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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 AND CONNECTED TRANSACTION REGARDING THE HBC ACQUISITION; AND AMENDMENTS OF TERMS OF DISCLOSEABLE AND CONNECTED TRANSACTION REGARDING THE HNC ACQUISITION

THE HBC ACQUISITION

The Board is pleased to announce that on 9 April 2020 (after trading hours), the HBC Purchaser, being a wholly-owned subsidiary of the Company, the HBC Vendors and the Company entered into the HBC Sale and Purchase Agreement in relation to the HBC Acquisition, pursuant to which the HBC Purchaser has conditionally agreed to acquire and the HBC Vendors have conditionally agreed to sell the HBC Sale Shares, representing 15.0% of all the issued shares of HBHK, at the HBC Consideration of HK\$896.0 million by way of issuance and allotment of 70,000,000 HBC Consideration Shares at the HBC Consideration Share Price of HK\$12.8 each by the Company to the HBC Vendors. The HBC Consideration is subject to a downward adjustment by the HBC Call Option which can be exercised by the HBC Purchaser in its absolute discretion in accordance with the terms of the HBC Sale and Purchase Agreement.

Upon HBC Completion, HBHK and HBC (both being the Company's indirect non-wholly-owned subsidiaries) will become indirect wholly-owned subsidiaries of the Company.

THE HNC AMENDMENTS

The Board is pleased to announce that on 9 April 2020 (after trading hours), the HNC Purchaser, the HNC Vendors and the Company entered into the HNC Supplemental Deed, pursuant to which the parties have conditionally agreed to amend certain terms regarding, among others, the settlement of the HNC Subsequent Consideration, in the HNC Sale and Purchase Agreement.

IMPLICATIONS UNDER THE LISTING RULES

The HBC Acquisition

As all of the applicable percentage ratios (as defined in Rule 14.07) in respect of the HBC Acquisition are less than 5.0%, the HBC Acquisition constitutes a share transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 13.36(1), the HBC Consideration Shares will be issued under the HBC Specific Mandate subject to the approval of the HBC Independent Shareholders.

As at the date of this announcement, HBC Vendor A is a director of HBHK and HBC, and hence is a connected person of the Company by virtue of Rule 14A.07(1). Accordingly, the HBC Acquisition constitutes a connected transaction for the Company and is also subject to the HBC Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The HBC Vendors and their associates, who are interested in the HBC Acquisition and hold 1,643,000 Shares in aggregate as at the date of this announcement (representing approximately 0.1% of the total issued share capital of the Company), shall abstain from voting on the proposed resolution(s) to approve the HBC Acquisition at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the date of this announcement, no other Shareholders has any material interest in the HBC Acquisition and is required to abstain from voting on the proposed resolution(s) to approve the HBC Acquisition at the EGM.

The HNC Amendments

As at the date of this announcement, the sole owners of HNC Vendor A and HNC Vendor C are a director of HNC and a chief executive of the Company, respectively, and hence are considered to be connected persons of the Company by virtue of Rule 14A.07(1).

The HNC Acquisition constituted a discloseable and connected transaction for the Company under Chapter 14A of the Listing Rules and the relevant resolutions were approved by the HNC Independent Shareholders in the 2018 EGM. Given the HNC Amendments are considered as material changes in substance and give rise to a new transaction, the Company is required to re-comply with the HNC Independent Shareholders' approval requirement for the revised terms and conditions of the HNC Acquisition under Chapter 14A of the Listing Rules.

The HNC Vendors and their associates are interested in the HNC Amendments and hold 52,553,791 Shares in aggregate as at the date of this announcement (representing approximately 3.3% of the total issued share capital of the Company) and shall abstain from voting on the proposed resolution(s) to approve the HNC Amendments at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the date of this announcement, no other Shareholders has any material interest in the HNC Amendments and is required to abstain from voting on the proposed resolution(s) to approve the HNC Amendments at the EGM.

GENERAL

An EGM will be convened and held for, among other things, the HBC Independent Shareholders and the HNC Independent Shareholders (as the case may be) to consider and, if thought fit, to approve, among other things, (i) the HBC Sale and Purchase Agreement and the transactions contemplated thereunder and the granting of the HBC Specific Mandate to issue and allot the HBC Consideration Shares; and (ii) the HNC Supplemental Deed and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise (i) the HBC Independent Shareholders on the terms of the HBC Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the HNC Independent Shareholders on the terms of the HNC Supplemental Deed and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee, the HBC Independent Shareholders and the HNC Independent Shareholders in these regards.

A circular containing, among other things, (i) further details of the HBC Acquisition and the HNC Amendments; (ii) the recommendations of the Independent Board Committee in relation to the HBC Acquisition and the HNC Amendments; (iii) a letter of advice from the independent financial adviser in relation to the HBC Acquisition and the HNC Amendments; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, the circular is expected to be despatched by the Company to the Shareholders no later than 29 May 2020.

Completions of the HBC Acquisition and the HNC Amendments are conditional upon the fulfilment of the conditions set out in the paragraphs headed “(I) The HBC Acquisition – Conditions precedent” and “(II) The HNC Amendments – Conditions precedent” in this announcement, which may or may not be fulfilled. Accordingly, the HBC Acquisition and the HNC Amendments 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.

(I) THE HBC ACQUISITION

The Board is pleased to announce that on 9 April 2020 (after trading hours), the HBC Purchaser, being a wholly-owned subsidiary of the Company, the HBC Vendors and the Company entered into the HBC Sale and Purchase Agreement in relation to the HBC Acquisition, pursuant to which the HBC Purchaser has conditionally agreed to acquire and the HBC Vendors have conditionally agreed to sell the HBC Sale Shares, representing 15.0% of all the issued shares of HBHK, at the HBC Consideration of HK\$896.0 million by way of issuance and allotment of 70,000,000 HBC Consideration Shares at the HBC Consideration Share Price of HK\$12.8 each by the Company to the HBC Vendors. The HBC Consideration is subject to a downward adjustment by the HBC Call Option which can be exercised by the HBC Purchaser in its absolute discretion in accordance with the terms of the HBC Sale and Purchase Agreement.

As at the date of this announcement, the HBC Purchaser, HBC Vendor A and HBC Vendor B hold 85.0%, 12.0% and 3.0% equity interest in HBHK respectively.

