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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)

SHARE TRANSACTION IN RELATION TO ACQUISITIONS OF THE REMAINING 40% EQUITY INTEREST IN EACH OF (I) NUTRIUNION HK; AND (II) NUTRIUNION GZ

THE HK ACQUISITION

The Board is pleased to announce that on 8 July 2019 (after trading hours), the HK Purchaser (being a wholly-owned subsidiary of the Company) and the HK Vendors entered into the HK Sale and Purchase Agreement, pursuant to which the HK Purchaser has conditionally agreed to acquire and the HK Vendors have conditionally agreed to sell the entire equity interest in each of the HK Target Companies, at the total consideration comprising (i) the Upfront Consideration of RMB56.38 million (equivalent to HK\$63.71 million), which shall be settled by the issuance and allotment of 4,118,255 Upfront Consideration Shares at the Upfront Consideration Share Price of HK\$15.47 each by the Company; and (ii) the Subsequent Consideration (if any), which is capped at RMB180.00 million (equivalent to HK\$203.40 million). The actual Subsequent Consideration will be determined based on the financial performance of the Nutriunion Group for the three years ending 31 December 2021.

As at the date of this announcement, the HK Purchaser and the HK Target Companies hold 60.0% and 40.0% equity interest in Nutriunion HK (a company which is engaged in the marketing and distribution of the nutrition products under “NC” and “Nutrition Care” brands), respectively.

Upon HK Acquisition Completion, each of the HK Target Companies and Nutriunion HK will become indirect wholly-owned subsidiaries of the Company.

THE GZ ACQUISITION

On 8 July 2019 (after trading hours), the GZ Purchaser and the GZ Vendors entered into the GZ Sale and Purchase Agreement, pursuant to which the GZ Purchaser has conditionally agreed to acquire and the GZ Vendors have conditionally agreed to sell the 40.0% equity interest in Nutriunion GZ, at the GZ Acquisition Consideration of RMB6.82 million (equivalent to HK\$7.71 million), which shall be settled by cash.

Upon the GZ Acquisition Completion, Nutriunion GZ, a company which is engaged in marketing and distribution of nutrition products in the PRC, will become an indirect wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the Acquisitions shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Upon aggregation, as all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisitions are less than 5.0% and part of the considerations of the Acquisitions will be satisfied by the issuance and allotment of the Consideration Shares, the Acquisitions constitute a share transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Both Nutriunion HK and Nutriunion GZ are insignificant subsidiaries of the Company by virtue of Rule 14A.09 of the Listing Rules. Therefore, notwithstanding Mr. Zhao, Mr. Lin and Mr. Qu's directorships and supervisorship in the Nutriunion Group and their interests in the HK Vendors, they and their associates are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

THE HK ACQUISITION

The Board is pleased to announce that on 8 July 2019 (after trading hours), the HK Purchaser (being a wholly-owned subsidiary of the Company) and the HK Vendors entered into the HK Sale and Purchase Agreement, pursuant to which the HK Purchaser has conditionally agreed to acquire and the HK Vendors have conditionally agreed to sell the entire equity interest in each of the HK Target Companies at the total consideration comprising (i) the Upfront Consideration of RMB56.38 million (equivalent to HK\$63.71 million), which shall be settled by the issuance and allotment of 4,118,255 Upfront Consideration Shares at the Upfront Consideration Share Price of HK\$15.47 each by the Company; and (ii) the Subsequent Consideration (if any), which is capped at RMB180.00 million (equivalent to HK\$203.40 million) and will be determined based on the financial performance of the Nutriunion Group for the three years ending 31 December 2021.

As at the date of this announcement, the HK Purchaser and the HK Target Companies hold 60.0% and 40.0% equity interest in Nutriunion HK, respectively.

The principal terms of the HK Sale and Purchase Agreement are set out below:

- Date : 8 July 2019 (after trading hours)
- Parties : (i) the Company, being the issuer;
- (ii) Superior Winner Investment Limited, being the HK Purchaser;
- (iii) Ultimate Billion Enterprises Limited, being Vendor A;
- (iv) Smart Vision Asia Corporation, being Vendor B;
- (v) Mr. Zhao, being one of the Warrantors; and
- (vi) Mr. Lin, being one of the Warrantors.

As at the date of this announcement, Mr. Zhao and Mr. Lin, who legally and beneficially own 44.0% and 29.0% of the entire equity interest in Vendor A respectively, are directors of certain insignificant subsidiaries of the Company, and Mr. Qu, who is the sole legal and beneficial owner of Vendor B, is a supervisor 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 HK Vendors are parties independent from the Company and its connected persons as at the date of this announcement.

HK Acquisition Consideration

Pursuant to the HK Sale and Purchase Agreement, the maximum consideration payable by the HK Purchaser to the HK Vendors for the HK Acquisition shall be RMB236.38 million (equivalent to HK\$267.11 million), which comprises the Upfront Consideration and the Subsequent Consideration (if any).

