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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO (I) ACQUISITION OF THE REMAINING 50% EQUITY INTEREST IN OZFARM AUSTRALIA AND (II) ACQUISITION OF 42.5% EQUITY INTEREST IN OZFARM HK**

#### **THE ACQUISITIONS**

The Board is pleased to announce that on 1 June 2018 (after trading hours), the Purchaser (being a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Deed, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Australian Sale Shares, representing 50% of the issued shares of Ozfarm Australia, at the Initial Consideration by the issue and allotment of 12,980,000 Initial Consideration Shares at the Initial Consideration Share Price of HK\$10.00 each by the Company to the Vendors (equivalent to HK\$129.80 million or approximately AUD21.78 million). The Initial Consideration is subject to the Adjustment (if any, with maximum cap of approximately AUD58.22 million, equivalent to approximately HK\$346.99 million), which will be determined based on the Valuation.

Pursuant to the Sale and Purchase Deed, the Purchaser has also conditionally agreed to acquire and the Vendors (through New Colour, being their wholly-owned company) have conditionally agreed to sell the HK Sale Shares, representing 42.5% of the issued shares of Ozfarm HK, which holds the entire interest in Ozfarm China, at a consideration of HK\$1.00 in cash.

Upon Completion, Ozfarm Australia will be 100% owned by the Purchaser and become an indirect wholly-owned subsidiary of the Company, while Ozfarm HK will be owned by the Purchaser as to 85% and become an indirect non-wholly-owned subsidiary of the Company.

## IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the ADP Acquisition, the grant of the ADP Put Option, the First Oz Acquisition and the grant of the Oz Vendors Put Option (details of which are set out in the Company's announcement dated 22 May 2017) and the Acquisitions (collectively, the "**Transactions**") shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules.

Upon aggregation, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions exceed 5% but are less than 25%, the Transactions constitute discloseable transactions for the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Both Ozfarm Australia and Ozfarm HK are insignificant subsidiaries of the Company pursuant to Rule 14A.09(1) of the Listing Rules. Mr. Zhou is a director of Ozfarm Australia and the Vendors are substantial shareholders of Ozfarm Australia and therefore, notwithstanding Mr. Zhou's directorship in Ozfarm Australia and the Vendors' interest in Ozfarm Australia, he/they and his/their associates are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

Further, as New Colour holds 42.5% equity interest of Ozfarm HK, it is a substantial shareholder of an insignificant subsidiary of the Company and therefore notwithstanding New Colour's interest in Ozfarm HK, it and its ultimate beneficial owners, i.e. the Vendors, are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

Accordingly, the Acquisitions do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

## INTRODUCTION

Reference is made to the Company's announcement dated 22 May 2017 in relation to, among other things, the First Oz Acquisition. On 22 May 2017, the Purchaser and the Vendors entered into the First Oz SPD and following the completion of the First Oz Acquisition on 5 July 2017, Ozfarm Australia is equally owned by the Purchaser and the Vendors.

The Board is pleased to announce that on 1 June 2018 (after trading hours), the Purchaser (being a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Deed, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Australian Sale Shares, representing the 50% of the issued shares of Ozfarm Australia, at the Initial Consideration by the issue and allotment of 12,980,000 Initial Consideration Shares at the Initial Consideration Share Price of HK\$10.00 each by the Company to the Vendors (equivalent to HK\$129.80 million or approximately AUD21.78 million). The Initial Consideration is subject to the Adjustment (if any, with a maximum cap of approximately AUD58.22 million), which will be determined based on the Valuation.

Pursuant to the Sale and Purchase Deed, the Purchaser has also conditionally agreed to acquire and the Vendors (through New Colour, being their wholly-owned company) have conditionally agreed to sell the HK Sale Shares, representing 42.5% of the issued shares of Ozfarm HK, which holds the entire interest in Ozfarm China, at a consideration of HK\$1.00 in cash.

## **SALE AND PURCHASE DEED**

Principal terms of the Sale and Purchase Deed are set out below:

- Date** : 1 June 2018 (after trading hours)
- Parties** : (i) Spring Choice Limited, being the Purchaser;
- (ii) Mr. Zhou and Ms. Shi, being the Vendors;
- (iii) New Colour Investment Limited, being the beneficial owner of the HK Sale Shares;
- (iv) Ozfarm Royal Pty Ltd, being one of the target companies; and
- (v) Ozfarm Royal (HK) Limited, being one of the target companies.

