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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 ADP HOLDINGS AND OZFARM AND (2) CONNECTED TRANSACTION PROVISION OF SHAREHOLDER LOAN FACILITY

THE ACQUISITION OF ADP HOLDINGS AND OZFARM

The Board is pleased to announce that on 22 May 2017 (after trading hours), Ausnutrition Care, an indirect wholly-owned subsidiary of the Company, the ADP Vendor and the Guarantors entered into the ADP SPD in relation to the ADP Acquisition. Contemporaneously, Ausnutrition Care, Ausnutria China, the ADP Vendor and each of the Guarantors also entered into the ADP Shareholders Deed to regulate their respective rights and obligations as shareholders in Ausnutrition Care. Ausnutria China and ADP Holdings further entered into the ADP Shareholder Loan Agreement of even date to support the operation of the ADP Group which is subject to and conditional on the ADP Completion.

On the same date, Spring Choice, a direct wholly-owned subsidiary of the Company, and the Oz Vendors entered into the Oz SPD in relation to the Oz Acquisition. The Oz Shareholders Deed was also entered into among Ozfarm, Spring Choice and the Oz Vendors to regulate their respective rights and obligations as shareholders in Ozfarm which is subject to and conditional on the Oz Completion.

The ADP SPD

Under the ADP SPD, Ausnutrition Care conditionally agreed to purchase and the ADP Vendor conditionally agreed to sell the ADP Sale Shares, representing the entire issued share capital of ADP Holdings. The ADP Consideration, which is subject to adjustment, shall be satisfied by payment in cash of AUD10.0 million (equivalent to approximately RMB51.3 million) and by allotting and issuing of 13,928,571 Ausnutrition Care Shares to the ADP Vendor. Upon the ADP Completion, ADP Holdings will be 100% owned by Ausnutrition Care and the Company's interest in Ausnutrition Care will be diluted to 70%.

The ADP Shareholder Loan Agreement

Under the ADP Shareholder Loan Agreement, Ausnutria China, as the lender, has agreed to grant the ADP Shareholder Loan Facility in the principal amount of up to AUD10.0 million (equivalent to approximately RMB51.3 million) to ADP Holdings, as the borrower, for an initial period of one year, which is renewable, commencing from the first drawdown date of the ADP Shareholder Loan. The ADP Shareholder Loan bears interests at a rate of 5.0% per annum.

The Oz SPD

Under the Oz SPD, the Oz Vendors conditionally agreed to sell the Oz Sale Shares, Ozfarm conditionally agreed to issue the Oz New Shares, and Spring Choice conditionally agreed to purchase and subscribe the Oz Sale Shares and the Oz New Shares. The Oz Sale Shares and the Oz New Shares, in aggregate, represent 50% of the enlarged share capital of Ozfarm upon the Oz Completion. The Oz Consideration under the Oz SPD amounts to AUD11.0 million (equivalent to approximately RMB56.4 million), which shall be satisfied by AUD8.0 million (equivalent to approximately RMB41.0 million) in cash as the purchase price of the Oz Sale Shares and AUD3.0 million (equivalent to approximately RMB15.4 million) in cash as the subscription price of the Oz New Shares. Upon the Oz Completion, Ozfarm will be equally owned by Spring Choice and the Oz Vendors, becoming a jointly-controlled company of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.74(1) of the Listing Rules, the grant of the ADP Put Option, the Oz Vendors Put Option and the Oz Vendors Call Option (the exercise of which is not at the Company's discretion) will be classified as if the options had been exercised.

Under the ADP Acquisition, 13,928,571 Ausnutrition Care Shares will be issued and allotted. After such issue and allotment, the Group's equity interest in Ausnutrition Care held by the Group will be diluted from 100.0% to 70.0%. Such dilution of equity interest in Ausnutrition Care constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As the transactions contemplated under the ADP SPD involve both an acquisition and a deemed disposal, the transactions will be classified by reference to the larger of the acquisition or disposal pursuant to Rule 14.24 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the ADP Acquisition, the grant of the ADP Put Option, the Oz Acquisition and the grant of the Oz Vendors Put Option (collectively, the "**Transactions**") shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Since some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transactions in aggregate exceed 5% but are less than 25%, the Transactions 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.

Upon the ADP Completion, the ADP Vendor will become a connected person of the Company and Ausnutrition Care will be held as to 30% by the ADP Vendor. Therefore, the financial assistance under the ADP Shareholder Loan Agreement constitutes a connected transaction of the Company. Since the relevant applicable percentage ratios are less than 5%, the financial assistance contemplated under the ADP Shareholder Loan Agreement is subject to the requirements of reporting and announcement, but is exempted from the requirement of shareholders' approval pursuant to Rule 14A.76 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 22 May 2017 (after trading hours), Ausnutrition Care, an indirect wholly-owned subsidiary of the Company, the ADP Vendor and the Guarantors entered into the ADP SPD in relation to the ADP Acquisition. Contemporaneously, Ausnutrition Care, Ausnutria China, the ADP Vendor and each of the Guarantors also entered into the ADP Shareholders Deed to regulate their respective rights and obligations as shareholders of Ausnutrition Care. Ausnutria China and ADP Holdings further entered into the ADP Shareholder Loan Agreement of even date to support the operation of the ADP Group.