Upfront Consideration

The total Upfront Consideration shall be RMB56.38 million (equivalent to HK\$63.71 million), among which, RMB42.28 million (equivalent to HK\$47.78 million) and RMB14.10 million (equivalent to HK\$15.93 million) shall be payable to Vendor A and Vendor B respectively.

The Upfront Consideration shall be fully settled by the issuance and allotment of a total of 4,118,255 Upfront Consideration Shares at the Upfront Consideration Share Price of HK\$15.47 each by the Company. Upon HK Acquisition Completion, 3,088,691 Upfront Consideration Shares and 1,029,564 Upfront Consideration Shares shall be issued and allotted to Vendor A and Vendor B respectively.

Subsequent Consideration

The Subsequent Consideration, with a maximum cap of RMB180.00 million (equivalent to HK\$203.40 million), will be payable to Vendor A only, subject to the fulfilment of the following conditions:

- (i) $(P_{19} + P_{20} + P_{21}) \geq \text{RMB}60.00$ million; and
- (ii) each of G_{19} , G_{20} and G_{21} equals or exceeds 30%.

If any of the conditions above is not met, the amount of the Subsequent Consideration shall be zero. If both conditions above are met, the Subsequent Consideration shall be determined as follows:

- (i) If $\text{RMB}60.00 \text{ million} \leq (P_{19} + P_{20} + P_{21}) < \text{RMB}100.00 \text{ million}$, then

$$\text{Subsequent Consideration} = [(P_{19} + P_{20} + P_{21})/3] \times 8 \times 30\%$$

- (ii) If $\text{RMB}100.00 \text{ million} \leq (P_{19} + P_{20} + P_{21}) < \text{RMB}130.00 \text{ million}$ then

$$\text{Subsequent Consideration} = [(P_{19} + P_{20} + P_{21})/3] \times 9 \times 30\%$$

- (iii) If $(P_{19} + P_{20} + P_{21}) \geq \text{RMB}130.00 \text{ million}$, then

$$\text{Subsequent Consideration} = [(P_{19} + P_{20} + P_{21})/3] \times 10 \times 30\%$$

Where (for all the calculation formulas above),

$G_{19} = [(R_{19} - R_{18})/R_{18}]$ or zero, whichever is higher;

$G_{20} = [(R_{20} - R_{19})/R_{19}]$ or zero, whichever is higher;

$G_{21} = [(R_{21} - R_{20})/R_{20}]$ or zero, whichever is higher;

R_{18} = the aggregate of the respective audited revenue of Nutriunion HK and Nutriunion GZ for the financial year ended 31 December 2018;

R_{19} = the aggregate of the respective audited revenue of Nutriunion HK and Nutriunion GZ for the financial year ending 31 December 2019;

R_{20} = the aggregate of the respective audited revenue of Nutriunion HK and Nutriunion GZ for the financial year ending 31 December 2020;

R_{21} = the aggregate of the respective audited revenue of Nutriunion HK and Nutriunion GZ for the financial year ending 31 December 2021;

P_{19} = the aggregate of the respective audited net profit before taxation of Nutriunion HK and Nutriunion GZ for the financial year ending 31 December 2019;

P_{20} = the aggregate of the respective audited net profit before taxation of Nutriunion HK and Nutriunion GZ for the financial year ending 31 December 2020;

P_{21} = the aggregate of the respective audited net profit before taxation of Nutriunion HK and Nutriunion GZ for the financial year ending 31 December 2021.

The Subsequent Consideration (if any) will be settled by cash or by the issuance and allotment of the Subsequent Consideration Shares at the Subsequent Consideration Share Price by the Company to Vendor A at the sole and absolute discretion of HK Purchaser. The Subsequent Consideration shall be payable to Vendor A on the Subsequent Consideration Date.

The HK Acquisition Consideration was determined after arm's length negotiations between the HK Purchaser and the HK Vendors with reference to among others, (i) the historical financial performance of Nutriunion HK; and (ii) the business development and prospects of Nutriunion HK in the medium to long term. The Directors consider that the HK Acquisition Consideration is fair and reasonable and the HK Acquisition is in the interests of the Company and the Shareholders as a whole.

Upfront Consideration Shares

Share price

The Upfront Consideration Share Price of HK\$15.47 per Upfront Consideration Share represents:

- (i) a discount of approximately 4.03% to the closing price of HK\$16.12 per Share as quoted on the Stock Exchange on 8 July 2019, being the date of the HK Sale and Purchase Agreement;
- (ii) a discount of approximately 4.55% to the average closing price of HK\$16.208 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to but excluding the date of the HK Sale and Purchase Agreement; and
- (iii) a discount of approximately 1.86% to the average closing price of HK\$15.763 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to but excluding the date of the HK Sale and Purchase Agreement.