As at the date of this announcement, (i) Mr. Zhou is a director of certain insignificant subsidiaries of the Company; (ii) the Vendors are substantial shareholders of certain insignificant subsidiaries; and (iii) New Colour is wholly-owned by the Vendors and it is a substantial shareholder of an insignificant subsidiary of the Company. Save as the abovementioned, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors, New Colour and their ultimate beneficial owners are parties independent from the Company and its connected persons as at the date of this announcement.

### **Subject matter**

Pursuant to the Sale and Purchase Deed, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell (i) the Australian Sale Shares, representing the 50% of the issued shares of Ozfarm Australia; and (ii) the HK Sale Shares through New Colour (a wholly-owned company of the Vendors), representing 42.5% of the issued shares of Ozfarm HK.

Upon Completion, Ozfarm Australia will become an indirectly wholly-owned subsidiary of the Company, while Ozfarm HK will become an indirectly non-wholly-owned subsidiary of the Company and will be owned as to 85% and 15% by the Purchaser and certain senior managements of Ozfarm China respectively.

### **Consideration**

#### ***Australian Sale Shares***

Pursuant to the Sale and Purchase Deed, the consideration payable by the Purchaser to the Vendors for the acquisition of the Australian Sale Shares shall be the Initial Consideration of HK\$129.80 million (equivalent to approximately AUD21.78 million), subject to the Adjustment (if any, with a maximum cap of approximately AUD58.22 million, equivalent to approximately HK\$346.99 million). In any event, the Initial Consideration and the Adjustment shall not exceed AUD80,000,048 in aggregate.

(i) *Initial Consideration*

The Initial Consideration shall be satisfied by the issue and allotment of 12,980,000 Initial Consideration Shares at the Initial Consideration Share Price of HK\$10.00 each by the Company to the Vendors.

The Initial Consideration is determined after arm's length negotiations between the Purchaser and the Vendors with reference to, among others, the consideration of the First Oz Acquisition, the financial performance of Ozfarm Australia since the First Oz Acquisition and the fact that Ozfarm's series of infant formula have succeeded in the filing with CFDA in 2017.

Number of Initial Consideration Shares

As at the date of this announcement, the Company has 1,309,056,653 Shares in issue. Assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the date of the issue and allotment of the Initial Consideration Shares, 12,980,000 Initial Consideration Shares represents:

- (a) 0.99% of the total number of issued Shares of the Company as at the date of this announcement; and
- (b) 0.98% of the total number of issued Shares of the Company as enlarged by the issue and allotment of the Initial Consideration Shares.

The aggregate nominal value of the Initial Consideration Shares is HK\$1,298,000.

Share price

The Initial Consideration Share Price of HK\$10.00 per Initial Consideration Share represents:

- (a) a discount of approximately 0.99% to the closing price of HK\$10.10 per Share as quoted on the Stock Exchange on the date of this announcement;
- (b) a premium of approximately 0.30% to the average closing price of approximately HK\$9.97 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of this announcement; and
- (c) a discount of approximately 0.10% to the average closing price of approximately HK\$10.01 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of this announcement.

The Initial Consideration Share Price was determined after arm's length negotiations between the Purchaser and the Vendors with reference to the recent market price of the Shares.

## Lock-up undertakings

Pursuant to the Sale and Purchase Deed, each of the Vendors undertakes to the Purchaser that it will not, other than with the prior written consent of the Company for the following periods and in respect of the relevant portion of the Initial Consideration Shares, sell, transfer or otherwise dispose of all or any of the Initial Consideration Shares or any beneficial interest in the Initial Consideration Shares as follows:

- (a) in respect of the 30% of the Initial Consideration Shares, a period of six (6) months after the date of the Sale and Purchase Deed;
- (b) in respect of the another 30% of the Initial Consideration Shares, a period of one (1) year after the date of the Sale and Purchase Deed; and
- (c) in respect of the remaining 40% of the Initial Consideration Shares, a period of two (2) years after the date of the Sale and Purchase Deed.