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

- Date : 9 April 2020 (after trading hours)
- Parties : (i) Ausnutria Dairy Company Limited, being the HBC Purchaser;
- (ii) Mr. Liu Yubiao, being HBC Vendor A;
- (iii) Mr. Liu Guangchu, being HBC Vendor B; and
- (iv) the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, while HBC Vendor A is considered a connected person of the Company, HBC Vendor B and the HBC Employees, being employees of the Company, are parties independent of the Company and its connected persons.

HBC Consideration

Pursuant to the HBC Sale and Purchase Agreement, the consideration payable by the HBC Purchaser to the HBC Vendors for the HBC Acquisition shall be the HBC Consideration of HK\$896.0 million.

Upon HBC Completion, the HBC Consideration will be fully settled by the issuance and allotment of the HBC Consideration Shares at the HBC Consideration Share Price by the Company to the HBC Vendors (or their respective nominees, provided that such nominees are the HBC Employees or companies owned by the HBC Employees) in proportion to their respective equity interest in HBHK (i.e. 56,000,000 Shares and 14,000,000 Shares to HBC Vendor A and HBC Vendor B, respectively) at the HBC Completion.

The HBC Consideration was determined after arm’s length negotiations between the HBC Purchaser and the HBC Vendors with reference to among others, (i) the historical financial performance of the Hyproca 1897 BU (including the HBC Group), details of which are set out in the paragraph headed “Information of the Group, the HBC Purchaser, the HBC Vendors, the HBC Group and the Hyproca 1897 BU” below in this section; and (ii) the business development and prospects of the Hyproca 1897 BU (including the HBC Group), details of which are set out in the paragraphs headed “Reasons for and benefits of the HBC Acquisition” below in this section. The Directors (excluding the independent non-executive Directors, whose view will be included in the circular to be despatched to the Shareholders) are of the view that the HBC Consideration is fair and reasonable and the HBC Acquisition is in the interest of the Company and the Shareholders as a whole.

Granting of the HBC Call Option

Pursuant to the HBC Sale and Purchase Agreement, the HBC Purchaser is granted the HBC Call Option which will be exercisable after the date of publication of the Company’s annual report for the financial year ending 31 December 2022. Under the HBC Call Option, the HBC Purchaser is entitled to require the HBC Vendors to sell part of the HBC Consideration Shares (up to 20,000,000 HBC Consideration Shares) at nil consideration to the HBC Purchaser or its nominee(s) in the event the HBC Average Growth Rate falls below 30.0%. Actual number of HBC Consideration Shares to be bought back, if any, by the HBC Purchaser under the HBC Call Option shall be determined based on the HBC Average Growth Rate.

The HBC Average Growth Rate shall be calculated in accordance with the following formula:

$\text{HBC Average Growth Rate} = \frac{\{(P_{2020} - P_{2019}) \div P_{2019} + (P_{2021} - P_{2020}) \div P_{2020} + (P_{2022} - P_{2021}) \div P_{2021}\} \times 100\% \div 3}$

Where (for all the calculation formulae above),

- P₂₀₁₉ = the net profit after taxation of Hyproca 1897 BU for the year ended 31 December 2019;
- P₂₀₂₀ = the net profit after taxation of Hyproca 1897 BU for the year ending 31 December 2020;
- P₂₀₂₁ = the net profit after taxation of Hyproca 1897 BU for the year ending 31 December 2021;
and
- P₂₀₂₂ = the net profit after taxation of Hyproca 1897 BU for the year ending 31 December 2022.

The number of the HBC Consideration Shares that are to be bought back by the HBC Purchaser under the HBC Call Option shall in turn be determined as follows:

- (i) If the HBC Average Growth Rate is 20.0% or less, the HBC Purchaser shall have the right to exercise the HBC Call Option to require the HBC Vendors to sell 20,000,000 HBC Consideration Shares to the HBC Purchaser at nil consideration;

- (ii) If the HBC Average Growth Rate is more than 20.0% but less than 30.0%, the HBC Purchaser shall have the right to exercise the HBC Call Option to require the HBC Vendors to sell 10,000,000 HBC Consideration Shares to the HBC Purchaser at nil consideration; and
- (iii) If the HBC Average Growth Rate is 30.0% or above, no HBC Call Option will be exercised by the HBC Purchaser.

Any Shares acquired by the HBC Purchaser or its nominee(s) pursuant to the HBC Call Option shall be dealt with at the sole discretion of the HBC Purchaser or the Company, including the possible cancellation or the disposal by way of share placement.

HBC Consideration Shares

Number of Shares

As at the date of this announcement, the Company has 1,610,960,299 Shares in issue. The number of 70,000,000 HBC Consideration Shares represents:

- (i) approximately 4.3% of the total number of issued Shares of the Company as at the date of this announcement; and
- (ii) approximately 4.2% of the total number of issued Shares of the Company as enlarged by the issuance and allotment of the HBC Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of the HBC Sale and Purchase Agreement and the issuance and allotment of the HBC Consideration Shares).

The number of Shares to be issued and allotted to HBC Vendor A and HBC Vendor B for the HBC Acquisition are 56,000,000 Shares and 14,000,000 Shares respectively.

Share price

The HBC Consideration Share Price of HK\$12.80 per HBC Consideration Share represents:

- (i) a premium of approximately 0.2% to the closing price of HK\$12.78 per Share as quoted on the Stock Exchange on 9 April 2020, being the Last Trading Day;
- (ii) a premium of approximately 4.5% to the average closing price of approximately HK\$12.25 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 6.1% to the average closing price of approximately HK\$12.06 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The HBC Consideration Share Price was determined after arm's length negotiations between the HBC Purchaser and the HBC Vendors with reference to the current market price of the Share. The Directors (excluding the independent non-executive Directors, whose view will be included in the circular to be despatched to the Shareholders) consider that the HBC Consideration Share Price is fair and reasonable and on normal commercial terms.