The Upfront Consideration Share Price was determined after arm's length negotiations between the HK Purchaser and the HK Vendors with reference to the volume weighted average closing price per Share as quoted on the Stock Exchange for the last 25 consecutive trading days up to but excluding the date of the HK Sale and Purchase Agreement. The Directors consider that the Upfront Consideration Share Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Number of Consideration Shares

Assuming (i) the Subsequent Consideration, with a maximum cap of RMB180.00 million (equivalent to HK\$203.40 million), will be fully settled by the issuance and allotment of the Subsequent Consideration Shares; and (ii) the Subsequent Consideration Share Price will be the same as the Upfront Consideration Share Price, the number of Subsequent Consideration Shares will be 13,148,028 Shares. Accordingly, the maximum number of Consideration Shares will be 17,266,283 Shares.

As at the date of this announcement, the Company has 1,607,898,044 Shares in issue. The maximum number of 17,266,283 Consideration Shares represents:

- (i) approximately 1.07% of the total number of issued Shares as at the date of this announcement;
- (ii) approximately 1.06% of the total number of issued Shares as enlarged by the issuance and allotment of the Consideration Shares (assuming there will be no change in the total number of issued Shares between the date of the HK Sale and Purchase Agreement and the issuance and allotment of the Consideration Shares).

The aggregate nominal value of the maximum number of the Consideration Shares shall be HK\$1,726,628.30.

Lock-up undertakings

Pursuant to the HK Sale and Purchase Agreement, Vendor A undertakes to the HK Purchaser that it will not:

- (i) for a period of twelve (12) months (subject to any applicable Lock-up Extension (defined below)) from the HK Acquisition Completion Date (the “**Lock-up Period I**”), sell, give, transfer, distribute, assign or dispose of or otherwise Encumber any of the 3,088,691 Upfront Consideration Shares to be issued and allotted to it;
- (ii) for a period of twelve (12) months (subject to any applicable Lock-up Extension) from the date immediately after the expiry of the Lock-up Period I (the “**Lock-up Period II**”), sell, give, transfer, distribute, assign or dispose of or otherwise Encumber more than one-third of the 3,088,691 Upfront Consideration Shares to be issued and allotted to it; or
- (iii) for a period of twelve (12) months (subject to any applicable Lock-up Extension) from the date immediately after the expiry of the Lock-up Period II (the “**Lock-up Period III**”), sell, give, transfer, distribute, assign or dispose of or otherwise Encumber more than two-thirds of the 3,088,691 Upfront Consideration Shares to be issued and allotted to it,

unless prior written consent has been obtained from the HK Purchaser.

Further, pursuant to the HK Sale and Purchase Agreement, Vendor B undertakes to the HK Purchaser that it will not, for a period of twelve (12) months from the HK Acquisition Completion Date, sell, give, transfer, distribute, assign or dispose of or otherwise Encumber any of the 1,029,564 Upfront Consideration Shares to be issued and allotted to it, unless prior written consent has been obtained from the HK Purchaser.

As to the Subsequent Consideration Shares (if any), Vendor A further undertakes to the HK Purchaser that it will not:

- (i) for a period of twelve (12) months (subject to any applicable Lock-up Extension) from the Subsequent Consideration Date (the “**Lock-up Period IV**”), sell, give, transfer, distribute, assign or dispose of or otherwise Encumber any of the Subsequent Consideration Shares; or
- (ii) for a period of twelve (12) months (subject to any applicable Lock-up Extension) from the date immediately after the expiry of the Lock-up Period IV, sell, give, transfer, distribute, assign or dispose of or otherwise Encumber more than half of the Subsequent Consideration Shares,

unless prior written consent has been obtained from the HK Purchaser.

Extension of the Lock-up Periods

For any of the aforementioned lock-up periods, if for the last financial year the last day of which falls within that lock-up period, the relevant revenue growth rate of that financial year (i.e. G₁₉, G₂₀, G₂₁ as defined under the paragraph headed “Subsequent Consideration” above) is less than 30.0%, the HK Purchaser may extend the relevant lock-up period by twelve (12) months from its original expiry date (each a “**Lock-up Extension**”), provided that the Purchaser may exercise its extension rights no more than two (2) times in total for all lock-up periods.

Conditions precedent

The HK Acquisition Completion shall be conditional upon the fulfilment of the following conditions:

- (i) the representations, warranties and undertakings given by each of the HK Vendors and the Warrantors as set out in the HK Sale and Purchase Agreement remaining true, accurate and not misleading throughout the period from the date of the HK Sale and Purchase Agreement to the HK Acquisition Completion Date;
- (ii) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the HK Sale and Purchase Agreement and the transactions contemplated hereunder required to be obtained on the part of each of the HK Vendors and the Warrantors (where applicable) having been obtained;
- (iii) the board of directors of each of the HK Purchaser and the Company (other than, in the case of the Company, any Director required to abstain from voting under the articles of association of the Company) having passed necessary resolutions approving the entering into, execution, delivery and performance of the HK Sale and Purchase Agreement and the transactions contemplated hereunder;
- (iv) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the HK Sale and Purchase Agreement and the transactions contemplated hereunder required to be obtained on the part of each of the HK Purchaser and the Company having been obtained; and
- (v) the Company having obtained an approval from the Stock Exchange for the listing of and permission to deal in the Consideration Shares and such listing and permission not being subsequently revoked prior to the issuance and allotment of the Upfront Consideration Shares.