### *(ii) Adjustment*

Pursuant to the Sale and Purchase Deed, the Initial Consideration is subject to an adjustment upon finalisation of the Valuation, which will be conducted in accordance with the following formula:

$$\{[(A + B) \div 2 \times 6] + \text{Cash} - \text{Debts}\} \times 50\%$$

where:

- “A” = the audited EBIT of the Ozfarm Group for the financial year immediately prior to the Settlement Date
- “B” = the audited EBIT of the Ozfarm Group for the financial year immediately prior to the financial year referred to in A
- “Cash” = cash and cash equivalents as represented by the amount recorded in the general ledger of the Ozfarm Group and which comprises cash in hand and cash at bank as at the Settlement Date
- “Debt” = any amount of indebtedness in respect of monies borrowed by the Ozfarm Group excluding any trade creditors or trade payables as at the Settlement Date

If the value of the Sale Shares calculated in accordance with the above formula is higher than AUD21,778,524, the Purchaser shall on the Settlement Date pay to the Vendors the difference between the value of the Sale Shares and AUD21,778,524, with a maximum cap of AUD58,221,524, by cash or by the issue and allotment of the Adjustment Shares (or any combination at the discretion of the Purchaser).

The maximum cap of the Adjustment of approximately AUD58.22 million is determined after arm’s length negotiations between the Purchaser and the Vendors with reference to, among others, (i) the historical financial performance of Ozfarm Australia; (ii) its rising market position and its increased recognition on formula milk products, in particular on pregnant mother formula in Australia; and (iii) the anticipated positive contribution as a result of its success in fulfilling the brand registration of Ozfarm with the CFDA.

### Share price

In the event that the Adjustment is settled by the issue and allotment of the Adjustment Shares, the value of each Adjustment Share shall be the higher of:

- (a) the closing price on the Stock Exchange on the day immediately prior to the Settlement Date; and
- (b) the average closing price on the Stock Exchange in the previous five (5) trading days prior to the Settlement Date.

### Number of maximum Consideration Shares

Assuming the Adjustment of approximately AUD58.22 million will be fully settled by the issue and allotment of the Adjustment Shares and the value of each Adjustment Share will be the same as the Initial Consideration Share Price, the maximum number of the Consideration Shares will be 47,680,028 Shares. Assuming there will be no change in the total number of the issued Shares between the date of this announcement and the date of the issue and allotment of the Consideration Shares, maximum number of 47,680,028 Consideration Shares represents:

- (a) 3.64% of the total number of the issued Shares as at the date of this announcement; and
- (b) 3.51% of the total number of the issued Shares as enlarged by the issue and allotment of the Consideration Shares.

The aggregate nominal value of the maximum Consideration Shares is HK\$4,768,002.80.

### ***HK Sale Shares***

Pursuant to the Sale and Purchase Deed, the consideration payable by the Purchaser to the Vendors (through New Colour) for the acquisition of the HK Sale Shares of HK\$1.00 shall be fully settled by cash.

The consideration is determined after arm's length negotiations between the Purchaser and the Vendors with reference to, among others, the net assets value of Ozfarm HK and its subsidiary, which are principally engaged in the marketing and distribution of Ozfarm branded formula milk products in the PRC as at the date of this announcement.

### **Conditions precedent**

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

- (i) the grant of FIRB Approval in respect of the purchase of the Australian Sale Shares by the Purchaser (if required); and
- (ii) the grant of approval from the Stock Exchange for the issue of the Consideration Shares.

Condition precedent (i) as set out above may be waived in writing by the Purchaser. Condition precedent (ii) as set out above may be waived in writing by the Purchaser and the Vendors. If any of the conditions precedent set out above is not satisfied or waived on or before 20 July 2018, the Purchaser or the Vendors may terminate the Sale and Purchaser Deed by written notice.

As at the date of this announcement, none of the above conditions have been fulfilled.

## **Completion**

Subject to the fulfillment of the conditions precedent set out above, the Completion shall take place on the Completion Date. Upon Completion, Ozfarm Australia will be 100% owned by the Purchaser and become an indirect wholly-owned subsidiary of the Company, while Ozfarm HK will be owned by the Purchaser as to 85% and become an indirect non-wholly-owned subsidiary of the Company. The financial results, assets and liabilities of the Ozfarm Group will be consolidated into the consolidated financial statements of the Company.

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

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 2017, the Group has been active in streamlining the operations of the nutrition business and identifying the key and potential products to be introduced and launched in overseas market.

Ozfarm Australia was founded in 1998 and is principally engaged in the infant formula and nutrition business, operates on formula milk products from infant, children, pregnant mother to elderly under its own brand name Oz Farm<sup>®</sup>. For the year ended 31 December 2017, Ozfarm Australia had provided the Group with positive contribution as illustrated by the share of profit of a joint venture.