On the same date, Spring Choice, a direct wholly-owned subsidiary of the Company, and the Oz Vendors entered into the Oz SPD in relation to the Oz Acquisition. The Oz Shareholders Deed was also entered into among Ozfarm, Spring Choice and the Oz Vendors to regulate their respective rights and obligations as shareholders of Ozfarm.

THE ADP SPD

Principal terms of the ADP SPD are set out below.

Date:	22 May 2017 (after trading hours)
Purchaser:	Ausnutrition Care
Vendor:	The ADP Vendor
Guarantor:	The Guarantors

As at the date of this announcement, Ausnutrition Care 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 ADP Vendor and its ultimate beneficial owners and the Guarantors are parties independent of the Company and its connected persons as at the date of this announcement.

Pursuant to the ADP SPD, Ausnutrition Care conditionally agreed to purchase and the ADP Vendor conditionally agreed to sell the ADP Sale Shares, representing the entire issued share capital of ADP Holdings. Upon the ADP Completion, ADP Holdings will be 100% owned by Ausnutrition Care. The Company's interest in Ausnutrition Care will be diluted to 70% as a result of the issuance of the Ausnutrition Care Shares as part of the ADP Consideration. As a result, Ausnutrition Care and ADP Holdings will become indirect non-wholly owned subsidiaries of the Company.

ADP Consideration

Pursuant to the ADP SPD, the ADP Consideration, subject to adjustments based on the Final NAV, shall be satisfied in the following manner:

- (i) paying AUD10.0 million (equivalent to approximately RMB51.3 million) (less, if applicable, any amount by which the Estimated NAV is less than the Target NAV (to a maximum amount of AUD3.05 million) (equivalent to approximately RMB15.6 million)), by cash upon the ADP Completion; and
- (ii) allotting and issuing a total of 13,928,571 Ausnutrition Care Shares to the ADP Vendor upon the ADP Completion.

Assuming the ADP Completion took place by the date of this announcement, the valuation of Ausnutrition Care is approximately AUD45.8 million (equivalent to approximately RMB234.7 million) which is the aggregation of the valuations of the ADP Group and the Ausnutrition Group (as defined below) after the completion of the capitalisation steps of Ausnutrition Care under the ADP SPD, being AUD23.3 million (equivalent to approximately RMB119.4 million) and AUD22.5 million (equivalent to approximately RMB115.3 million), respectively. On this basis, the value of 13,928,571 Ausnutrition Care Shares is estimated to be approximately AUD13.74 million (equivalent to approximately RMB70.4 million).

The ADP Consideration was determined after arm's length negotiations between Ausnutrition Care and the ADP Vendor with reference to, among others, the net asset value, production capability, future prospects of the ADP Group and the fact that ADP is currently one of the eight infant formula products manufacturing enterprises in Australia with registration in the PRC approved by the Certification and Accreditation Administration of the PRC (the "CNCA"). The Directors consider that the ADP Consideration is fair and reasonable.

Ausnutrition Care Shares

Pursuant to the ADP SPD, Ausnutrition Care agreed to allot and issue 13,928,571 Ausnutrition Care Shares to the ADP Vendor for the settlement of the ADP Consideration. Upon the issuance and the allotment of the Ausnutrition Care Shares, Ausnutrition Care will be owned as to 70% and 30% by the Company and the ADP Vendor respectively.

Adjustments to the ADP Consideration

Pursuant to the ADP SPD, the cash payment of the ADP Consideration will be revised and adjusted, if any, on the ADP Determination Date as follows:

- (i) in the event that the Estimated NAV is less than the Target NAV, and the Final NAV is greater than the Estimated NAV, Ausnutrition Care shall pay to the ADP Vendor the amount equals to (a) the Final NAV less the Estimated NAV; less (b) any amount by which the Final NAV exceeds the Target NAV in cash on the ADP Determination Date; and
- (ii) in the event that the Final NAV is less than the Estimated NAV, the ADP Vendor shall pay the difference to Ausnutrition Care by cash.

Conditions precedent

Completion of the ADP Acquisition is conditional upon the fulfillment of the following conditions:

- (a) the specific guarantees and indemnities under the ADP SPD are released by the National Australia Bank Limited;
- (b) the capitalisation steps of Ausnutrition Care under the ADP SPD have been completed;
- (c) there is no breach of warranties provided by Ausnutrition Care prior to the ADP Completion;
- (d) the certification and accreditation of the factory owned by ADP with the CNCA is valid and existing and has not been withdrawn prior to the ADP Completion;

- (e) there is no material adverse change occurring on or after the date of the ADP SPD and prior to the ADP Completion; and
- (f) the ADP Vendor providing Ausnutrition Care with the third party consents from the counterparties to the material contracts, as listed in the ADP SPD, to the change of control of the ADP Group.

Conditions precedent (a), (b) and (c) as set out above may be waived in writing by the ADP Vendor. Conditions precedent (d), (e) and (f) as set out above may be waived in writing by Ausnutrition Care. If any of the conditions precedent set out above are not satisfied or waived on or before 31 July 2017, Ausnutrition Care and the ADP Vendor may terminate the ADP SPD by written notice.

Completion

Subject to the fulfillment of the conditions precedent set out above, the ADP Completion shall take place on the ADP Completion Date. Upon the ADP Completion, ADP Holdings will be 100% owned by Ausnutrition Care. The Company's interest in Ausnutrition Care will be diluted to 70% as a result of the issuance of the Ausnutrition Care Shares as part of the ADP Consideration.