Condition precedent (i) as set out above may be waived in writing by the HK Purchaser at its sole and absolute discretion. Save as aforesaid, none of the conditions precedent above is waivable. If any of the conditions precedent set out above are not fulfilled or waived at or before 5:00 p.m. (Hong Kong time) on the HK Long Stop Date, the HK Sale and Purchase Agreement shall lapse.

As at the date of this announcement, condition precedent (iii) has been fulfilled.

Completion

Upon HK Acquisition Completion, the HK Target Companies will be wholly-owned by the HK Purchaser and become indirect wholly-owned subsidiaries of the Company. Their financial results, assets and liabilities will be consolidated into the consolidated financial statement of the Company. As such, Nutriunion HK will in turn become wholly-owned by the HK Purchaser, and thereby become an indirect wholly-owned subsidiary of the Company. Its financial results, assets and liabilities will continue to be consolidated into the consolidated financial statement of the Company.

THE GZ ACQUISITION

GZ Sale and Purchase Agreement

The Board is pleased to announce that on 8 July 2019 (after trading hours), the GZ Purchaser and the GZ Vendors entered into the GZ Sale and Purchase Agreement, pursuant to which the GZ Purchaser has conditionally agreed to acquire and the GZ Vendors have conditionally agreed to sell the 40.0% equity interest in Nutriunion GZ, a company which is engaged in marketing and distribution of nutrition products in the PRC, at the GZ Acquisition Consideration of RMB6.82 million (equivalent to HK\$7.71 million), which shall be settled by cash within ten (10) Business Days after the GZ Acquisition Completion.

The principal terms of the GZ Sale and Purchase Agreement are set out below:

- Date : 8 July 2019 (after trading hours)
- Parties : (i) Hunan Aolian Hemei Food Co. Ltd.* (湖南澳聯和美食品有限公司), being the GZ Purchaser;
- (ii) Mr. Zhao, being one of the GZ Vendors;
- (iii) Mr. Qu, being one of the GZ Vendors; and
- (iv) Mr. Lin, being one of the GZ Vendors

As at the date of this announcement, the Mr. Zhao and Mr. Lin are directors of certain insignificant subsidiaries of the Company. Mr. Qu is the supervisor 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 GZ Vendors are parties independent from the Company and its connected persons as at the date of this announcement.

The registered capital of Nutriunion GZ is RMB50.00 million. As at the date of this announcement, the paid-up capital of Nutriunion GZ is RMB35.00 million. Pursuant to the GZ Sale and Purchase Agreement, the GZ Acquisition Completion is conditional upon the settlement of the unpaid capital of Nutriunion GZ.

GZ Acquisition Consideration

Pursuant to the GZ Sale and Purchase Agreement, the consideration for the GZ Acquisition shall be RMB6.82 million (equivalent to HK\$7.71 million). The GZ Acquisition Consideration shall be settled in cash within ten (10) Business Days after the GZ Acquisition Completion.

The GZ Acquisition Consideration is determined after arm's length negotiations between the GZ Purchaser and the GZ Vendors with reference to, among others, (i) the historical financial performance of Nutriunion GZ; (ii) the net asset value of Nutriunion GZ; (iii) the business development, in particular the ecommerce platform that Nutriunion GZ has established; and (iv) prospects of Nutriunion GZ in the medium to long term. The Directors consider that the GZ Acquisition Consideration is fair and reasonable and the GZ Acquisition is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The GZ Acquisition Completion shall be conditional upon the fulfilment of the following conditions:

- (i) Nutriunion GZ having passed the shareholders' resolution(s) approving the GZ Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the Company having obtained all necessary approvals from the Stock Exchange for the GZ Acquisition (if applicable);
- (iii) the GZ Purchaser having passed the shareholders' resolution(s) or the board's resolution(s) approving the GZ Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (iv) the GZ Vendors having settled the unpaid capital within 90 days from the date of the GZ Sale and Purchase Agreement.

As at the date of this announcement, conditions precedent (i) and (iii) have been fulfilled.

Completion

Upon GZ Acquisition Completion and the Deed of Trust becoming effective, Nutriunion GZ will be beneficially wholly-owned by Ausnutria China (through the GZ Trustee and the GZ Purchaser) and become an indirect wholly-owned subsidiary of the Company. Its financial results, assets and liabilities will continue to be consolidated into the consolidated financial statement of the Company.

Deed of Trust

As at the date of this announcement, 60.0% equity interest of Nutriunion GZ is beneficially owned by Ausnutria China (a wholly-owned subsidiary of the Company) and legally owned by the GZ Trustee. The remaining 40.0% equity interest is beneficially and legally owned by the GZ Vendors.

The Board is pleased to announced that on 8 July 2019 (after trading hours), Ausnutria China (being an indirect wholly-owned subsidiary of the Company) and the GZ Purchaser entered into the Deed of Trust, pursuant to which Ausnutria China, as the trustor, appointed the GZ Purchaser, as the trustee, to acquire the remaining 40.0% equity interest of Nutriunion GZ in accordance with the GZ Sale and Purchase Agreement.