The Board is of the view that Ozfarm Australia will continue to grow steadily and positively contribute to the Group based on (i) the rapid growth in the nutrition product market in and outside the PRC; (ii) Ozfarm Australia owns the number one maternal women's milk powder brand in Australia; and (iii) Ozfarm Australia has obtained the registration of its infant formula with the CFDA.

As such, the Board considers the acquisition of the Australian Sale Shares, which in turn makes Ozfarm Australia become a wholly-owned subsidiary of the Company, will (i) enable the Group to own 100% of the brands and products of Ozfarm Australia for better allocation of internal resources of the Group; (ii) enable the Group to further expand and develop its markets in Australia, the PRC and overseas by taking advantage of the reputation of Ozfarm Australia; (iii) facilitate the perfection of the Group's current product range offered; and (iv) create better synergy with the Group as a whole, and hence improve the operational efficiency.

Ozfarm HK was established in 2017, together with its subsidiary, is principally engaged in the distribution and marketing of formula milk powder and nutrition products business in the PRC through Ozfarm China. The acquisition of the HK Sale Shares is expected to enhance better implementation of the operating philosophies and strategies of the Company into Ozfarm HK and its subsidiary by having majority control in Ozfarm HK and its subsidiary, and hence facilitate the distribution and marketing of the Group's nutrition products in the PRC.

Settlement by way of issue and allotment of the Consideration Shares to the Vendors reflects the confidence and commitment of the Vendors towards the long-term and sustainable development of the Group. The lock-up undertakings of the Vendors in connection with the Initial Consideration Shares (details are set out under the paragraph headed “Sale and Purchase Deed – Consideration – Australian Sale Shares – Initial Consideration – Lock-up undertakings” in this announcement) also provides incentives to the relevant Vendors and will allow the Group to retain and motivate experienced talents for the continual operation and development of the Group.

The Board considers that the terms of the Sale and Purchase Deed are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, the following table sets out the effect of the issue of the Consideration Shares on the shareholding structure of the Company as at the date of this announcement and assuming (i) the Completion having taken place; (ii) the maximum number of the Consideration Shares having been issued and allotted; and (iii) the value of each Adjustment Share will be the same as the Initial Consideration Share Price, without taking into account any other new Shares, if any, after the date of this announcement and prior to the Completion.

	As at the date of this announcement		Immediately upon issue and allotment of Initial Consideration Shares		Immediately upon issue and allotment of maximum number of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Zhou	–	–	6,619,800	0.50%	24,316,814	1.79%
Ms. Shi	–	–	6,360,200	0.48%	23,363,214	1.72%
Center Laboratories Inc. <sup>(Note 1)</sup>	361,738,129	27.63%	361,738,129	27.36%	361,738,129	26.67%
BioEngine Capital Inc. <sup>(Note 1)</sup>	123,355,375	9.42%	123,355,375	9.33%	123,355,375	9.09%
BioEngine Technology Development Inc. <sup>(Note 1)</sup>	20,838,268	1.59%	20,838,268	1.58%	20,838,268	1.54%
Mr. Bartle van der Meer <sup>(Note 2)</sup>	163,005,230	12.45%	163,005,230	12.33%	163,005,230	12.01%
Mr. Yan Weibin <sup>(Note 3)</sup>	107,339,085	8.20%	107,339,085	8.12%	107,339,085	7.91%
Public Shareholders	532,780,566	40.71%	532,780,566	40.30%	532,780,566	39.27%
	<u>1,309,056,653</u>	<u>100.00%</u>	<u>1,322,036,653</u>	<u>100.00%</u>	<u>1,356,736,681</u>	<u>100.00%</u>

### Notes:

- As at the date of this announcement, Center Laboratories Inc. beneficially owns 361,738,129 Shares. Both BioEngine Capital Inc. and BioEngine Technology Development Inc., which hold 123,355,375 Shares and 20,838,268 Shares respectively, are non-wholly-owned subsidiaries of Center Laboratories Inc. Accordingly, Center Laboratories Inc. is deemed to be interested in a total of 505,931,772 Shares.
- As at the date of this announcement, Mr. Bartle van der Meer beneficially owns 800,000 Shares. Dutch Dairy Investments HK Limited, which holds 162,205,230 Shares, is wholly-owned by Dutch Dairy Investments B.V. Dutch Dairy Investments B.V. is owned as to 50.00% by Fan Deming B.V., which is wholly-owned by Mr. Bartle van der Meer. Accordingly, Mr. Bartle van der Meer is deemed to be interested in a total of 163,005,230 Shares under the SFO.