THE ADP SHAREHOLDERS DEED

On 22 May 2017 (after trading hours), Ausnutrition Care, Ausnutria China, the ADP Vendor and each of the Guarantors entered into the ADP Shareholders Deed to regulate their respective rights and obligations as shareholders of Ausnutrition Care which is subject to and conditional on the ADP Completion.

Principal terms of the ADP Shareholders Deed are set out below:

Scope of business

Ausnutrition Care is an investment holding company for (a) the business of Nutrition Care Pharmaceuticals Pty Ltd. ("NCP"), being developing and exploiting the intellectual property rights in or derived from "Nutrition Care" and "Brighthope" brands, which includes products and services in education in the fields of complementary medicine, herbal medicines, nutraceuticals, cosmeceuticals, natural health products, nutrigenomics, epigenetics and related activities including developing, manufacturing, packaging and distribution of such products; and (b) the business of the ADP Group which includes (i) the business of ADP, being manufacturing, packaging and sale of dairy and milk powder products and related research and development activities; and (ii) the business of Frankston Park Unit Trust, being the holding, use and exploitation of property in connection with the business of ADP.

Board composition of Ausnutrition Care

The board of Ausnutrition Care will consist of five directors. The ADP Vendor is entitled to and has appointed two directors, and Ausnutria China is entitled to and has appointed three directors, one of which will be the chairman of the board, by giving notice to Ausnutrition Care.

Dividend policy

Ausnutria China and the ADP Vendor shall procure that all profits of the ADP Holdings business will be used to repay the ADP Shareholder Loan (details of which are set out below) prior to the distribution of profits of Ausnutrition Care unless unanimously agreed.

Grant of ADP Put Option

- If:
- (i) on a date that is less than 4 years after the ADP Completion Date, the board of directors of Ausnutrition Care resolves that it will not realise their investment in Ausnutrition Care and its subsidiaries by the date which is 4 years after the ADP Completion Date; or
 - (ii) by a date which is 4 years after the ADP Completion Date, the realisation of investment has not occurred (each of item (i) and (ii) above, being the “**Realisation Date**”),

Ausnutria China will grant the ADP Vendor the ADP Put Option. Under the ADP Put Option, the ADP Vendor will have the right, for a period of 12 months from the Realisation Date, to require Ausnutria China to purchase all of the ADP Vendor’s shares in Ausnutrition Care. Pursuant to the ADP Shareholders Deed, the ADP Put Option exercise price will be the lower of:

- AUD60.0 million (equivalent to approximately RMB307.6 million); and
- the proportion equity amount, which shall be calculated as follows:

$$\text{Proportion equity amount} = (\text{EBITDA} \times 6 + A - B) \times C$$

where:

- A = cash in hand and cash at bank of Ausnutrition Care as at the ADP Put Option Settlement Date
- B = amount owed by Ausnutrition Care to Ausnutria China and the ADP Vendor – amount owed by Ausnutria China and the ADP Vendor to Ausnutrition Care + any amount of indebtedness of Ausnutrition Care
- C = sum of the ADP Put Option Shares divided by the total share capital of Ausnutrition Care

Effective date

The ADP Shareholders Deed will take effect from the ADP Completion Date and will continue in existence until the earlier of the following occur:

- (i) termination by written agreement by the then existing shareholders of Ausnutrition Care;
- (ii) an application for quotation of the shares of Ausnutrition Care has been accepted by the Australian Securities Exchange and is not subject to any conditions which are incapable of being met by Ausnutrition Care; or
- (iii) all of the issued shares of Ausnutrition Care is solely owned by one person.

The ADP Shareholders Deed will cease to have effect in relation to a shareholder of Ausnutrition Care if that shareholder of Ausnutrition Care ceases to hold any shares and such cessation was in accordance with the provisions of the ADP Shareholders Deed.

THE ADP SHAREHOLDER LOAN AGREEMENT

On 22 May 2017, the ADP Shareholder Loan Agreement was entered into between Ausnutria China and ADP Holdings, pursuant to which, Ausnutria China, as the lender, agreed to grant a facility in the principal amount of AUD10.0 million (equivalent to approximately RMB51.3 million) to ADP Holdings, as the borrower on the ADP Completion Date for the purpose of repaying certain existing loans of the ADP Group and for the purpose of its general working capital and business development. The ADP Shareholder Loan is conditional on the ADP Completion.

Details of the ADP Shareholder Loan Facility are set out below:

Date:	22 May 2017 (after trading hours)
Lender:	Ausnutria China
Borrower:	ADP Holdings
Principal amount:	AUD10.0 million (equivalent to approximately RMB51.3 million)
Interest:	5% per annum and shall be paid on the last day of each month
Term:	One year from the date of first drawdown of the ADP Shareholder Loan. On each of the first two anniversaries of the date of first drawdown, the ADP Shareholder Loan will be automatically renewed for further one year, subject to the terms set out in the ADP Shareholder Loan Agreement.
Repayment:	ADP Holdings shall repay the ADP Shareholder Loan, including any interests then due and payable, upon expiration of the term of the ADP Shareholder Loan.
Early repayment:	ADP Holdings may repay any or all the ADP Shareholder Loan at any time by giving Ausnutria China one month notice in advance.

THE OZ SPD

Principal terms of the Oz SPD are set out below.