Lock-up undertakings

Pursuant to the HBC Sale and Purchase Agreement, each of the HBC Vendors undertakes to the HBC Purchaser that he will not and will procure that his nominees will not:

- (i) in respect of 20.0% of the HBC Consideration Shares, for a period of 12 months from the issuance and allotment of the HBC Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such HBC Consideration Shares;
- (ii) in respect of another 20.0% of the HBC Consideration Shares, for a period of 24 months from the issuance and allotment of the HBC Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such HBC Consideration Shares;
- (iii) in respect of the other 30.0% of the HBC Consideration Shares, for a period of 36 months from the issuance and allotment of the HBC Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such HBC Consideration Shares; and
- (iv) in respect of the remaining 30.0% of the HBC Consideration Shares, for a period of 48 months from the issuance and allotment of the HBC Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such HBC Consideration Shares,

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

Conditions precedent

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

- (i) the representations, warranties and undertakings given by each of the HBC Vendors as set out in the HBC Sale and Purchase Agreement remaining true, accurate and not misleading throughout the period from the date of the HBC Sale and Purchase Agreement to the HBC Completion Date;
- (ii) the Company having complied with all applicable requirements under the Listing Rules in respect of the HBC Sale and Purchase Agreement and the transaction contemplated thereunder, including the HBC Independent Shareholders passing at the EGM resolutions approving the entering into, execution, delivery and performance of the HBC Sale and Purchase Agreement and the transactions contemplated thereunder, including without limitation the purchase of the HBC Sale Shares and the issuance and allotment of the HBC Consideration Shares to the HBC Vendors, and giving any other approvals or notifications as may be required under the Listing Rules and other applicable laws;

- (iii) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the HBC Sale and Purchase Agreement and the transactions contemplated thereunder required to be obtained on the part of the HBC Purchaser or the Company having been obtained; and
- (iv) the Company having obtained an approval from the Stock Exchange for the listing of and permission to deal in the HBC Consideration Shares and such listing and permission not being subsequently revoked prior to the issuance and allotment of the HBC Consideration Shares.

Conditions precedent (i) as set out above may be waived in writing by the HBC Purchaser at its sole and absolute discretion. 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 31 July 2020 (or such other date as may be agreed by the HBC Purchaser and the HBC Vendors in writing), the HBC Sale and Purchase Agreement shall lapse and be of no further effect (except the confidentiality obligations and certain clauses as specified therein), and no party to the HBC Sale and Purchase Agreement shall have liability and obligation to the other party, save in respect of any antecedent breaches of the HBC Sale and Purchase Agreement.

Completion

Upon the HBC Completion, HBHK and HBC will become indirect wholly-owned subsidiaries of the Company. Their financial results, assets and liabilities will continue to be consolidated into the consolidated financial statements of the Company.

Information of the Group, the HBC Purchaser, the HBC Vendors, the HBC Group and the Hyproca 1897 BU

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 including 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 HBC Purchaser

Ausnutria Dairy Company Limited is a private company with limited liability incorporated in Hong Kong, and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding. As at the date of this announcement, the HBC Purchaser owns 85.0% of all the issued shares of HBHK.

The HBC Vendors

Mr. Liu Yubiao, being HBC Vendor A, is a vice president of the Group in the PRC region and the general manager and director of HBHK and HBC. He joined the Group upon the establishment of Ausnutria China in 2003 and served as regional manager of Hunan province, manager of the Central China region (covering five provinces). Mr. Liu Yubiao has over 17 years of experience in sales management in the dairy industry. He is mainly responsible for the overall operations of the Hyproca 1897 BU (including the HBC Group). As at the date of this announcement, Mr. Liu Yubiao, also being the nominee of the HBC Employees, legally owns HBHK as to 12.0%, among which, approximately 7.8% and 4.2% of all the issued shares of HBHK are beneficially owned by Mr. Liu Yubiao and the HBC Employees (being 28 employees of the HBC Group) respectively.

Mr. Liu Guangchu, being HBC Vendor B, is the deputy general manager and sales director of HBHK and HBC. He joined the Group in 2006 and served as the head of the sales management department, southeast regional manager. Mr. Liu Guangchu has over 14 years of experience in sales management in the dairy industry. He is mainly responsible for the sales operations of the Hyproca 1897 BU. As at the date of this announcement, Mr. Liu Guangchu beneficially and legally owns HBHK as to 3.0%.

The HBC Group

HBHK is beneficially owned as to approximately 85.0%, 7.8%, 4.2% and 3.0% by the HBC Purchaser, HBC Vendor A, the HBC Employees and HBC Vendor B, respectively. HBC Vendor A, also being the nominee of the HBC Employees, legally owns 12.0% of all the issued shares of HBHK. As such, HBHK is legally owned as to 85.0%, 12.0% and 3.0% by the HBC Purchaser, HBC Vendor A and HBC Vendor B respectively.

HBHK and HBC are principally engaged in marketing and distribution of the Hyproca 1897 Series (as defined below) cow milk powder products in Hong Kong and the PRC.

The total investment of the HBC Group was contributed by the HBC Purchaser and the HBC Vendors in proportion to their shareholdings in HBHK (i.e. HK\$42.5 million and HK\$7.5 million respectively).

Set out below is the summary of the key financial information of the HBC Group based on the consolidated financial statements of HBHK for the two financial years ended 31 December 2019:

	Year ended 31 December	
	2018	2019
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	911.9	1,692.8
Net profit before taxation	79.3	243.5
Net profit after taxation	54.7	173.5

As at
31 December
2019
RMB million
(Unaudited)

Net assets 310.4

Hyproca 1897 BU

In 2013, Ausnutria China launched a series of cow milk infant formula, including the Hyproca 1897 series (as defined below), which was targeted to penetrate into the high-end sector of the PRC market. In 2014, the Group established the Hyproca 1897 business unit (the “**Hyproca 1897 BU**”) for the marketing and distribution of Hyproca 1897 series cow milk powder products (the “**Hyproca 1897 Series**”), which comprise the brands of Hyproca Hollary, Hyproca Hypure and Neolac. To cope with the marketing strategy of the Group, HBHK and HBC were incorporated in March 2015 and September 2015 respectively to promote the Hyproca 1897 Series.

In 2016, Kabrita and Hyproca 1897 were listed among the top 10 most influential brands for infant formula in the PRC at the CBME AWARDS, which is considered as the Oscars in the children, baby and maternity industry in the PRC.

The Hyproca 1897 BU involves three group companies, namely Ausnutria China, HBHK and HBC, as the distribution arm of the Hyproca 1897 Series in the PRC. After importing the Hyproca 1897 Series from the Netherlands, Ausnutria China is responsible for the administrative matters in relation to the distribution of the Hyproca 1897 Series, including logistics, inventory management, and customs. Ausnutria China will charge a mark-up in return when it sells the Hyproca 1897 Series to the HBC Group.