3. As at the date of this announcement, Mr. Yan Weibin beneficially owns 800,000 Shares. Ausnutria Holding Co. Ltd., which holds 106,539,085 Shares, is wholly-owned by Mr. Yan Weibin. Accordingly, Mr. Yan Weibin is deemed to be interested in 107,339,085 Shares under the SFO.
4. The percentages of the Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

## INFORMATION OF OZFARM AUSTRALIA

Ozfarm Australia is a company incorporated in Australia with limited liability and is principally engaged in the infant formula and nutrition business, operates 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 Oz Farm® products have been accredited gold or silver awards in the recent years by the Dairy Industry Association of Australia.

As at the date of this announcement, Ozfarm Australia is equally owned by the Purchaser and the Vendors.

### Financial information of Ozfarm Australia

Set out below is the summary of the key financial information of Ozfarm Australia for the two financial years ended 30 June 2016 and 2017 and the ten months ended 30 April 2018:

	<b>Year ended</b> <b>30 June 2016</b> <i>AUD'000</i>	<b>Year ended</b> <b>30 June 2017</b> <i>AUD'000</i>	<b>Ten months</b> <b>ended</b> <b>30 April 2018</b> <i>AUD'000</i>
Revenue	7,025.7	10,264.9	17,946.3
Net profit before interest and taxation	647.8	1,825.2	3,545.2
Net profit after interest and taxation	435.2	1,271.3	2,479.8
			<b>As at</b> <b>30 April 2018</b> <i>AUD'000</i>
Net assets			7,168.9

## INFORMATION OF OZFARM HK

Ozfarm HK, a company incorporated in Hong Kong, is principally engaged in investment holding and holds the entire interest in Ozfarm China, which is a company established in the PRC and principally engaged in the marketing and distribution of Ozfarm branded formula milk products in the PRC.

As at the date of this announcement, Ozfarm HK is owned as to 42.5%, 42.5% and 15% by the Purchaser, New Colour and certain senior managements of Ozfarm China respectively.

## Consolidated financial information of Ozfarm HK

Set out below is the summary of the key consolidated financial information of Ozfarm HK for the period from 7 August 2017 (being the date of incorporation of Ozfarm HK) to 31 December 2017 and the four months ended 30 April 2018:

	<b>Period from 7 August 2017 to 31 December 2017 RMB'000</b>	<b>Four months ended 30 April 2018 RMB'000</b>
Revenue	5,062.9	7,987.8
Net profit/(loss) before interest and taxation	(502.6)	295.9
Net profit/(loss) after interest and taxation	(502.6)	295.9
		<b>As at 30 April 2018 RMB'000</b>
Net liabilities		(205.9)

## INFORMATION OF THE GROUP, THE PURCHASER AND THE VENDORS

### The Group

The Company acts as an investment holding company of the Group. The Group is principally engaged in (i) 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 and other overseas countries; and (ii) research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC, Australia and New Zealand.

### The Purchaser

Spring Choice Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, is an investment holding company of the Group. As at the date of this announcement, the Purchaser owns 50% and 42.5% of all the issued shares of Ozfarm Australia and Ozfarm HK respectively.

### The Vendors

Mr. Zhou and his spouse, Ms. Shi, are the Vendors and the beneficial owners of the 50% equity interest of Ozfarm Australia and the ultimate beneficial owners 42.5% equity interest of Ozfarm HK as at the date of this announcement.

Mr. Zhou graduated from Hebei Medical University with a bachelor of medicine degree in 1983. He is the founder of Hebei Aohua Trading Company Limited\* (河北澳華商貿有限公司), a company focuses on food import and export. Mr. Zhou 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. Mr. Zhou has been the managing director of ADP Holdings (Australia) Pty Ltd and its subsidiaries and Ozfarm Australia since their respective establishments. Meanwhile, Mr. Zhou is also a director of Ausnutrition Care Pty Ltd and Australian Dairy Park Pty Ltd., both are non-wholly-owned subsidiaries of the Company.