Date: 22 May 2017 (after trading hours)

Purchaser: Spring Choice

Vendor: The Oz Vendors

As at the date of this announcement, Spring Choice is a direct wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Oz Vendors and its ultimate beneficial owners are parties independent of the Company and its connected persons as at the date of this announcement.

Subject matter

Pursuant to the Oz SPD, Spring Choice conditionally agreed to purchase and the Oz Vendors conditionally agreed to sell the 42,105 Oz Sale Shares. In addition, Ozfarm has conditionally agreed to issue, and Spring Choice has also conditionally agreed to subscribe for, the 15,790 Oz New Shares.

The Oz Sale Shares and the Oz New Shares represent 42.1% and 15.8% of the existing issued share capital of Ozfarm respectively; and 36.4% and 13.6% of the issued share capital of Ozfarm as enlarged by the allotment and issuance of the Oz New Shares (assuming there is no other change in the issued share capital of Ozfarm) respectively. Upon the Oz Completion, Ozfarm will be owned as to 50.0% and 50.0% by Spring Choice and the Oz Vendors respectively.

Consideration and payment

Pursuant to the Oz SPD, the total consideration for the Oz Acquisition is AUD11.0 million (equivalent to approximately RMB56.4 million), which shall be satisfied in the following manner:

- (i) AUD8.0 million (equivalent to approximately RMB41.0 million) paid by Spring Choice to the Oz Vendors in cash upon the Oz Completion; and
- (ii) AUD3.0 million (equivalent to approximately RMB15.4 million) paid by Spring Choice to Ozfarm in cash as the subscription price of the 15,790 Oz New Shares upon the Oz Completion.

The Oz Consideration was determined after arm's length negotiations between Spring Choice and the Oz Vendors with reference to, among others, the historical financial performance of Ozfarm, its market position on formula milk products, in particular on pregnant mother formula in Australia.

Conditions precedent

Completion of the Oz Acquisition is conditional upon the fulfillment of the following conditions:

- (a) no material adverse change occurring on or after the date of the Oz SPD and prior to the Oz Completion; and
- (b) completion of the Oz Vendors' restructuring steps as stated in the Oz SPD.

Condition precedent (a) as set out above may be waived in writing by Spring Choice. Conditions precedent (b) as set out above may be waived in writing by Spring Choice and the Oz Vendors. If any of the conditions precedent set out above are not satisfied or waived on or before 31 July 2017, Spring Choice and the Oz Vendors may terminate the Oz SPD by written notice.

Completion

Subject to the fulfillment of the conditions precedent set out above, the Oz Completion shall take place on the Oz Completion Date. Upon the Oz Completion, Ozfarm will be equally owned by Spring Choice and the Oz Vendors, becoming a jointly-controlled company of the Group.

THE OZ SHAREHOLDERS DEED

On 22 May 2017 (after trading hours), Ozfarm, Spring Choice and the Oz Vendors entered into the Oz Shareholders Deed to regulate their respective rights and obligations as shareholders in Ozfarm.

Principal terms of the Oz Shareholders Deed are set out below:

Scope of business

Ozfarm business includes the marketing and distribution of nutrition products and formula milk products in Australia, Singapore and the PRC under the brand name "Oz Farm", and the marketing and export of any other dairy, honey or other food and health care products.

Board composition of Ozfarm

The board of Ozfarm will consist of at least two and no more than four directors. The Oz Vendors are entitled to jointly appoint two directors, and Spring Choice is entitled to appoint two directors.

Grant of Oz Purchaser Call Option

Pursuant to the Oz Shareholders Deed, the Oz Vendors grant Spring Choice, for the Oz Purchaser Call Option Period, the right to acquire all of the Oz Vendors' shares in Ozfarm at the Oz Purchaser Call Option exercise date.

Pursuant to the Oz Shareholders Deed, the Oz Purchaser Call Option exercise price will be calculated in accordance with the following formula:

- (i) If the CFDA Approval Date is on or before 31 December 2017,

$$\text{Oz Purchaser Call Option exercise price} = [(A+B) / 2 \times 7 + C - D] \times E$$

- (ii) If the CFDA Approval Date is after 31 December 2017 and on or before 1 July 2018,

$$\text{Oz Purchaser Call Option exercise price} = [(F+G) / 2 \times 7 + C - D] \times E$$

Where,

A = EBIT of Ozfarm for the year ending 31 December 2018

B = EBIT of Ozfarm for the year ending 31 December 2019

C = cash in hand and cash at bank of Ozfarm as at the Oz Purchaser Call Option Settlement Date

D = any indebtedness borrowed by Ozfarm but excludes any trade creditors or payables as at the Oz Purchaser Call Option Settlement Date

E = the Oz Vendors' shares in Ozfarm divided by the total number of shares of Ozfarm

F = EBIT of Ozfarm for the year ending 30 June 2019

G = EBIT of Ozfarm for the year ending 30 June 2020

Grant of Oz Vendors Put Option

Pursuant to the Oz Shareholders Deed, in the event that (i) Spring Choice has not exercised the Oz Purchaser Call Option within the Oz Purchaser Call Option Period; and (ii) the corporate exercise (as defined below) under the Oz Shareholders Deed has not occurred within 5 years from the Oz Completion Date, Spring Choice grants the Oz Vendors the Oz Vendors Put Option, exercisable within a period of 12 months after later of the end of the Oz Purchaser Call Option Period or 5 years from the Oz Completion Date, to sell all of the Oz Vendors' shares in Ozfarm to Spring Choice at the Oz Vendors Put Option exerciser date.

