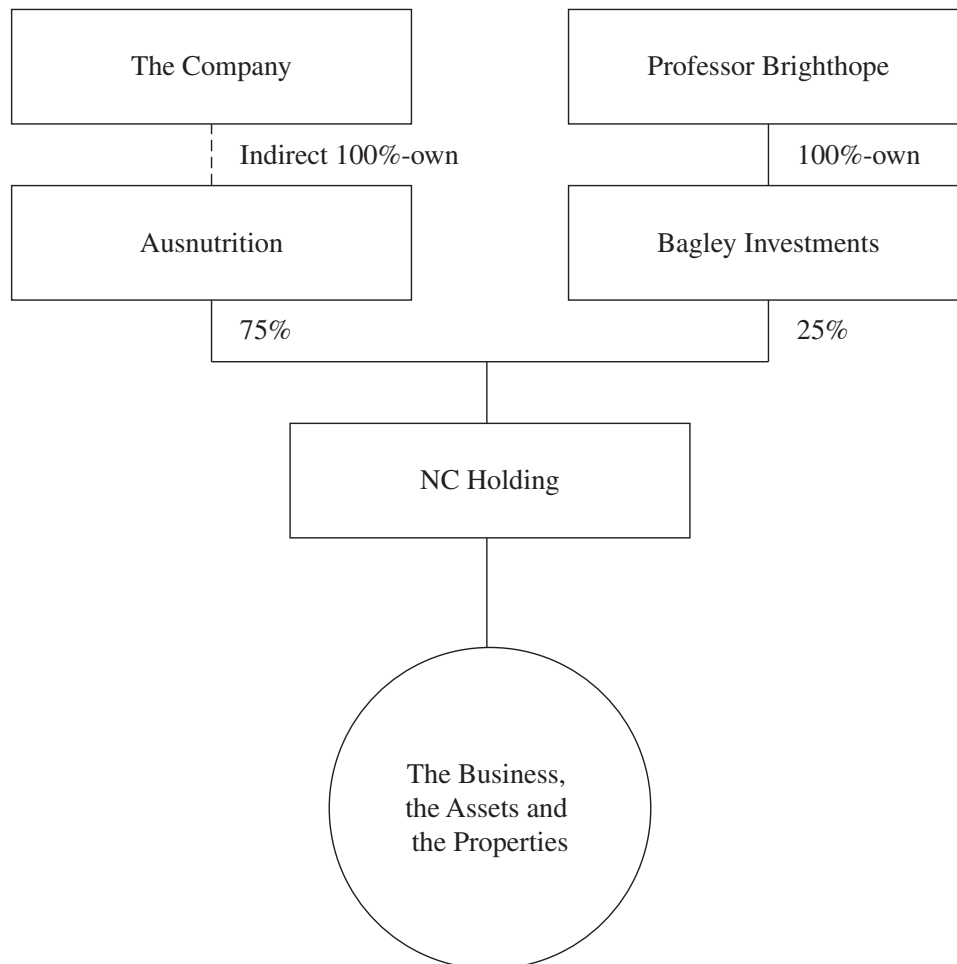
Shareholding structure of NC Holding

The tables below set out the shareholding structure of NC Holding (i) before the Acquisition; and (ii) immediately upon Completion:

Before the Acquisition:



Immediately after the Acquisition



INFORMATION ON THE VENDOR, BRIGHTHOPE PTY, PROFESSOR BRIGHTHOPE, BAGLEY INVESTMENTS AND BAGLEY CONSULTANCY

The Vendor

The Vendor is a company incorporated in Australia and is wholly-owned by Professor Brighthope. The Vendor is principally engaged in development, manufacturing, packaging and distribution of complementary medicine, nutritional and health care products under its own brands and contract manufacturing, and to provide relevant services. The Vendor, which is a TGA licensed manufacturer, is capable of manufacturing hard shell capsule, powder, uncoated tablet, film coated tablet and liquid products and packing products in bottle.

Brighthope Pty

Brighthope Pty is a company incorporated in Australia with limited liability and is wholly-owned by Professor Brighthope. The sole activity of Brighthope Pty is the holding of Property A.

Professor Brighthope

Professor Brighthope graduated in Agricultural Science in 1965. In 1969, he entered medical school at the University of New South Wales and following three pre-clinical years, completed his clinical studies at Monash University in Victoria, graduating with a bachelor of medicine and bachelor of surgery in 1974. In the 1970s, Professor Brighthope developed the Brighthope Clinic and Biocentre, which specialized in nutritional and environmental medicine. In 2016, Professor Brighthope was awarded the Lifetime Achievement Award of the Indian Nutritional Medicine Association.