Ms. Shi graduated from Inner Mongolia University with a bachelor of arts degree in 1987. She was granted the China Foreign Trade Merchandiser Qualification Certificate in first round in 1989. Ms. Shi has 25 years of professional experience in import and export business. She has been the commercial manager of Australian Dairy Park Pty Ltd, a non-wholly-owned subsidiary of the Company, since 2013.

## **MANDATE TO ISSUE THE CONSIDERATION SHARES AND APPLICATION FOR LISTING**

The Consideration Shares will be issued and allotted pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 251,212,306 Shares. As at the date of this announcement, no Shares have been issued and allotted under the General Mandate. Accordingly, the General Mandate is sufficient for the issue and allotment of the Consideration Shares and is not subject to the Shareholders' approval.

The Consideration Shares will be issued free from all Encumbrances together with all rights attaching to them, including the right to receive all dividends declared and will rank *pari passu* with all other issued Shares in all respects as at the date of issue.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 14.22 of the Listing Rules, the ADP Acquisition, the grant of the ADP Put Option, the First Oz Acquisition and the grant of the Oz Vendors Put Option, details of which are set out in the Company's announcement dated 22 May 2017, and the Acquisitions (collectively, the "**Transactions**") shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules.

Upon aggregation, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions exceed 5% but are less than 25%, the Transactions constitute discloseable transactions for the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Both Ozfarm Australia and Ozfarm HK are insignificant subsidiaries of the Company pursuant to Rule 14A.09(1) of the Listing Rules. Mr. Zhou is a director of Ozfarm Australia and the Vendors are substantial shareholders of Ozfarm Australia and therefore, notwithstanding Mr. Zhou's directorship in Ozfarm Australia and the Vendors' interest in Ozfarm Australia, he/they and his/their associates are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

Further, as New Colour holds 42.5% equity interest of Ozfarm HK, it is a substantial shareholder of an insignificant subsidiary of the Company and therefore notwithstanding New Colour's interest in Ozfarm HK, it and its ultimate beneficial owners, i.e. the Vendors, are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

Accordingly, the Transactions do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Acquisitions”	collectively, the acquisition of the Australian Sale Shares and the acquisition of the HK Sale Shares
“Adjustment”	the consideration payable by the Company to the Vendors in the event that the value of the Sale Shares (as formulated under the Valuation) is higher than the Initial Consideration, with a maximum cap of approximately AUD58.22 million
“Adjustment Shares”	the new Shares to be issued by the Company to the Vendors for the settlement of the Adjustment (if any) pursuant to the Sale and Purchase Deed
“ADP Acquisition”	the acquisition of the 4,002,000 issued and fully-paid ordinary shares of ADP Holdings (Australia) Pty Ltd pursuant to the share purchase deed dated 22 May 2017 entered into among Ausnutrition Care Pty Ltd, ADP Group Limited, Mr. Sheng Zhong, Mr. Zhou and Ms. Shi, details of which are set out in the Company’s announcement dated 22 May 2017
“ADP Put Option”	the right of ADP Group Limited to require Ausnutria Dairy (China) Co. Limited to purchase all the shares of Ausnutrition Care Pty Ltd owned by ADP Group Limited pursuant to the shareholders deed dated 22 May 2017 entered into among Ausnutrition Care Pty Ltd, Ausnutria Dairy (China) Co. Limited, ADP Group Limited, Mr. Sheng Zhong, Mr. Zhou and Ms. Shi in relation to the shareholders’ rights and obligations as a shareholder to Ausnutrition Care Pty Ltd, details of which are set out in the Company’s announcement dated 22 May 2017
“Australian Sale Shares”	57,895 issued and fully-paid shares of Ozfarm Australia, representing 50% of the issued share capital of Ozfarm Australia
“Board”	the board of Directors
“Business Day(s)”	a day from Monday to Friday excluding any public holidays in Melbourne, Victoria
“CFDA”	Chinese Food and Drug Administration
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the Shares are listed on the Main Board of the Stock Exchange (stock code: 1717)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Deed