Pursuant to the Oz Shareholders Deed, corporate exercise means either:

- (a) the sale (whether to a financial sponsor, a trade buyer, by way of initial public offering or otherwise) of all or substantially all of the shares in
- (i) Spring Choice; or
- (ii) a member of the Group that is incorporated in Australia or otherwise conducting business in Australia or its holding company.

- (b) the sale (whether to a financial sponsor, a trade buyer, by way of initial public offering or otherwise) of all or substantially all of any Australian business of Spring Choice or the Group.

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

- AUD80.0 million (equivalent to approximately RMB410.1 million); and
- the exercise price, which shall be calculated as follows:

$$\text{Oz Vendors Put Option exercise price} = [(A \times 6) + B - C] \times D$$

where:

- A = the average of the EBIT of Ozfarm in respect of the two financial years immediately prior to the Oz Vendors Put Option Settlement date
- B = cash in hand and cash at bank of Ozfarm as at the Oz Vendors Put Option Settlement Date
- C = any indebtedness borrowed by Ozfarm excluding any trade creditors or trade payables as at the Oz Vendors Put Option Settlement Date
- D = the Oz Vendors' shares in Ozfarm divided by the total number of shares of Ozfarm

Grant of the Oz Vendors Call Option

Pursuant to the Oz Shareholders Deed, in the occurrence of one or more of the followings:

- (i) the supplier agreement to be entered into between Ozfarm and ADP under the Oz Shareholders Deed is validly terminated for cause; or
- (ii) Spring Choice breaches the corporate exercise under the Oz Shareholders Deed.

Spring Choice will grant to the Oz Vendors the right, for a period of 4 weeks after the occurrence of one of the events set out above, to acquire all of Spring Choice's shares of Ozfarm at the Oz Vendors Call Option exercise date.

Pursuant to the Oz Shareholders Deed, the Oz Vendors Call Option exercise price shall be calculated in accordance with the following formula:

- If the net assets of Ozfarm as at the Oz Vendors Call Option exercise date less than or equals to AUD5.0 million (equivalent to approximately RMB25.6 million),

Oz Vendors Call Option exercise price = A + B + E

- If the net assets of Ozfarm as at the Oz Vendors Call Option exercise date exceeds AUD5.0 million (equivalent to approximately RMB25.6 million),

Oz Vendors Call Option exercise price = A + C + (D x 0.5) + E

where:

A = AUD8.0 million (equivalent to approximately RMB41.0 million)

B = the difference between net assets of Ozfarm as at the Oz Vendors Call Option exercise date and AUD2.0 million (equivalent to approximately RMB10.3 million)

C = AUD3.0 million (equivalent to approximately RMB15.4 million)

D = amount of net assets of Ozfarm less AUD5.0 million

E = [A + B] or [A + C + (D x 0.5)], as the case maybe, multiplied by the published interest rate per annum applying to 3 month term deposits held with the National Australia Bank Limited as at the Oz Vendors Call Option exercise date calculated from the date of the Oz Shareholders Deed and compounded annually

Effective date

The Oz Shareholders Deed shall take effect from the Oz Completion Date and will continue in existence until the earlier of the following occur:

- (i) termination by written agreement by the then existing shareholders of Ozfarm; or
- (ii) all of the issued shares of Ozfarm is solely owned by one person.

The Oz Shareholders Deed will cease to have effect in relation to a shareholder of Ozfarm if that shareholder of Ozfarm ceases to hold any shares and such cessation was in accordance with the provisions of the Oz Shareholders Deed.

INFORMATION OF THE GROUP

The Group

The principal business activity of the Company is investment holding. The Group is principally engaged in the dairy industry with activities ranging from research and development, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands and other overseas countries. The Group also commenced the business in research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC, Australia and New Zealand in 2016.

The Ausnutrition Group

Being an indirect wholly-owned subsidiary of the Company, the principal business activity of Ausnutrition Care is investment holding. Prior to the ADP Completion, Ausnutrition Care, through NCP (collectively, the “**Ausnutrition Group**”), was principally engaged in nutrition 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.

Financial information of the Ausnutrition Group

Set out below is the summary of the key financial information of the Ausnutrition Group for the period from 28 June 2016 (the date of incorporation of Ausnutrition Care) to the period ended 31 December 2016 and the four months ended 30 April 2017:

	Period from 28 June 2016 to 31 December 2016 AUD'000 (Note)	Four months ended 30 April 2017 AUD'000
Revenue	2,192.0	3,181.4
EBITDA	(2,521.6)	(777.7)
Net loss before interest and taxation	(2,989.6)	(1,402.1)
Net loss after interest and taxation	(2,447.2)	(385.0)
		As at 30 April 2017 AUD'000
Net assets		4,669.3

Note: As completion of the acquisition of NCP by Ausnutrition Care took place on 5 October 2016, the financial results of NCP is not included for the period from 28 June 2016 to 4 October 2016. Details of the acquisition of NCP by Ausnutrition Care are set out in the Company's announcement dated 24 August 2016.