In determining the HBC Consideration, the HBC Purchaser and the HBC Vendors are of view that the financial information of the HBC Group does not fully reflect the contribution of the Hyproca 1897 Series to the Group. Instead, the financial information of Hyproca 1897 BU should be adopted to better reflect the contribution of the Hyproca 1897 Series to the Group.

Set out below is the summary of the key financial information of the Hyproca 1897 BU based on the unaudited financial statements of the Hyproca 1897 BU for the two financial years ended 31 December 2019:

	Year ended 31 December	
	2018	2019
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	911.9	1,692.8
Net profit before taxation	206.9	498.5
Net profit after taxation	163.2	390.2
		As at
		31 December
		2019
		<i>RMB million</i>
		<i>(Unaudited)</i>
Net assets		527.2

Reasons for and benefits of the HBC Acquisition

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.

Since the establishment in 2013, sale of the Hyproca 1897 Series products have been progressed significantly, and become a major momentum for the Group’s business growth. In particular, the Hyproca 1897 BU is the fastest growing business unit in the Group for the two years ended 31 December 2018 and 2019. The financial results of Hyproca 1897 BU (reflected in both books of Ausnutria China and the HBC Group) have been consolidated into the consolidated financial statements of the Company since the financial year ended 31 December 2013. Since then, the Hyproca 1897 BU has provided the Group with continuous positive contribution. The management of the Company is of the view that Hyproca 1897 BU will continue to grow steadily and positively contribute to the Group based on (i) the healthy growth in the infant formula market in the PRC particularly in the super premium segment; (ii) the proven track record of the Hyproca 1897 BU; and (iii) the extensive experience of the management team of the Hyproca 1897 BU in the infant formula business sector.

As such, the Company considers the HBC Acquisition, which is in turn the acquisition of the entire Hyproca 1897 BU, will (i) enable the Group to obtain full control in the HBC Group and Hyproca 1897 BU for better allocation of internal resources of the Group; (ii) facilitate the operations of the HBC Group and Hyproca 1897 BU, and hence improve the operational efficiency and create better synergy with the Group as a whole, as the interest of the management team of the Hyproca 1897 BU will then be aligned with the interest of the Company; (iii) provide a good incentive scheme to the management team of the Hyproca 1897 BU, as part of the HBC Consideration Shares is linked to the performance of the Hyproca 1897 BU (including the HBC Group) up to 2022; and (iv) strengthen the Group's position for the long term growth and development in the infant formula business which is one of the major long term vision of the Company.

In view of the long term strategic plan of the Group to become one of the major global players in the nutrition sector, particularly on infant formula products, the Company continues to streamline its business structure and strategies, increase its effort on the building of the global supply chain on infant formula and establish the overseas nutritional business. The HBC Acquisition is in line with the development of the Group to continue to develop its cow milk based infant formula products sector, which is expected to give a positive impact to the operations, financial results and profitability of the Group.

Having considered the above reasons, the Directors (excluding the independent non-executive Directors, whose view will be included in the circular to be despatched to the Shareholders) consider that the terms and conditions of the HBC Sale and Purchase Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

Mandate to issue the HBC Consideration Shares and application for listing

The HBC Consideration Shares will be issued and allotted pursuant to the HBC Specific Mandate proposed to be sought from the HBC Independent Shareholders at the EGM.

The HBC Consideration Shares, when issued, allotted and 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 HBC 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 HBC Consideration Shares.

(II) THE HNC AMENDMENTS

References are made to the Company's announcements dated 14 February 2018 and 11 May 2018 and the Company's circular dated 12 April 2018.

On 14 February 2018, the HNC Purchaser, a wholly-owned subsidiary of the Company, the HNC Vendors and the Company entered into the HNC Sale and Purchase Agreement in relation to the HNC Acquisition, pursuant to which the HNC Purchaser conditionally agreed to acquire and the HNC Vendors conditionally agreed to sell the HNC Sale Shares, representing all the issued shares of the HNC Target Company, at the HNC Total Consideration of not exceeding HK\$400,870,000, which shall be settled by the issuance and allotment of the HNC Consideration Shares of not exceeding 80,174,000 Shares in aggregate. The HNC Acquisition was completed in May 2018. Since then, the HNC Target Company, HNHK and HNC have become indirect wholly-owned subsidiaries of the Company.

Following the settlement of the HNC Upfront Consideration of HK\$251.5 million by way of the issuance and allotment of 50,294,123 HNC Upfront Consideration Shares in May 2018, the maximum cap of the HNC Subsequent Consideration and HNC Subsequent Consideration Shares shall be HK\$149.4 million and 29,879,877 Shares, respectively.

Based on the available financial information (details of which are set out in the paragraphs headed "Financial Information of the HNC Group" below), the growth rate in the consolidated net profits after taxation of the HNC Group for the years ended 31 December 2018 and 2019 were 55.9% and 83.7% respectively, which well exceeded the highest hurdle of the average growth rate (being 25.0%) for the adjustment of the HNC Total Consideration under the HNC Sale and Purchase Agreement. Having considered the outstanding financial performance of the HNC Group, on 9 April 2020 (after trading hours), the HNC Purchaser, the HNC Vendors and the Company entered into the HNC Supplemental Deed, pursuant to which the parties have conditionally agreed to amend certain terms regarding, among others, the early settlement of HNC Subsequent Consideration, in the HNC Sale and Purchase Agreement.

Principal terms of the HNC Supplemental Deed are set out below:

- Date : 9 April 2020 (after trading hours)
- Parties : (i) Ausnutria Nutrition B.V., being the HNC Purchaser;
- (ii) Perfect Victory Holdings Limited, being HNC Vendor A;
- (iii) Dynamic Winners Group Limited, being HNC Vendor B;
- (iv) Reliable Global Holdings Limited, being HNC Vendor C; and
- (v) the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, while the sole owners of HNC Vendor A and HNC Vendor C are considered to be connected persons of the Company, HNC Vendor B and its ultimate beneficial owners are parties independent of the Company and its connected persons.

Early settlement of the HNC Subsequent Consideration

Pursuant to the HNC Sale and Purchase Agreement, the HNC Subsequent Consideration (if any) shall be payable to the Vendors no later than the twentieth (20th) Business Day immediately after the date of announcement of the Company's annual results for the year ending 31 December 2020.

Pursuant to the HNC Supplemental Deed, on the conditions that the audited consolidated net profit after taxation of the HNC Group for the year ended 31 December 2019 is not less than RMB450 million, the parties agreed that upon finalisation of audited financial statements of the HNC Group for the year ended 31 December 2019, the HNC Purchaser may at its absolute discretion settle the maximum HNC Subsequent Consideration (i.e. HK\$149.4 million) prior to the release of the Company's annual results for the financial year ending 31 December 2020.