Professor Brighthope's lifelong ambition is to change the way medicine and healthcare is practiced for the benefit of the public and to see nutrition and nutritional and environmental medicine the building blocks and keystones to world health and peace.

Professor Brighthope pioneered the first post-graduate medical course in nutrition in Australia and remained on the faculty as one of its principle lecturers from 1980 until 2007. In August 2007, Professor Brighthope was awarded the Inaugural ACNEM award in recognition of more than 25 years of outstanding service in the fields of nutritional and environmental medicine, including 25 years as the founding President of the College. He initiated the ACNEM fellowship program and examinations and now plays a pivotal role in maintaining, as an official ambassador, ACNEM as the peak body in nutritional and environmental medicine in Australia and Asia.

Over three decades, Professor Brighthope has had a very busy lecturing schedule to health professionals and the public in Australia and internationally. He and his companies have initiated and/or sponsored many major events in nutritional medicine in Australia for more than 25 years, including international and national conferences and University based research. They have also sponsored such activities as the Chinese New Year celebrations in Melbourne, Australia. The research programs have included the study of many different foods and diets and a very wide range of nutritional supplements. This resulted in the development of special formulations which have become the basis of the products developed and manufactured by the Vendor. The supplements produced by the Vendor have been launched since the late 1970's.

Professor Brighthope was President of the Complementary Healthcare Council of Australia in the early 2000s. This is the peak body representing the vitamin and supplements industry in Australia to the Australian Commonwealth government.

Bagley Investments

Bagley Investments is a company incorporated in Australia with limited liability and is wholly-owned by Professor Brighthope. The sole activity of Bagley Investments will be the holding of 25.0% of the equity interest in NC Holding upon Completion.

Bagley Consultancy

Bagley Consultancy is a company incorporated in Australia with limited liability and is wholly-owned by Professor Brighthope. The sole activity of Bagley Consultancy will be the provision of consultancy services to NC Holding upon Completion.

INFORMATION OF THE BUSINESS, THE ASSETS AND THE PROPERTIES

The Business and the Assets

The business conducted by the Vendor as at the date of this announcement, namely development, manufacturing, packaging and distribution of complementary medicine, nutritional and health care products, which mainly comprises principally the Assets and the assumed liabilities.

The Business to be acquired under the Business Sale Agreement is conducted by using the Assets. Further, under the Business Sale Agreement, NC Holding agreed to assume, upon Completion, certain liabilities (i.e. the assumed liabilities) incurred or arising in relation to the Business.

The Assets

The Assets comprise principally (i) plant and equipment; (ii) prepayment paid by the Vendor; (iii) inventories; (iv) goodwill of the Business; (v) certain Vendor's records relating to the operation of the Business; (vi) certain permits and licences relating to the Business; (vii) certain intellectual properties, including but not limited to, the "Nutrition Care" and "Brighthope" brands of the Vendor; (viii) certain contracts entered into by the Vendor, including, among other things, each material customer and supplier contract, each of the real property leases in connection with the operation of the Business; and (ix) other assets, excluding the excluded assets, owned by the Vendor in connection with the Business at Completion.

Pursuant to the Business Sale Agreement, the excluded assets includes, among other things, (i) cash and bank balance; (ii) trade receivables; (iii) certain contracts entered into by the Vendor; (iv) certain Vendor's records relating to the operation of the Business; and (v) Professor Brighthope's personal assets located in the Properties.

Assumed liabilities

The assumed liabilities comprise principally (i) all commitments and obligations of the Vendor in relation to the Business which fall due to be performed after the close of business at the Completion Date; (ii) the liabilities incurred or arising in relation to the operation of the Business after the close of business at the Completion Date; (iii) the liabilities associated with employees of the Vendor that are to be transferred to NC Holding; (iv) the liabilities of the Vendor incurred or arising in relation to the Business prior to the Completion Date in respect of any periodical outgoing or expense in respect of the Business to the extent that such liability relates to a period after the close of business at the Completion Date; and (v) other liabilities, excluding the excluded liabilities set out below.

Pursuant to the Business Sale Agreement, the excluded liabilities includes, among other things, (i) customer complaints; (ii) inventory return; (iii) any liabilities incurred or arising in respect of any event occurring before the Completion Date; (iv) any liabilities of the Vendor in respect of any breach or non-performance by the Vendor of any provision of any contract or applicable law occurring before the close of business at the Completion Date, except for assumed liabilities in relation to employees of the Vendor that are to be transferred to NC Holding; (v) any liabilities of the Vendor in respect of any tax relating to the Business; and (vi) trade creditors.