Financial impact of the issuance of the Ausnutrition Care Shares

Following the ADP Completion, the Group's interest in Ausnutrition Care will be diluted from 100% to 70%, resulting a deemed disposal of 30% equity interest in Ausnutrition Care by the Group (the **"Deemed Disposal"**). Upon the ADP Completion, Ausnutrition Care will remain as a subsidiary of the Company, and its financial results and position will continue to be consolidated into the consolidated financial statement of the Company.

As the reduction in the Group's percentage equity interest in Ausnutrition Care due to the issuance and the allotment of the Ausnutrition Care Shares will not result in a loss of control of Ausnutrition Care by the Group, no gain or loss will be recorded by the Company on the Deemed Disposal according to the International Financial Reporting Standards.

INFORMATION OF THE ADP VENDOR, THE GUARANTORS AND THE OZ VENDORS

The ADP Vendor is an investment holding company incorporated in Hong Kong with limited liability and is owned by Mr. Sheng Zhong, El Dorado and three other individuals as to 53%, 27% and a total of 20% respectively. El Dorado, a company incorporated in Australia with limited liability, is beneficially owned by Mr. Joe Zhou (**"Joe"**) and his spouse, Ms. Lisa Xiang Shi (**"Lisa"**) as to 51% and 49% respectively. Mr. Sheng Zhong, Joe and Lisa (collectively, being the Guarantors), are all the founders of the ADP Group. Joe and Lisa are the beneficial owners of Ozfarm and are the Oz Vendors.

Joe graduated from Hebei Medical University with a bachelor of medicine degree in 1983. He is the founder of 河北澳華商貿有限公司 (Hebei Aohua Trading Company Limited), a company that focus on food import and export. Joe has sponsored multiple events to improve Australian Chinese trade and is awarded Honorary President of Australia Hebei Association Union. He is also a co-founder of Jing-Jin-Ji General Commerce Association. Joe has been the managing director of the ADP Group and Ozfarm since their respective establishments.

INFORMATION OF THE ADP GROUP AND OZFARM

The ADP Group

ADP Holdings is an investment holding company incorporated in Australia with limited liability. ADP Holdings has two direct wholly-owned subsidiaries, namely, ADP, which is principally engaged in the manufacturing, packaging and sale of dairy and milk powder products and related research and development activities; and Frankston Park Unit Trust, which is principally engaged in the holding of property in connection with the business of ADP. The factory of ADP is located at the Victoria state, Australia, where more than 65% of the milk supply in Australia is produced.

Owing to the strong pharmaceutical and management background of Joe, ADP has made a number of achievements in the industry in Australia, including being, (i) the first infant formula factory that has been granted with the Good Manufacturing Practice certification; and (ii) one of the first two factories in Australia that has been granted with export license by the PRC government for the import of infant formula products to the PRC.

Currently, ADP is one of the eight infant formula products manufacturing enterprises in Australia with registration in the PRC approved by the CNCA.

Financial information of the ADP Group

Set out below is the summary of the key financial information of the ADP Group for the two financial years ended 30 June 2015 and 2016 and the ten months ended 30 April 2017:

	Year ended 30 June 2015 <i>AUD'000</i>	Year ended 30 June 2016 <i>AUD'000</i>	Ten months ended 30 April 2017 <i>AUD'000</i>
Revenue	8,093.8	16,233.0	15,790.1
EBITDA	(479.9)	1,839.7	1,820.1
Net profit/(loss) before interest and taxation	(1,287.1)	960.7	913.9
Net profit/(loss) after interest and taxation	(1,534.9)	277.3	639.7
			As at 30 April 2017 <i>AUD'000</i>
Net assets			830.7

Ozfarm

Ozfarm is a company incorporated in Australia with limited liability and is principally engaged in the sale and marketing of nutrition products, in particular on formula milk products from infant, children, pregnant mother to elderly under its own brand name Oz Farm®. Founded in 1998, Oz Farm® brand has gained a high market perception that its products to be “green, nature, safe and good quality”, in particular, its pregnant mother formula is the best selling pregnant mother formula in Australia. Besides, a number of Ozfarm products have been accredited gold or silver awards in the recent years by the Dairy Industry Association of Australia.

All the milk powder products of Ozfarm is manufactured by ADP.

Financial information of Ozfarm

Set out below is the summary of the key financial information of Ozfarm for the two financial years ended 30 June 2015 and 2016 and the ten months ended 30 April 2017:

	Year ended 30 June 2015 <i>AUD'000</i>	Year ended 30 June 2016 <i>AUD'000</i>	Ten months ended 30 April 2017 <i>AUD'000</i>
Revenue	24.6	7,025.7	9,206.4
Net profit before interest and taxation	0.2	647.8	1,382.3
Net profit after interest and taxation	–	435.2	968.5
			As at 30 April 2017 <i>AUD'000</i>
Net assets			1,404.0

REASONS FOR AND BENEFITS OF THE ADP ACQUISITION, THE OZ ACQUISITION AND THE ADP SHAREHOLDER LOAN FACILITY

The Group is 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, particularly in the PRC, the Group has been expanding its production and upstream sourcing capability and distribution network in the dairy industry sector. As stated in the Group's annual report 2016, the Group has been exploring investment opportunities that help diversify the Group's milk supply and also the Group's product mix. In 2016, the Group has extended its global presence and business through the acquisition of NCP with production and operations principally based in Australia and has since then commenced the nutrition business.