Should the HNC Purchaser exercises its discretion to early settle the HNC Subsequent Consideration to the HNC Vendors, the maximum cap of the HNC Subsequent Consideration shall be settled in full by issuing and allotting 29,879,877 Shares to the HNC Vendors no later than (i) the seventh (7th) Business Day after the date when the conditions as set out in the paragraphs headed "The HNC Amendments – Conditions precedent" are fulfilled; or (ii) the record date for the entitlement of the final dividend to be declared by the Company for the year ended 31 December 2019, whichever is later.

Upon fulfilment of all conditions precedent of the HNC Supplemental Deed (details of which are set out under paragraph headed "The HNC Amendments – Conditions precedent" below), 10,577,476 Shares, 11,334,433 Shares and 7,967,967 Shares will be issued and allotted to HNC Vendor A, HNC Vendor B and HNC Vendor C respectively.

Grant of the HNC Call Option

Pursuant to the HNC Supplemental Deed, the HNC Vendors conditionally agreed to grant the HNC Purchaser the HNC Call Option.

Provided that the HNC Purchaser having early settled the HNC Subsequent Consideration by the issuance and allotment of 29,879,877 HNC Subsequent Consideration Shares by the Company to the HNC Vendors, the HNC Purchaser shall reassess the HNC Actual Subsequent Consideration in accordance with the formulae set out in the HNC Sale and Purchase Agreement upon finalisation of audited financial statements of the HNC Group for the year ending 31 December 2020. Shall there be any shortfall between the HNC Actual Subsequent Consideration and the then settled amount of HNC Subsequent Consideration (i.e. HK\$149.4 million), the HNC Purchaser may at its absolute discretion exercise the HNC Call Option to require the HNC Vendors to sell the shortfall (if any) between 29,879,877 Shares and the HNC Actual Subsequent Consideration Shares to the HNC Purchaser or its nominee(s) at nil consideration. Any Shares acquired by the HNC Purchaser or its nominee(s) pursuant to the HNC Call Option shall be dealt with at the sole discretion of the HNC Purchaser or the Company, including the possible cancellation or the disposal by way of share placement.

The Directors (excluding the independent non-executive Directors, whose view will be included in the circular to be despatched to the Shareholders) are of the view that the HNC Amendments can recognise the efforts of the HNC Vendors in achieving such outstanding growth in the HNC Group and protect the Group's interest at the same time, and hence consider that the HNC Amendments are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Save for the above, other terms and conditions setting out in the HNC Sale and Purchase Agreement, including but not limited to the HNC Consideration Share Price and the maximum cap of the HNC Total Consideration, shall remain the same.

Conditions precedent

Completion of the HNC Amendments shall be conditional upon the fulfilment of the following conditions:

- (i) the HNC Independent Shareholders passing at the EGM resolutions approving the entering into, execution, delivery and performance of the HNC Supplemental Deed and the transactions contemplated thereunder, including without limitation the issuance and allotment of the HNC Subsequent Consideration Shares to the HNC Vendors, and giving any other approvals or notifications as may be required under the Listing Rules and other applicable laws; and
- (ii) the approval obtained from the Stock Exchange for the listing of and permission to deal in the HNC Subsequent Consideration Shares not being subsequently revoked prior to the issuance and allotment of the HNC Subsequent Consideration Shares.

Information of the HNC Purchaser and the HNC Vendors

The HNC Purchaser

Ausnutria Nutrition B.V. (formerly known as Hyproca Nutrition B.V.) is a private company with limited liability incorporated in the Netherlands and an indirect wholly-owned subsidiary of the Company and is principally engaged in marketing and distribution of goat milk nutrition products. As at the date of this announcement, the HNC Purchaser owns the entire issued shares of HNHK.

The HNC Vendors

Perfect Victory Holdings Limited, being HNC Vendor A, is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. As at date of this announcement, HNC Vendor A is wholly-owned by a director of HNC.

Dynamic Winners Group Limited, being HNC Vendor B, is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. As at date of this announcement, HNC Vendor B is wholly-owned by 26 individuals who are employees of HNC in aggregate.

Reliable Global Holdings Limited, being HNC Vendor C, is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. As at date of this announcement, HNC Vendor C is wholly-owned by a chief executive of the Company.

Financial information of the HNC Group

Set out below is the summary of the key financial information of HNC Group based on the audited consolidated financial statements of HNC Group for the year ended 31 December 2017 and the unaudited consolidated financial statements of HNC Group for the two years ended 31 December 2019:

	Year ended 31 December		
	2017 <i>RMB million</i> <i>(Audited)</i>	2018 <i>RMB million</i> <i>(Unaudited)</i>	2019 <i>RMB million</i> <i>(Unaudited)</i>
Revenue	1,078.2	1,772.5	2,570.3
Net profit before taxation	217.3	343.2	546.2
Net profit after tax	158.1	246.4	452.5
			As at
			31 December
			2019
			<i>RMB million</i>
			<i>(Unaudited)</i>
Net assets			483.5

Based on the above financial information, the growth rate in net profit after tax of HNC Group for the year ended 31 December 2018 and 31 December 2019 were 55.9% and 83.7% respectively.

Reasons for and benefits of the HNC Amendments

Since the completion of the HNC Acquisition, the HNC Group has been continuously performing well and has made substantial contribution to the Group's financial performance. As disclosed above, the growth rate in the consolidated net profits after taxation of the HNC Group for the year ended 31 December 2018 and 31 December 2019 were 55.9% and 83.7% respectively, which well exceed the highest hurdle of the average growth rate (being 25.0%) for the adjustment of the HNC Total Consideration under the HNC Sale and Purchase Agreement. The Company is of the view that providing an early settlement mechanism of HNC Subsequent Consideration is an appreciation to the management team (being the HNC Vendors) and to recognise the contribution of the management team in the continued strong profitable growth momentum of HNC Group to the Group.