Pursuant to the Deed of Trust, Ausnutria China will transfer the GZ Acquisition Consideration to the GZ Purchaser for the sole purpose of the GZ Acquisition and Ausnutria China shall have all of the rights, powers and discretions as a shareholder of Nutiunion GZ. Upon the GZ Acquisition Completion, 40.0% equity interest of Nutriunion GZ will be held on trust by the GZ Purchaser for the benefit and on behalf of Ausnutria China, at nil consideration.

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, the Group has made its “Golden Decade” strategy to further strengthen its position for infant formula, and has been expanding its marketing and distribution network in the dairy industry as well as in the nutrition business sector in recent years.

Both Nutriunion HK and Nutriunion GZ were established in 2016 to be a marketing and sales platform for nutrition products. The financial results of the Nutrition Group has been consolidated into the consolidated financial statements of the Company since the year ended 31 December 2016. Since then, the Nutriunion Group has provided the Group with continuous satisfactory contributions. The management of the Company is of the view that the Nutriunion Group will continue to grow steadily based on (i) the rapid growth in the nutrition product market in and outside the PRC; (ii) the proven track record of the Nutriunion Group; and (iii) the extensive experience of the management team of the Nutriunion Group in the nutrition business sector.

As such, the management of the Company considers the Acquisitions will (i) enable the Group to obtain full control in the Nutriunion Group for better allocation of internal resources of the Group; (ii) avoid conflict of interest and hence facilitate the operations of the Nutriunion Group as the interest of the management team of the Nutriunion Group will then be aligned with the interest of the Company; (iii) provide a good incentive scheme to the management team of the Nutriunion Group, as a large part of the Consideration for the Acquisitions is linked to the performance of the Nutriunion Group and deferred to 2022; and (iv) strengthen the Group’s position for the long term growth and development in the nutrition business which is one of the major long term vision of the Company. Benefited from the Acquisitions, the interests of the Nutriunion Group and the Group will be integrated and hence create better synergy with the Group as a whole, and hence improve the operational efficiency.

Having considered the above reasons, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the HK Sale and Purchase Agreement and the GZ Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

For illustrative purpose only, the following table sets out the effect of the issuance of the Consideration Shares on the shareholding structure of the Company based on the total number of issued Shares as at the date of this announcement and assuming (i) the HK Acquisition Completion and the GZ Acquisition Completion having taken place; (ii) the Upfront Consideration Shares having been issued and allotted; and (iii) the Subsequent Consideration, with a maximum cap of RMB180.00 million, will be fully settled by the issuance and allotment of the Subsequent Consideration Shares at the Upfront Consideration Share Price, without taking into account any other new Shares, if any, after the date of this announcement and prior to the Subsequent Consideration Date.

	As at the date of this announcement		Immediately upon issuance and allotment of the Upfront Consideration Shares		Immediately upon the issuance and allotment of maximum number of Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Vendor A	–	–	3,088,691	0.2	16,236,719	1.0
Vendor B	–	–	1,029,564	0.1	1,029,564	0.1
Citagri Easter Limited	379,000,000	23.6	379,000,000	23.5	379,000,000	23.3
Center Laboratories, Inc. ^(Note 1)	375,931,772	23.4	375,931,772	23.3	375,931,772	23.1
Mr. Yan Weibin ^(Note 2)	119,739,085	7.4	119,739,085	7.4	119,739,085	7.4
Mr. Bartle van der Meer ^(Note 3)	125,405,230	7.8	125,405,230	7.8	125,405,230	7.7
Public Shareholders	607,821,957	37.8	607,821,957	37.7	607,821,957	37.4
	<u>1,607,898,044</u>	<u>100.0</u>	<u>1,612,016,299</u>	<u>100.0</u>	<u>1,625,164,327</u>	<u>100.0</u>

Notes:

- As at the date of this announcement, Center Laboratories Inc. beneficially owns 327,940,089 Shares. BioEngine Capital Inc., which holds 47,991,683 Shares, is a non-wholly-owned subsidiary of Center Laboratories Inc.. Accordingly, Center Laboratories Inc. is deemed to be interested in a total of 375,931,772 Shares under the SFO.
- As at the date of this announcement, Mr. Yan Weibin beneficially owns 1,200,000 Shares. Ausnutria Holding Co. Ltd., which holds 118,539,085 Shares, is wholly-owned by Mr. Yan Weibin. Accordingly, Mr. Yan Weibin is deemed to be interested in 119,739,085 Shares under the SFO.
- As at the date of this announcement, Mr. Bartle van der Meer beneficially owns 1,200,000 Shares. Dutch Dairy Investments HK Limited, which holds 124,205,230 Shares, is wholly-owned by Dutch Dairy Investments B.V.. Dutch Dairy Investments B.V. is wholly-owned 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 125,405,230 Shares under the SFO.