ADP, which was one of the first two factories in Australia that has been listed in the first batch of registered overseas dairy products producers by the PRC officials, is currently one of the eight infant formula products manufacturing enterprises in Australia that has succeeded in fulfilling the registration requirements with the CNCA. The Group is of the view that the ADP Group has established a sound production and management system over the years and, through the ADP Acquisition, can complement the Group's existing production portfolio by diversifying the Group's supply mix and supply from the Netherlands and New Zealand to Australia as well as to improve its global presence in the industry.

After the ADP Completion, ADP Holdings will utilize the ADP Shareholder Loan Facility for the purpose of repaying the existing loans of the ADP Group and for general working capital and business development purposes. The Directors believe the provision of such facility can accelerate ADP Holdings' growth and in turn benefit the Group in the long run.

As stated in the section headed "Information of the ADP Group and Ozfarm", Ozfarm, which is currently one of the major customers of ADP and wholly-owned by Joe and Lisa, has one of the best-selling pregnant mother formula brands in Australia. The Ozfarm pregnant mother formula has been awarded the gold medal by the Dairy Industry Association of Australia in recent years. The Oz Acquisition does not only allow the Group to tap into the pregnant formula market in Australia and other countries, but also facilitate the expansion of the Group's current product range offered in the PRC.

The Board considers that the terms and conditions for the ADP Acquisition, the Oz Acquisition and the ADP Shareholder Loan Facility 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

Pursuant to Rule 14.74(1) of the Listing Rules, the grant of the ADP Put Option, the Oz Vendors Put Option and the Oz Vendors Call Option (the exercise of which is not at the Company's discretion) will be classified as if the options had been exercised.

Under the ADP Acquisition, 13,928,571 Ausnutrition Care Shares will be issued and allotted. After such issue and allotment, the Group's equity interest in Ausnutrition Care held by the Group will be diluted from 100.0% to 70.0%. Such dilution of equity interest in Ausnutrition Care constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As the transactions contemplated under the ADP SPD involve both an acquisition and a deemed disposal, the transactions will be classified by reference to the larger of the acquisition or disposal pursuant to Rule 14.24 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the ADP Acquisition, the grant of the ADP Put Option, the Oz Acquisition and the grant of the Oz Vendors Put Option (collectively, the “**Transactions**”) shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Since some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transactions in aggregate exceed 5% but are less than 25%, the Transactions 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.

Upon the ADP Completion, the ADP Vendor will become a connected person of the Company and Ausnutrition Care will be held as to 30% by the ADP Vendor. Therefore, the financial assistance under the ADP Shareholder Loan Agreement constitutes a connected transaction of the Company. Since the relevant applicable percentage ratios are less than 5%, the financial assistance contemplated under the ADP Shareholder Loan Agreement is subject to the requirements of reporting and announcement, but is exempted from the requirement of shareholders’ approval pursuant to Rule 14A.76 of the Listing Rules.

DEFINITIONS

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

“ADP”	Australian Dairy Park Pty Ltd., a company incorporated in Australia with limited liability and a wholly-owned subsidiary of ADP Holdings
“ADP Acquisition”	the acquisition of the ADP Sale Shares pursuant to the ADP SPD
“ADP Completion”	completion of the ADP Acquisition
“ADP Completion Date”	the earlier of 3 July 2017 and 5 Business Days after the satisfaction or waiver of the conditions set out in the ADP SPD, or such other date as the parties agree
“ADP Consideration”	the total consideration for the ADP Acquisition, being cash of AUD10.0 million (equivalent to approximately RMB51.3 million) plus the Ausnutrition Care Shares
“ADP Determination Date”	the date that is 20 Business Days after the date of the ADP Completion Date
“ADP Group”	ADP Holdings and its subsidiaries
“ADP Holdings”	ADP Holdings (Australia) Pty Ltd, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the ADP Vendor
“ADP Put Option”	the right of ADP Vendor to require Ausnutria China to purchase all the ADP Put Option Shares pursuant to the ADP Shareholders Deed

“ADP Put Option Settlement Date”	the date on which settlement of the sale and purchase of the ADP Put Option Shares must take place, being a date that is not less than 30 Business Days after the date of the written notice given by the ADP Vendor to Ausnutria China in relation to the exercise of the ADP Put Option
“ADP Put Option Shares”	the total number of the ADP Vendor’s shares of Ausnutrition Care
“ADP Sale Shares”	the 4,002,000 issued and fully-paid ordinary shares of ADP Holdings owned by the ADP Vendor, representing the entire issued share capital of ADP Holdings
“ADP Shareholders Deed”	the shareholders deed dated 22 May 2017 entered into among Ausnutrition Care, Ausnutria China, the ADP Vendor and each of the Guarantors in relation to the shareholders’ rights and obligations as a shareholder to Ausnutrition Care
“ADP Shareholder Loan”	the principal amount drawn and for the time being outstanding under the ADP Shareholder Loan Facility
“ADP Shareholder Loan Agreement”	the shareholder loan agreement dated 22 May 2017 entered into between Ausnutria China and ADP Holdings in respect of the ADP Shareholder Loan
“ADP Shareholder Loan Facility”	the revolving loan facility in the principal amount of up to AUD10.0 million (equivalent to approximately RMB51.3 million) granted to ADP Holdings under the ADP Shareholder Loan Agreement
“ADP SPD”	the share purchase deed dated 22 May 2017 entered into among Ausnutrition Care, the ADP Vendor and the Guarantors in relation to the ADP Acquisition
“ADP Vendor”	ADP Group Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 57%, 23% and 20% by Mr. Sheng Zheng, El Dorado and three other individuals respectively
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Ausnutria China”	Ausnutria Dairy (China) Co. Limited, a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Ausnutrition Care”	Ausnutrition Care Pty Ltd, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of Ausnutria China as at the date of this announcement. Upon the ADP Completion, it will be owned as to 70% and 30% by Ausnutria China and the ADP Vendor respectively