While the HNC Subsequent Consideration is proposed to be settled prior to the prescribed time as specified in the HNC Sale and Purchase Agreement, the Company has put in place sufficient safeguard for the protection of the Company's interests, including that (i) the Company has the absolute discretion to buy back the HNC Subsequent Consideration Shares at nil consideration by exercising the HNC Call Option in the event that the financial performance of HNC Group does not reach the performance benchmarks as set out under the HNC Sale and Purchase Agreement; (ii) the HNC Vendors will not be entitled to receive dividend payment for the year ended 31 December 2019 as the HNC Subsequent Consideration will be payable to the HNC Vendors after the record date for the entitlement of the final dividend to be declared by the Company for the year ended 31 December 2019; and (iii) the lock-up undertaking in respect of the HNC Subsequent Consideration Shares remains unchanged, pursuant to which each of the HNC Vendors undertakes to the HNC Purchaser that it will not, for a period of 12 months from the issue and allotment of the HNC Subsequent Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such HNC Subsequent Consideration Shares.

Moreover, in accordance with International Accounting Standard 32, the HNC Subsequent Consideration, being a contingent consideration, is classified as a financial instrument and is measured at fair value through profit or loss. Accordingly, valuation of the HNC Subsequent Consideration and thus the fair value of the financial instrument hinges on the market price of the Shares. Fluctuation of the market prices of the Shares and hence the change in fair value of HNC Subsequent Consideration have led to significant accounting impact to the Group's profit attributable to equity holders of the Company.

Subsequent to the completion of the HNC Acquisition in May 2018, the Group has recorded a fair value gain of RMB22.3 million and a fair value loss of RMB63.6 million for the year end 31 December 2018 and 31 December 2019 respectively. Despite such accounting gain/loss has no adverse implications to the Group's cash flow and operating position, the Company considers this may lead to misinterpretation in the Group's actual financial performance. With early settlement of the HNC Subsequent Consideration, the Group can cease the significant accounting impact of the financial derivatives instrument arising from the HNC Subsequent Consideration.

Having considered the above reasons, the Directors (excluding the independent non-executive Directors, whose view will be included in the circular to be despatched to the Shareholders) consider that the terms and conditions of the HNC Supplemental Deed are fair and reasonable and are in the interests of the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE

The HBC Acquisition

For illustrative purpose only, the following table sets out the effect of the issuance and allotment of the HBC 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 HBC Completion having taken place; and (ii) the HBC Consideration Shares having been issued and allotted, without taking into account any other new Shares, if any, after the date of this announcement and prior to the issuance and allotment of the HBC Consideration Shares.

	As at the date of this announcement		Immediately upon the issuance and allotment of the HBC Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
HBC Vendor A, HBC Employees and their associates ^(Note 1)	1,083,000	0.1	57,083,000	3.4
HBC Vendor B and its associate ^(Note 2)	560,000	0.0	14,560,000	0.9
Citagri Easter Limited	379,000,000	23.5	379,000,000	22.5
Center Laboratories, Inc. ("Center Lab") ^(Note 3)	350,931,772	21.8	350,931,772	20.9
Mr. Bartle van der Meer ^(Note 4)	125,405,230	7.8	125,405,230	7.5
Mr. Yan Weibin ^(Notes 5)	119,939,085	7.4	119,939,085	7.1
Public Shareholders	634,041,212	39.4	634,041,212	37.7
Total	<u>1,610,960,299</u>	<u>100.0</u>	<u>1,680,960,299</u>	<u>100.0</u>

The HNC Amendment

For illustrative purpose only, the following table sets out the effect of the issuance and allotment of the maximum number of HNC Subsequent Consideration Shares on the shareholding structure of the Company based on the total number of issued Shares as at the date of this announcement, without taking into account any other new Shares, if any, after the date of this announcement and prior to the issuance and allotment of the maximum HNC Subsequent Consideration Shares.

	As at the date of this announcement		Immediately upon the issuance and allotment of the maximum HNC Subsequent Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
HNC Vendor A and its associate ^(Note 6)	18,894,120	1.2	29,471,596	1.8
HNC Vendor B and its associate ^(Note 6)	18,220,905	1.1	29,555,338	1.8
HNC Vendor C and its associate ^(Note 6)	15,438,766	1.0	23,406,733	1.4
Citagri Easter Limited	379,000,000	23.5	379,000,000	23.1
Center Lab ^(Note 3)	350,931,772	21.8	350,931,772	21.4
Mr. Bartle van der Meer ^(Note 4)	125,405,230	7.8	125,405,230	7.7
Mr. Yan Weibin ^(Note 5)	119,939,085	7.4	119,939,085	7.3
Public Shareholders	583,130,421	36.2	583,130,421	35.5
Total	<u>1,610,960,299</u>	<u>100.0</u>	<u>1,640,840,175</u>	<u>100.0</u>

Notes:

1. As at the date of this announcement, Mr. Liu Yubiao, being HBC Vendor A, beneficially owns 1,083,000 Shares.
2. As at the date of this announcement, Mr. Liu Guangchu, being HBC Vendor B, and his spouse beneficially own 529,000 and 31,000 Shares respectively. Accordingly, Mr. Liu Guangchu is deemed to be interested in a total of 560,000 Shares under the SFO. The percentage of the Shares are rounded to the nearest one decimal place in the shareholding table above.
3. As at the date of this announcement, Center Lab beneficially owns 312,940,089 Shares. BioEngine Capital Inc., which holds 37,991,683 Shares, is a non-wholly-owned subsidiary of Center Lab. Accordingly, Center Lab is deemed to be interested in a total of 350,931,772 Shares under the SFO.
4. 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. Apart from these, Mr. Bartle van der Meer also holds share options granted by the Company on 15 January 2019 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enable him to further subscribe for 1,500,000 Shares.
5. As at the date of this announcement, Mr. Yan Weibin beneficially owns 1,200,000 Shares. Ausnutria Holding Co. Ltd., which holds 118,739,085 Shares, is wholly-owned by Mr. Yan Weibin. Accordingly, Mr. Yan Weibin is deemed to be interested in 119,939,085 Shares under the SFO. Apart from these, Mr. Yan also holds share options granted by the Company on 15 January 2019 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enable him to further subscribe for 1,500,000 Shares.
6. Due to the round-down treatment as set out in the HNC Sale and Purchase Agreement, the sum of the maximum HNC Subsequent Consideration Shares to be issued and allotted to each of the HNC Vendors is 29,879,876 Shares.

IMPLICATIONS UNDER THE LISTING RULES

The HBC Acquisition

As all of the applicable percentage ratios (as defined in Rule 14.07) in respect of the HBC Acquisition are less than 5.0%, the HBC Acquisition constitutes a share transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 13.36(1), the HBC Consideration Shares will be issued under the HBC Specific Mandate subject to the approval by the HBC Independent Shareholders.