Financial information of the Business and the Assets

The unaudited value of the Assets (after deducting the assumed liabilities) as at 30 June 2016 were approximately AUD5.8 million. Based on the information currently available to the Company, the financial information of the Business for the years ended 30 June 2015 and 2016 are as follows:

	Year ended 30 June 2015	Year ended 30 June 2016
	<i>AUD'000</i>	<i>AUD'000</i>
Turnover	13,273.6	12,697.3
EBITDA	858.2	798.8
Net profit/(loss) before taxation and extraordinary items	5.7	(127.7)
Net profit/(loss) after taxation and extraordinary items	148.3	(121.6)

The Properties

Pursuant to the Land Sale Contract A, Brighthope Pty conditionally agreed to sell and NC Holding will conditionally agree to purchase Property A located at 25-27 Keysborough Avenue, Keysborough, Australia with an area of approximately 3,105 square metres, including all improvements and fixtures.

Pursuant to the Land Sale Contract B, Professor Brighthope conditionally agreed to sell and NC Holding will conditionally agree to purchase Property B located at 29-31 Keysborough Avenue, Keysborough, Australia with an area of approximately 3,105 square metres, including all improvements and fixtures.

Based on the information currently available to the Company, the market value of the Properties approximates to the respective consideration under the Land Sale Contracts.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been principally engaged in the dairy business, in particular on the manufacture and distribution of infant formula, where it has established a strong foundation over the years. In view of the increasing health awareness of the general public, in particular the PRC, on the one hand, the Group will continue to expand its production capability and distribution network in the dairy industry sector, on the other hand, the Board has been actively seeking investment opportunities to extend its existing product range and to utilize its strong distribution and customer network and innovative marketing models to meet the demand of the consumers in related segment. The Group considers that, given the increasing health awareness globally and in particular the PRC where the living standards has been improving, the nutrition products segment has a potential of high future growth. The Group believes that the Acquisition, which includes a factory that is TGA licensed, is highly complementary to its existing product portfolio and can create synergies with the existing business of the Group and is in line with the long-term strategy of the Group.

Upon Completion, Professor Brighthope will continue to be beneficially interested in 25.0% of NC Holding and will through Bagley Consultancy be acting as the consultant of NC Holding. Besides, most of the employees of the Vendor have already committed to transfer to NC Holding upon Completion. The Board believes such arrangement will facilitate a smooth transition as well as to expedite the development of the Group into the nutrition sector by leveraging on the expertise of Professor Brighthope and the management team of the Vendor and the strong distribution and customer network of the Group.

The Board also considers that the terms and conditions for the Acquisition are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Business Sale Agreement, the Land Sale Contracts and the Subscription

Upon completion of the Subscription, the equity interest in NC Holding held by the Group will be diluted from 100.0% to 75.0%. Such dilution of equity interest in NC Holding constitutes a deemed disposal of NC Holding under Rule 14.29 of the Listing Rules.

As the Put Option under the Shareholders Deed is not at the Company's discretion, pursuant to Rule 14.74 of the Listing Rules, the grant of such option will be classified as if it had been exercised.

Since some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, the Subscription and the grant of the Put Option, either in aggregate exceed 5% but are less than 25%, the relevant transactions contemplated under the Business Sale Agreement, the Land Sale Contracts and the Shareholders Deed constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to the requirements of reporting and announcement, but are exempted from the requirement of shareholders' approval pursuant to Chapter 14 of the Listing Rules.

The Shareholder Loan

As the applicable percentage ratios in respect of the provision of financial assistance under the Shareholders Deed under Rule 14.07 of the Listing Rules is less than 5%, the provision of financial assistance under the Shareholders Deed is subject to reporting and announcement requirements pursuant to Rule 14A.87 of the Listing Rules, but is exempted from the requirement of shareholders' approval pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, none of the Directors has a material interest in the Shareholders Deed and therefore, none of the Directors was required to abstain from voting on the relevant Board resolutions in this aspect.

The Consultancy Agreement

As Bagley Consultancy is beneficially owned by Professor Brighthope, which will indirectly own 25.0% of the equity interest of NC Holding upon Completion, Bagley Consultancy is a connected person of the Company at the subsidiary level under the Listing Rules. The Consultancy Agreement and the transaction contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules are less than 1% and the transaction is a connected transaction only because it involves connected person at the subsidiary level, the transactions contemplated under the Consultancy Agreement are fully exempted from the reporting, announcement, circular and shareholders' approval requirements.