“Ausnutrition Care Shares”	the 13,928,571 shares of Ausnutrition Care to be issued and allotted to the ADP Vendor, as part of the ADP Consideration, pursuant to the ADP SPD
“Board”	the board of Directors
“Business Day”	any day on which banks are open for general banking business in Melbourne, Australia
“CFDA Approval Date”	the date of the announcement of the first batch of brands that is approved by the Chinese Food and Drug Administration, and in any case no later than 1 July 2018
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EBIT”	the earnings before interests and tax
“EBITDA”	the earnings before interest, tax, depreciation and amortization in respect of the financial year immediately prior to the date of the written notice given by the ADP Vendors to Ausnutria China in relation to the exercise of the ADP Put Option
“El Dorado”	El Dorado Health Products Technology Pty Ltd, a company incorporated in Australia with limited liability and is owned as to 51% and 49% by Mr. Joe Zhou and Ms. Lisa Xiang Shi respectively
“Estimated NAV”	the estimated net assets amount of the ADP Group as at the ADP Completion Date, which shall be provided to Ausnutrition Care not less than 3 Business Days before the ADP Completion Date
“Final NAV”	the amount of the net assets of the ADP Group as set out in the audited consolidated balance sheet of the ADP Group as at the ADP Completion Date
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Sheng Zhong, Mr. Joe Zhou and Ms. Lisa Xiang Shi
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Ozfarm”	Ozfarm Royal Pty Ltd, a company incorporated in Australia with limited liability and is wholly-owned by the Oz Vendors
“Oz Acquisition”	the acquisition of the Oz Sale Shares and the Oz New Shares pursuant to the Oz SPD
“Oz Completion”	completion of the Oz Acquisition
“Oz Completion Date”	the earlier of 3 July 2017 and 5 Business Days after the satisfaction or waiver of the conditions set out in the Oz SPD, or such other date as the parties agree
“Oz Consideration”	the total consideration for the Oz Acquisition, being AUD11.0 million (equivalent to approximately RMB56.4 million)
“Oz New Shares”	the 15,790 shares to be issued and allotted by Ozfarm pursuant to the Oz SPD
“Oz Purchaser Call Option”	the right of Spring Choice to acquire all of the total number of Oz Vendors’ shares of Ozfarm pursuant to the Oz Shareholders Deed
“Oz Purchaser Call Option Period”	the 12-month period commencing 24 months from the CFDA Approval Date
“Oz Purchaser Call Option Settlement Date”	the date on which settlement of the sale and purchase of the Oz Vendors’ shares of Ozfarm must take place under the Oz Purchaser Call Option Exercise Note, being a date that is not less than 30 Business Days after the date of the written notice given by Spring Choice to the Oz Vendors in relation to the exercise of the Oz Purchaser Call Option
“Oz Sale Shares”	the 42,105 issued and fully-paid up ordinary shares in the capital of Ozfarm owned by the Oz Vendors, representing 42.1% of the issued share capital of Ozfarm as at the date of this announcement
“Oz Shareholders Deed”	the shareholders deed dated 22 May 2017 entered into among Ozfarm, Spring Choice and the Oz Vendors in relation to the shareholders’ rights and obligations as a shareholder to Ozfarm
“Oz SPD”	the share purchase deed dated 22 May 2017 entered into between Spring Choice and the Oz Vendors in relation to the Oz Acquisition
“Oz Vendors”	Mr. Joe Zhou and Ms. Lisa Xiang Shi, being the beneficial owners of Ozfarm. As at the date of this announcement, they are also interested in 27% of the equity interests in ADP Holdings
“Oz Vendors Call Option”	the right of the Oz Vendors to acquire all Spring Choice’s shares of Ozfarm pursuant to the Oz Shareholders Deed

“Oz Vendors Call Option Settlement Date”	the date on which settlement of the sale and purchase of Spring Choice’s shares of Ozfarm must take place under the Oz Vendors Call Option Exercise Note, being a date that is not less than 15 Business Days after the date of the written notice given by the Oz Vendors to Spring Choice in relation to the exercise of the Oz Vendors Call Option is given
“Oz Vendors Put Option”	the right of the Oz Vendors to sell all the Oz Vendors’ shares of Ozfarm pursuant to the Oz Shareholders Deed
“Oz Vendors Put Option Settlement Date”	the date on which settlement of the sale and purchase of the Oz Put Option shares must take place, being a date that is at least 2 years after the date of the written notice given by the Oz Vendors to Spring Choice in relation to the exercise of the Oz Vendors Put Option
“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
“Spring Choice”	Spring Choice Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target NAV”	AUD5.0 million (equivalent to approximately RMB25.6 million)
“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, People’s Republic of China, 22 May 2017

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 Xiao-Jun; and three independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.