As at the date of this announcement, HBC Vendor A is a director of HBHK and HBC, and hence is connected person of the Company by virtue of Rule 14A.07(1). Accordingly, the HBC Acquisition constitutes a connected transaction for the Company and is also subject to the HBC Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The HBC Vendors and their associates, who are interested in the HBC Acquisition and hold 1,643,000 Shares in aggregate as at the date of this announcement, (representing approximately 0.1% of the total issued share capital of the Company), shall abstain from voting on the proposed resolution(s) to approve the HBC Acquisition at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the date of this announcement, no other Shareholders has any material interest in the HBC Acquisition and is required to abstain from voting on the proposed resolution(s) to approve the HBC Acquisition at the EGM.

The HNC Amendments

As at the date of this announcement, the sole owners of HNC Vendor A and HNC Vendor C are a director of HNC and a chief executive of the Company, respectively, and hence are considered to be connected persons of the Company by virtue of Rule 14A.07(1).

The HNC Acquisition constituted a discloseable and connected transaction for the Company under Chapter 14A of the Listing Rules and relevant resolutions were approved by the HNC Independent Shareholders in the 2018 EGM. Given the HNC Amendments are considered as material changes in substance and give rise to a new transaction, the Company is required to re-comply with the HNC Independent Shareholders' approval requirement for the revised terms and conditions of the HNC Acquisition under Chapter 14A of the Listing Rules.

The HNC Vendors and their associates are interested in the HNC Amendments and hold 52,553,791 Shares in aggregate as at the date of this announcement (representing approximately 3.3% of the total issued share capital of the Company) and shall abstain from voting on the proposed resolution(s) to approve the HNC Amendments at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the date of this announcement, no other Shareholders has any material interest in the HNC Amendments and is required to abstain from voting on the proposed resolution(s) to approve the HNC Amendments at the EGM.

GENERAL

An EGM will be convened and held for, among other things, the HBC Independent Shareholders and the HNC Independent Shareholders (as the case may be) to consider and, if thought fit, to approve, among other things, (i) the HBC Sale and Purchase Agreement and the transactions contemplated thereunder and the granting of the HBC Specific Mandate to issue and allot the HBC Consideration Shares; and (ii) the HNC Supplemental Deed and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise (i) the HBC Independent Shareholders on the terms of the HBC Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the HNC Independent Shareholders on the terms of the HNC Supplemental Deed and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee, the HBC Independent Shareholders and the HNC Independent Shareholders in these regards.

A circular containing, among other things, (i) further details of the HBC Acquisition and the HNC Amendments; (ii) the recommendations of the Independent Board Committee in relation to the HBC Acquisition and the HNC Amendments; (iii) a letter of advice from the independent financial adviser in relation to the HBC Acquisition and the HNC Amendments; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, the circular is expected to be despatched by the Company to the Shareholders no later than 29 May 2020.

Completions of the HBC Acquisition and the HNC Amendments are conditional upon the fulfilment of the conditions set out in the paragraphs headed “(I) The HBC Acquisition – Conditions precedent” and “(II) The HNC Amendments – Conditions precedent” in this announcement, which may or may not be fulfilled. Accordingly, the HBC Acquisition and the HNC Amendments 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:

“Ausnutria China”	Ausnutria Dairy (China) Co., Ltd.* (澳優乳業(中國)有限公司), an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Company”	Ausnutria Dairy Corporation Ltd (澳優乳業股份有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 8 June 2009 and the Shares are listed on 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
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving, among other things, (i) the HBC Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance and allotment of the HBC Consideration Shares under the HBC Specific Mandate; and (ii) the HNC Supplemental Deed and the transactions contemplated thereunder
“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
“Encumber”	to create or grant any Encumbrance
“Group”	the Company and its subsidiaries

“HBC”	Hyproca Bio-Science Co., Ltd.*, (海普諾凱生物科技有限公司), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of HBHK
“HBC Acquisition”	the acquisition of the HBC Sale Shares by the HBC Purchaser from the HBC Vendors pursuant to the terms and conditions of the HBC Sale and Purchase Agreement
“HBC Average Growth Rate”	the average of the growth rate in the net profit after taxation of Hyproca 1897 BU for the years ending 31 December 2020, 2021 and 2022 respectively
“HBC Call Option”	the HBC Purchaser’s right to require the HBC Vendors to sell part of the HBC Consideration Shares (up to 20,000,000 HBC Consideration Shares) at nil consideration to the HBC Purchaser or its nominee(s) based on the HBC Average Growth Rate, at any time after the date of publication of the Company’s annual report for the financial year ending 31 December 2022
“HBC Completion”	the completion of the HBC Acquisition in accordance with the terms of the HBC Sale and Purchase Agreement
“HBC Completion Date”	(i) the third (3rd) Business Day after the last outstanding condition (other than the conditions which can only be fulfilled upon Completion) shall have been fulfilled or waived; or (ii) the record date for the entitlement of final dividend to be declared by the Listco for the year ended 31 December 2019, whichever is later
“HBC Consideration”	the consideration of HK\$896.0 million payable by the HBC Purchaser to the HBC Vendors for the HBC Acquisition
“HBC Consideration Shares”	the 70,000,000 new Shares to be issued by the Company to the HBC Vendors for the settlement of the HBC Consideration pursuant to the HBC Sale and Purchase Agreement
“HBC Consideration Share Price”	HK\$12.8 per HBC Consideration Share
“HBC Employees”	28 employees of the HBC Group, being the beneficial owners of 2,080,000 ordinary shares of HBHK, representing approximately 4.2% of all the issued shares of HBHK as at the date of this announcement
“HBC Group”	collectively, HBHK together with its subsidiaries from time to time (including but not limited to HBC)
“HBC Independent Shareholders”	Shareholders who are not interested or involved in the HBC Sale and Purchase Agreement and the transactions contemplated thereunder