INFORMATION OF THE GROUP, THE PURCHASERS 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 HK Purchaser

Superior Winner Investment Limited is a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The GZ Purchaser

Hunan Aolian Hemei Food Co. Ltd.* (湖南澳聯和美食品有限公司) is a company established in the PRC with limited liability and wholly-owned by two individuals, who are independent from the Company and its connected persons.

Vendor A

Ultimate Billion Enterprises Limited is a company incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, Vendor A is owned by Mr. Zhao, Mr. Lin and Other Owners as to 44.0%, 29.0% and 27.0% respectively.

Vendor B

Smart Vision Asia Corporation is a company incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, Vendor B is wholly-owned by Mr. Qu.

The GZ Vendors

Mr. Zhao is a director of each of Nutriunion HK and Nutriunion GZ. As at the date of this announcement, Mr. Zhao owns Vendor A as to 44.0% (and in turn owns Nutriunion HK as to 13.2%) and Nutriunion GZ as to 18.5%. Mr. Zhao graduated from Hunan Chinese Medicine College* (湖南中醫學院) with a bachelor of Chinese medicine in 1991 and also studied the Executive Master of Business Administration programme of South China University of Technology in 2009. Mr. Zhao joined the Group in 2016 as vice president of the Group in the PRC region, general manager of Nutriunion GZ. He has extensive experience in sales and marketing and worked at Biostime Inc. (Guangzhou)* (廣州市合生元生物製品有限公司) during the period between 2004 and 2016 before joining the Group.

Mr. Qu is a supervisor of Nutriunion GZ. As at the date of this announcement, Mr. Qu owns Vendor B as to 100.0% (and in turn owns Nutriunion HK as to 10.0%) and Nutriunion GZ as to 10.0%. Mr. Qu has completed the Vehicle Application Engineering Program of Changsha Communication University, and graduated from Sun Yat-sen University in 2003 with an EMBA degree. During 1995 to 2003, he worked in Guangdong BBK Electronics Industry Co., Ltd. (廣東步步高電子工業有限公司), Guangdong Nintaus Electronics Co., Ltd. (廣東金正電子有限公司) and Shenzhen Gionee Communications Equipment Co., Ltd. (深圳金立通訊設備有限公司) as Director of Manufacturing and Vice President. From 2004 to date, he has been engaging in the research, development and application of infant health and nutrition, and has gained extensive experience in infant health and nutrition.

Mr. Lin is a director of each of Nutriunion HK and Nutriunion GZ. As at the date of this announcement, Mr. Lin owns Vendor A as to 29.0% (and in turn owns Nutriunion HK as to 8.7%) and Nutriunion GZ as to 11.5%. Mr. Lin graduated from the Chengdu University of Information Technology with a bachelor's degree in Electronic Science and Technology in 2004, and graduated from the University of Electronic Science and Technology of China with a master degree in Opto-Electronic Engineering in 2007. Mr. Lin joined the Group in 2016 as the Chief Operation Officer of Nutriunion GZ. He has extensive experience in internet technology and operation. Prior to joining the Group, he worked for Biostime, Inc. (Guangzhou)* (廣州市合生元生物製品有限公司) from 2013 to 2016, and worked for the China Mobile (Guangdong) Internet Base* (中國移動廣東互聯網基地) from 2010 to 2013.

INFORMATION OF THE NUTRIUNION GROUP AND THE HK TARGET COMPANIES

Nutriunion HK

Nutriunion HK, being an indirect non-wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability in 2016 and is beneficially owned as to 60.0%, 30.0% and 10.0% by the HK Purchaser, HK Target Company A and HK Target Company B respectively as at the date of this announcement. Nutriunion HK was established to facilitate the “cross border trade” for the marketing and distribution of the nutrition products under “NC” and “Nutrition Care” brands with market principally located in the PRC and Hong Kong.

Financial information of Nutriunion HK and its subsidiary

Set out below is the summary of the key financial information of Nutriunion HK:

	Period from 23 May 2016 (date of incorporation) to 31 December 2017 <i>HK\$ million</i> (audited)	Year ended 31 December 2018 <i>HK\$ million</i> (audited)
Revenue	39.33	51.53
Net profit before taxation	6.03	11.93
Net profit after taxation	5.04	9.96
		As at 31 December 2018 <i>HK\$ million</i> (audited)
Net assets		15.00

Set out below is the summary of the key financial information of Nutriunion Australia Pty Ltd, being a wholly-owned subsidiary of Nutriunion HK:

	Period from 27 March 2017 (date of incorporation) to 31 December 2017 AUD'000 (unaudited)	Year ended 31 December 2018 AUD'000 (unaudited)
Revenue	–	5,772.75
Net profit before taxation	0.23	201.15
Net profit after taxation	0.23	138.21
		As at 31 December 2018 AUD'000 (unaudited)
Net assets		138.98

Nutriunion GZ

Nutriunion GZ, being an indirect non-wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability in 2016 and is principally engaged in marketing and distribution of nutrition products in the PRC.