Completion of the Acquisition is subject to the satisfaction of the respective conditions precedent under the Business Sale Agreement and the delivery of the completion deliverables under the Land Sale Contracts, therefore, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Business, the Assets and the Properties by NC Holding pursuant to the Business Sale Agreement and the Land Sale Contracts
“Adjustment Date”	fourteen (14) Business Days after the date on which the Post-Completion Adjustments are finally agreed and determined by the NC Holding, the Vendor and Professor Brighthope
“Assets”	the purchased assets specified under the Business Sale Agreement, excluding the excluded assets
“Ausnutrition”	Ausnutrition Care Pty Ltd, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“Bagley Consultancy”	Bagley Street Consultancy Pty Ltd is a company incorporated in Australia with limited liability and wholly-owned by Professor Brighthope

“Bagley Investments”	Bagley Street Investments Pty Ltd is a company incorporated in Australia with limited liability and wholly-owned by Professor Brighthope
“Board”	the board of Directors
“Brighthope Pty”	Brighthope Pty. Ltd is a company incorporated in Australia with limited liability and wholly-owned by Professor Brighthope
“Business”	the business conducted by the Vendor as at the date of this announcement, namely development, manufacturing, packaging and distribution of complementary medicine, nutritional and health care products, which mainly comprises principally the Assets and the assumed liabilities
“Business Day”	any day on which banks are open for general banking business in Hong Kong and Melbourne, Australia
“Business Sale Agreement”	the business sale agreement dated 24 August 2016 in respect of the sale and purchase of the Business entered into among the Vendor, NC Holding and Professor Brighthope
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares in which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“Completion”	completion of the Acquisition pursuant to the Business Sale Agreement
“Completion Date”	the day falling on the first Monday following 5 Business Days after the later of: <ul style="list-style-type: none"> (a) the date of execution of the Business Sale Agreement; and (b) the day on which each of the conditions precedent (other than the condition to complete the Land Sale Contracts) has been satisfied or waived <p>the date will be on or before 7 October 2016</p>
“Consultancy Agreement”	the consultancy agreement to be entered into between NC Holding and Bagley Consultancy
“Director(s)”	director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortization without extraordinary revenues and expenses
“Escrow Agent”	Madgwicks, the lawyer being appointed as the escrow agent, who is responsible for holding and disbursing the deposit paid on terms and conditions in the Escrow Deed

“Escrow Deed”	the escrow deed to be entered between NC Holding, the Vendor and the Escrow Agent
“Group”	the Company and its subsidiaries
“GST”	Goods and Services Tax in Australia
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Party(ies)”	parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Inventory Amount”	50% of the value of the inventory as at the Completion Date
“Land Sale Contracts”	the Land Sale Contract A and the Land Sale Contract B
“Land Sale Contract A”	sale of land contracts to be entered into between NC Holding and Brighthope Pty
“Land Sale Contract B”	sale of land contracts to be entered into between NC Holding and Professor Brighthope
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NC Holding”	Nutrition Care Holding Pty Ltd, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company. With effect from Completion, it becomes a commercial joint venture between Professor Brighthope and Ausnutrition
“Post-Completion Adjustments”	amount of adjustments calculated based on the statement to be provided by the Vendor to NC Holding within fourteen (14) Business Days after the Completion Date
“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
“Professor Brighthope”	Professor Ian Ernest Brighthope
“Properties”	Property A and Property B
“Property A”	the land at 25-27 Keysborough Avenue, Keysborough, Australia, which is adjacent to Property B and with area of approximately 3,105 square metres, including the improvements and fixtures attached to the land

“Property B”	the land at 29-31 Keysborough Avenue, Keysborough, Australia, which is adjacent to Property A and with area of approximately 3,105 square metres, including the improvements and fixtures attached to the land
“Put Option”	the put option granted by Ausnutrition to Bagley Investments pursuant to the Shareholders Deed
“Put Option Settlement Date”	the date on which settlement of the sale and the purchase of shares in NC Holding held by Bagley Investments
“Shareholders”	the shareholders of the Company
“Shareholders Deed”	the shareholders deed to be entered into between Ausnutrition, Bagley Investments, Professor Brighthope and NC Holding, in relation to the formation of NC Holding
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the issue and allotment of 22,498,500 shares and 7,500,000 shares by NC Holding to Ausnutrition and Bagley Investments at a subscription price of AUD1.0 per share
“TGA”	The Therapeutic Goods Administration
“Vendor”	Nutrition Care Pharmaceuticals Pty Ltd, a company incorporated in Australia with limited liability and is wholly-owned by Professor Brighthope
“AUD”	Australian dollars, the lawful currency of Australia
“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, 24 August 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.