“Completion Date”	two (2) Business Days after satisfaction or waiver of the conditions set out in the sub-section headed “Sale and Purchase Deed – Conditions precedent” or such other date as agreed by the parties in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration Share(s)”	collectively, the Initial Consideration Shares and the Adjustment Shares (if any)
“Director(s)”	director(s) of the Company
“EBIT”	earnings before interest and tax
“Encumbrance(s)”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), option, restriction, hypothecation, assignment, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance, priority or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect, and any agreement or obligation to create or grant any of the aforesaid
“FIRB Approval”	(i) the Treasurer of the Commonwealth of Australia becomes precluded from making an order in respect of the acquisition of the Australian Sale Shares under the Foreign Acquisitions and Takeovers Act 1975 (Cth); or (ii) the Purchaser has received written advice from or on behalf of the Treasurer of the Commonwealth of Australia stating or to the effect that the Commonwealth Government does not object to the Purchaser and the Vendors entering into and completing the transactions the subject of the Sale and Purchase Deed, being advice that is either unconditional or does not include a condition that the Purchaser, acting reasonably, considers unacceptable (other than the standard taxation conditions and additional taxation conditions set out in attachment A and B of FIRB Guidance Note 47 titled ‘Tax Conditions’)
“First Oz Acquisition”	the acquisition and subscription of the shares of Ozfarm Australia pursuant to the First Oz SPD, details of which are set out in the Company’s announcement dated 22 May 2017
“First Oz SPD”	the share purchase deed dated 22 May 2017 entered into between the Purchaser and the Vendors in relation to the First Oz Acquisition, details of which are set out in the Company’s announcement dated 22 May 2017
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 11 May 2018 to issue, allot and deal with Shares up to a maximum of 20% of the aggregate nominal value of the issued share capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries

“HK Sale Shares”	425 issued and fully-paid ordinary shares of Ozfarm HK, representing 42.5% of the issued share capital of Ozfarm HK
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Consideration”	the initial consideration of approximately AUD21.78 million payable by the Company to the Vendor for the acquisition of the Australian Sale Shares
“Initial Consideration Shares”	the 12,980,000 new Shares to be issued by the Company to the Vendors for the settlement of the Initial Consideration pursuant to the Sale and Purchase Deed
“Initial Consideration Share Price”	HK\$10.00 per Initial Consideration Share
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhou”	Mr. Joe Zhou, being one of the Vendors who owns 25.5% equity interest in Ozfarm Australia and 51% equity interest in New Colour as at the date of this announcement
“Ms. Shi”	Ms. Lisa Xiang Shi, being one of the Vendors who owns 24.5% equity interest in Ozfarm Australia and 49% equity interest in New Colour as at the date of this announcement
“New Colour”	New Colour Investment Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Vendors
“Ozfarm Australia”	Ozfarm Royal Pty Ltd, a company incorporated in Australia with limited liability and is equally owned by the Purchaser and the Vendors as at the date of this announcement
“Ozfarm China”	Ozfarm Nutrition (Changsha) Co., Ltd* (澳滋營養品(長沙)有限公司), a company established in the PRC and a direct wholly-owned subsidiary of Ozfarm HK
“Ozfarm Group”	Ozfarm Australia, Ozfarm HK and its subsidiary
“Ozfarm HK”	Ozfarm Royal (HK) Limited, a company incorporated in Hong Kong, which is owned as to 42.5%, 42.5% and 15% by the Purchaser, New Colour and certain senior managements of Ozfarm China respectively as at the date of this announcement
“Oz Vendors Put Option”	the right of the Vendors to sell all their shares of Ozfarm Australia pursuant to the shareholders deed dated 22 May 2017 entered into among Ozfarm Australia, the Purchaser and the Vendors in relation to the shareholders’ rights and obligations as a shareholder to Ozfarm Australia, details of which were set out in the Company’s announcement dated 22 May 2017

“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Spring Choice Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale and Purchase Deed”	the sale and purchase deed dated 1 June 2018 entered into between the Purchaser, the Vendors, New Colour, Ozfarm Australia and Ozfarm HK
“Sale Shares”	collectively, the Australian Sale Shares and the HK Sale Shares
“Settlement Date”	the date that is one month after the date of the finalisation of the Valuation
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholders of the Company
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Valuation”	a valuation of the Sale Shares to be undertaken by the Purchaser by 5 April 2022
“Vendors”	Mr. Zhou and Ms. Shi, who hold 25.5% and 24.5% of the total share capital of Ozfarm Australia respectively, and 51% and 49% of the total share capital of New Colour respectively, as at the date of this announcement
“AUD”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

\* For identification purpose only

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

The PRC, 1 June 2018

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman), 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.*

*For illustration purposes, the exchange rates of AUD1 = HK\$5.96 and RMB1 = HK\$1.24 are used throughout this announcement. This exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or other rate at all.*