As at the date of this announcement, it is beneficially owned as to 60.0%, 18.5%, 10.0% and 11.5% by the Ausnutria China (through the GZ Trustee), Mr. Zhao, Mr. Qu and Mr. Lin respectively.

Financial information of Nutriunion GZ

Set out below is the summary of the key financial information of Nutriunion GZ:

	Year ended 31 December 2017	Year ended 31 December 2018
	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)
Revenue	2.84	22.67
Net loss before taxation	(7.37)	(12.81)
Net loss after taxation	(7.37)	(12.81)

	As at 31 December 2018
	<i>RMB million</i> (audited)
Net assets	9.14

HK Target Companies

HK Target Company A is a company set up by Vendor A and incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. HK Target Company A is wholly-owned by Vendor A and Vendor A in turn holds 30.0% of the issued shares of Nutriunion HK through HK Target Company A as at the date of this announcement.

HK Target Company B is a company set up by Vendor B and incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. HK Target Company B is wholly-owned by Vendor B and Vendor B in turn holds 10.0% of the issued shares of Nutriunion HK through HK Target Company B as at the date of this announcement.

MANDATE TO ISSUE THE CONSIDERATION SHARES AND APPLICATION FOR LISTING

The Consideration Shares, which will not exceed 17,266,283 Shares, will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 319,116,408 Shares. As the date of this announcement, no Share has been issued under the General Mandate. Accordingly, the issuance of the Consideration Shares is not subject to the approval of the Shareholders.

The Consideration Shares, when allotted, issued and credited as fully paid, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of issuance and allotment of the Consideration Shares save as regards any right to (i) dividend which may be declared or paid by the Company; or (ii) any other form of shareholder's rights or benefits against the Company, in either case by reference to a record date which is prior to the date of issuance and allotment.

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 Acquisitions shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Upon aggregation, as all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisitions are less than 5.0% and part of the considerations of the Acquisitions will be satisfied by the issuance and allotment of the Consideration Shares, the Acquisitions constitute a share transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Both Nutriunion HK and Nutriunion GZ are insignificant subsidiaries of the Company by virtue of Rule 14A.09 of the Listing Rules. Therefore, notwithstanding Mr. Zhao, Mr. Lin and Mr. Qu's directorships and supervisorship in the Nutriunion Group, and their interests in the HK Vendors, they and their associates are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

Completions of the Acquisitions is conditional upon the fulfilment of the conditions set out under the paragraphs headed "The HK Acquisition – Conditions precedent" and "The GZ Acquisition – Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisitions may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisitions”	collectively, the HK Acquisition and the GZ Acquisition
“Ausnutria China”	Ausnutria Dairy (China) Co., Ltd., a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Board”	the board of Directors
“Business Days”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“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
“Consideration Shares”	collectively, the Upfront Consideration Shares and the Subsequent Consideration Shares (if any)
“Deed of Trust”	the deed of trust dated 8 July 2019 entered into between Ausnutria China and the GZ Purchaser in respect of the trust arrangement of 40.0% equity interest in Nutriunion GZ

“Director(s)”	director(s) of the Company
“Encumber”	to create or grant any Encumbrance
“Encumbrance”	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
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 14 May 2019 to allot, issue and deal with up to 20.0% of the then issued share capital of the Company as at the date of the annual general meeting
“Group”	the Company and its subsidiaries
“GZ Acquisition”	the proposed acquisition of 40.0% of the equity interest in Nutriunion GZ by the GZ Purchaser from the GZ Vendors collectively pursuant to the terms and conditions of the GZ Sale and Purchase Agreement
“GZ Acquisition Completion”	completion of the GZ Acquisition in accordance with the terms of the GZ Sale and Purchase Agreement
“GZ Acquisition Consideration”	the total consideration of RMB6.82 million payable by the GZ Purchaser to the GZ Vendors for the GZ Acquisition
“GZ Purchaser”	Hunan Aolian Hemei Food Co. Ltd.* (湖南澳聯和美食品有限公司), a company established in the PRC with limited liability
“GZ Sale and Purchase Agreement”	the sale and purchase agreement date 8 July 2019 entered into between the GZ Purchaser and the GZ Vendors in respect of the GZ Acquisition
“GZ Trustee”	Mr. Yan Weibin, being the Chairman of the Board and the legal owner of the 60.0% equity interest in Nutriunion GZ as at the date of this announcement
“GZ Vendors”	collectively, Mr. Lin, Mr. Qu and Mr. Zhao
“HK Acquisition”	the proposed acquisitions of the entire equity interest in each of HK Target Company A and HK Target Company B by the HK Purchaser from Vendor A and Vendor B respectively pursuant to the terms and conditions of the HK Sale and Purchase Agreement
“HK Acquisition Completion”	completion of the HK Acquisition in accordance with the terms of the HK Sale and Purchase Agreement