“HBC Purchaser”	Ausnutria Dairy Company Limited (澳優乳品有限公司), a private company with limited liability incorporated in Hong Kong, and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the HBC Purchaser owns 85.0% of all the issued shares of HBHK
“HBC Sale and Purchase Agreement”	the sale and purchase agreement date 9 April 2020 entered into between the HBC Purchaser, the HBC Vendors and the Company in respect of the HBC Acquisition
“HBC Sale Shares”	the aggregate of 7,500,000 ordinary shares in HBHK owned by the HBC Vendors, representing 15.0% of all the issued shares of HBHK as at the date of this announcement
“HBC Specific Mandate”	the specific mandate for the issuance and allotment of the HBC Consideration Shares, which is subject to the approval by the HBC Independent Shareholders at the EGM
“HBC Vendor A”	Mr. Liu Yubiao, being the legal owner of 6,000,000 ordinary shares of HBHK, representing 12.0% of all issued shares of HBHK. Among which, 3,920,000 and 2,080,000 ordinary shares of HBHK, representing approximately 7.8% and 4.2% of all the issued shares of HBHK, are beneficially owned by Mr. Liu Yubiao and the HBC Employees respectively as at the date of this announcement
“HBC Vendor B”	Mr. Liu Guangchu, being the legal and beneficial owner of 1,500,000 ordinary shares of HBHK, representing 3.0% of all the issued shares of HBHK as at the date of this announcement
“HBC Vendors”	collectively, HBC Vendor A and HBC Vendor B
“HBHK”	Hyproca Bio-Science (Hong Kong) Company Limited (海普諾凱生物科技(香港)有限公司), a company incorporated in Hong Kong with limited liability, which is owned as to 85.0%, 12.0% and 3.0% by the HBC Purchaser, HBC Vendor A and HBC Vendor B as at the date of this announcement
“HNC”	Hyproca Nutrition Co. Ltd.* (海普諾凱營養品有限公司), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of HNHK
“HNC Acquisition”	the acquisition of the HNC Sale Shares by the HNC Purchasers from the HNC Vendors pursuant to the terms and conditions of the HNC Sale and Purchase Agreement
“HNC Actual Subsequent Consideration”	the actual amount of HNC Subsequent Consideration payable by the HNC Purchaser as calculated based on the formulae set out in the HNC Sale and Purchase Agreement

“HNC Actual Subsequent Consideration Shares”	the actual amount of HNC Subsequent Consideration Share as calculated based on the HNC Actual Subsequent Consideration
“HNC Amendments”	the amendments of the terms in relation to, among others, the issuance and allotment of the HNC Subsequent Consideration Shares under the HNC Sale and Purchase Agreement pursuant to the terms and conditions of the HNC Supplemental Deed
“HNC Call Option”	the HNC Purchaser’s right to require the HNC Vendors to sell the shortfall (if any) between 29,879,877 Shares and the HNC Actual Subsequent Consideration Shares to the HNC Purchaser or its nominee(s) at nil consideration, which is capped at 29,879,877 Shares
“HNC Consideration Shares”	the HNC Upfront Consideration Shares and the HNC Subsequent Consideration Shares, which shall not exceed 80,174,000 Shares in aggregate
“HNC Consideration Share Price”	HK\$5.00 per HNC Consideration Share
“HNC Group”	collectively, HNHK together with its subsidiaries from time to time (including but not limited to HNC)
“HNC Independent Shareholders”	Shareholders who are not interested or involved in the HNC Sale and Purchase Agreement and the transactions contemplated thereunder
“HNC Purchaser”	Ausnutria Nutrition B.V. (formerly known as Hyproca Nutrition B.V.), a private company with limited liability incorporated in the Netherlands, and an indirect wholly-owned subsidiary of the Company
“HNC Sale and Purchase Agreement”	the sale and purchase agreement dated 14 February 2018 entered into between the HNC Purchaser, the HNC Vendors and the Company in respect of the HNC Acquisition (details of which are set out in the Company’s circular dated 12 April 2018), as amended and supplemented by the HNC Supplemental Deed
“HNC Sale Shares”	the 1,500 ordinary shares in the HNC Target Company sold by the HNC Vendors to the HNC Purchaser pursuant to the HNC Sale and Purchase Agreement, representing the entire issued share capital of the HNC Target Company
“HNC Supplemental Deed”	the supplemental deed dated 9 April 2020 entered into between the HNC Purchaser, the HNC Vendors and the Company in respect of the HNC Amendments
“HNC Subsequent Consideration”	the consideration payable by the HNC Purchaser to the HNC Vendors to adjust the HNC Total Consideration (if applicable) for the HNC Acquisition
“HNC Subsequent Consideration Shares”	the new Shares to be issued by the Company to the HNC Vendors for the settlement of HNC Subsequent Consideration (if any) pursuant to the HNC Sale and Purchase Agreement

“HNC Target Company”	Multi Brilliant Enterprises Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the HNC Purchaser
“HNC Total Consideration”	collectively, the HNC Upfront Consideration and the HNC Subsequent Consideration (if any), which in aggregate shall not exceed HK\$400,870,000
“HNC Upfront Consideration”	the initial consideration of HK\$251.5 million paid by the HNC Purchaser to the HNC Vendors for the HNC Acquisition pursuant to the HNC Sale and Purchase Agreement
“HNC Upfront Consideration Shares”	the 50,294,123 Shares issued by the Company to the HNC Vendors for the settlement of the HNC Upfront Consideration pursuant to the HNC Sale and Purchase Agreement
“HNC Vendor A”	Perfect Victory Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“HNC Vendor B”	Dynamic Winners Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“HNC Vendor C”	Reliable Global Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“HNC Vendors”	collectively, HNC Vendor A, HNC Vendor B and HNC Vendor C
“HNHK”	Hyproca Nutrition (Hongkong) Company Limited (海普諾凱營養品(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the HNC Purchaser
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hyproca 1897 BU”	has the meaning ascribed thereto in the paragraph headed “(I) THE HBC ACQUISITION – Information of the Group, the HBC Purchaser, the HBC Vendors, the HBC Group and the Hyproca 1897 BU”
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising (i) the HBC Independent Shareholders in respect of, among other things, the terms of the HBC Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the HNC Independent Shareholders in respect of, among other things, the terms of the HNC Supplemental Deed and the transactions contemplated thereunder
“Last Trading Day”	9 April 2020, being the last trading day immediately prior to the entering into of the HBC Sale and Purchase Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“2018 EGM”	the extraordinary general meeting held on 11 May 2018 to approve, among other things, the HNC Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance and allotment of HNC Consideration Shares under the specific mandate
“%”	per cent

* For Identification purpose only

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

People’s Republic of China, 9 April 2020

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. Lau Chun Fai Douglas, Mr. Jason Wan and Mr. Aidan Maurice Coleman.