“HK Acquisition Completion Date”	the third (3rd) Business Days after the last outstanding condition (other than the conditions which can only be fulfilled upon HK Acquisition Completion) shall have been fulfilled or waived (or such other date agreed by the HK Purchaser and the HK Vendors in writing)
“HK Acquisition Consideration”	collectively, the Upfront Consideration and the Subsequent Consideration (if any), which in aggregate shall not exceed RMB236.4 million
“HK Long Stop Date”	31 October 2019, or such other date as may be agreed by the HK Purchaser and the HK Vendors in writing
“HK Purchaser”	Superior Winner Investment Limited, a company incorporated under the laws of the BVI with limited liability and an indirect wholly-owned subsidiary of the Company and owns 60.0% equity interest in Nutriunion HK as at the date of this announcement
“HK Sale and Purchase Agreement”	the sale and purchase agreement dated 8 July 2019 entered into between the HK Purchaser, the HK Vendors and the Company in respect of the HK Acquisition
“HK Target Company A”	Marvel Champion Asia Limited, a company incorporated under the laws of the BVI with limited liability, which is wholly-owned by Vendor A and holds 30.0% of the issued shares of Nutriunion HK as at the date of this announcement
“HK Target Company B”	Prime Marvel Holdings Limited, a company incorporated under the laws of the BVI with limited liability, which is wholly-owned by Vendor B and holds 10.0% of the issued shares of Nutriunion HK as at the date of this announcement
“HK Target Companies”	collectively, HK Target Company A and HK Target Company B
“HK Vendors”	collectively, Vendor A and Vendor B
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. Lin Wei, who beneficially owns 29.0% equity interest in Vendor A and 11.5% equity interest in GZ as at the date of this announcement
“Mr. Qu”	Mr. Qu Yunlai, who beneficially owns 100.0% equity interest in Vendor B and 10.0% equity interest in Nutriunion GZ as at the date of this announcement
“Mr. Zhao”	Mr. Zhao Li, who beneficially owns 44.0% equity interest in Vendor A and 18.5% equity interest in Nutriunion GZ as at the date of this announcement
“Nutriunion Group”	collectively, Nutriunion GZ and Nutriunion HK

“Nutriunion GZ”	Nutriunion (Guangzhou) Interconnection Technology Co. Ltd* (廣州雲養邦互聯科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company, which is owned as to 60.0% and 40.0% by Ausnutria China (through the GZ Trustee) and the GZ Vendors respectively as at the date of this announcement
“Nutriunion HK”	Nutriunion (Hong Kong) Company Limited (雲養邦(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect non-wholly-owned subsidiary of the Company, which is beneficially owned as to 60.0%, 30.0% and 10.0% by the HK Purchaser, HK Target Company A and HK Target Company B respectively as at the date of this announcement
“Other Owners”	a total of three (3) individuals who are employees of Nutriunion GZ and beneficially own a total of 27.0% equity interest in Vendor A as at the date of this announcement
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Consideration”	the consideration payable by the HK Purchaser to Vendor A to adjust the HK Acquisition Consideration, with a maximum cap of RMB180.00 million
“Subsequent Consideration Date”	the date falling twenty (20) Business Days immediately after the date of publication of the Company’s annual report for the year ending 31 December 2021
“Subsequent Consideration Shares”	the new Shares to be issued by the Company to Vendor A for the settlement of the Subsequent Consideration (if any) pursuant to the HK Sale and Purchase Agreement
“Subsequent Consideration Share Price”	the higher of (i) the trading volume-weighted average closing price per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately preceding the date of publication of the Company’s annual report for the financial year ending 31 December 2021; and (ii) the Upfront Consideration Share Price
“Upfront Consideration”	the total initial consideration of RMB56.38 million (equivalent to HK\$63.71 million) payable by the HK Purchaser to the HK Vendors for the respective entire equity interest in the HK Target Companies

“Upfront Consideration Shares”	the new Shares to be issued by the Company to the HK Vendors for the settlement of the Upfront Consideration pursuant to the HK Sale and Purchase Agreement
“Upfront Consideration Share Price”	HK\$15.47 per Upfront Consideration Share
“Vendor A”	Ultimate Billion Enterprises Limited, a company incorporated under the laws of the BVI with limited liability, which is owned as to 44.0%, 29.0% and 27.0% by Mr. Zhao, Mr. Lin and Other Owners respectively as at the date of this announcement
“Vendor B”	Smart Vision Asia Corporation, a company incorporated under the laws of the BVI with limited liability and wholly-owned by Mr. Qu as at the date of this announcement
“Warrantors”	collectively, Mr. Zhao and Mr. Lin
“AUD”	Australian dollar, 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

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

Changsha City, the PRC, 8 July 2019

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; three non-executive Directors, namely Mr. Shi Liang (Vice-Chairman), Mr. Qiao Baijun and Mr. Tsai Chang-Hai; and three independent non-executive Directors, namely Mr. Jason Wan, Mr. Lau Chun Fai Douglas and Mr. Aidan Maurice Coleman.

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.13. Such conversion should not be construed as a representation that the currency could actually be converted at that rate.

* *for identification purpose only*