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AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

(1) ACQUISITION OF ADDITIONAL EQUITY INTEREST IN BIOFLAG NUTRITION; AND (2) CONNECTED TRANSACTION IN RELATION TO A DEEMED DISPOSAL OF PARTIAL EQUITY INTEREST IN BIOFLAG NUTRITION

ACQUISITION OF ADDITIONAL EQUITY INTEREST IN BIOFLAG NUTRITION

The Board is pleased to announce that on 19 January 2024 (after trading hours), the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendors entered into the Share Purchase Agreements in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Interest (representing approximately 7.70% of the issued shares of Bioflag Nutrition), at a total consideration of US\$4,007,690.40 (equivalent to approximately RMB28.39 million) in cash.

DEEMED DISPOSAL OF PARTIAL EQUITY INTEREST IN BIOFLAG NUTRITION

The Board is pleased to announce that on 19 January 2024 (after trading hours), Bioflag Nutrition and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and Bioflag Nutrition has conditionally agreed to allot and issue, 1,796,326 new shares of Bioflag Nutrition at the consideration of US\$1,904,105.56 (equivalent to approximately RMB13.49 million).

IMPLICATIONS OF THE LISTING RULES

The Acquisition

As none of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition exceeds 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Subscription

Upon completion of the Subscription (and after completion of the Acquisition), the equity interest of ADI (a wholly-owned subsidiary of the Company) in Bioflag Nutrition will be reduced from approximately 89.74% to approximately 86.57%. Accordingly, the Subscription constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are less than 5%, the Subscription is exempted from all reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Subscriber is wholly and beneficially owned by Yili Industrial (being the controlling shareholder of the Company). The Subscriber is therefore a connected person of the Company under the Listing Rules.

As the Subscriber is a connected person of the Company, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Share Subscription Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Share Subscription Agreement are subject to the reporting and announcement requirements but exempted from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Zhang Zhanqiang, Mr. Sun Donghong and Ms. Yan Junrong are Directors who are associated with Yili Industrial and therefore are considered to have a material interest in the transactions contemplated under the Share Subscription Agreement. As such, each of Mr. Zhang Zhanqiang, Mr. Sun Donghong and Ms. Yan Junrong has abstained from voting on the Board resolution(s) in relation to the approval of the transactions contemplated under the Share Subscription Agreement.

(1) ACQUISITION OF ADDITIONAL EQUITY INTEREST IN BIOFLAG NUTRITION

Introduction

The Board is pleased to announce that on 19 January 2024 (after trading hours), the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendors entered into the Share Purchase Agreements in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Interest (representing approximately 7.70% of the issued shares of Bioflag Nutrition), at a total consideration of US\$4,007,690.40 (equivalent to approximately RMB28.39 million) in cash (i.e. a purchase price of US\$1.06 per share).

Principal terms of the Share Purchase Agreements

The principal terms of the Share Purchase Agreements are set out below.

Date : 19 January 2024

Parties : (1) Yuanta Asia Growth Investment L.P., as Vendor A
(2) Yuanta Venture Capital Co., Ltd., as Vendor B
(3) Ausnutria Dairy Investments Limited, as the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are parties independent from the Company and its connected persons as at the date of this announcement.

- Subject matter : Pursuant to the Share Purchase Agreements, the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Interest, representing an aggregate of approximately 7.70% of the equity interest in Bioflag Nutrition.
- Consideration : The consideration for the Share Purchase Agreement A and Share Purchase Agreement B are US\$2,385,530.00 and US\$1,622,160.40 respectively. The consideration was determined after arm's length negotiations between the Vendors and the Purchaser.
- Completion : Upon completion of the Acquisition, the Purchaser will be interested in 44,067,238 shares, representing approximately 89.74% of the issued shares in Bioflag Nutrition as at the date of this announcement. Accordingly, Bioflag Nutrition will continue to be a subsidiary of the Company upon completion of the Acquisition.

(2) DEEMED DISPOSAL OF PARTIAL EQUITY INTEREST IN BIOFLAG NUTRITION

Introduction

The Board is pleased to announce that on 19 January 2024 (after trading hours), Bioflag Nutrition and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and Bioflag Nutrition has conditionally agreed to allot and issue, 1,796,326 new shares of Bioflag Nutrition at the consideration of US\$1,904,105.56 (equivalent to approximately RMB13.49 million) (i.e. an issue price of US\$1.06 per share).

Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are set out below.

- Date : 19 January 2024
- Parties : (1) Bioflag Nutrition, as the issuer
(2) Hongkong Jingang Trade Holding Co., Limited, as the Subscriber
- Subject matter : Pursuant to the Share Subscription Agreement, the Subscriber has conditionally agreed to subscribe for 1,796,326 new shares of Bioflag Nutrition (representing approximately 3.53% of the enlarged equity interest in Bioflag Nutrition) at the consideration of US\$1,904,105.56 in cash (i.e. an issue price of US\$1.06 per share).

- Consideration : The consideration for the Subscription is US\$1,904,105.56 (equivalent to approximately RMB13.49 million). The consideration was agreed after arm's length negotiations between Bioflag Nutrition and the Subscriber with reference to, among other things, (i) the business development and performance of Bioflag Nutrition; (ii) the future business prospect of Bioflag Nutrition; and (iii) the unaudited consolidated financial statements of Bioflag Nutrition for the year ended 31 December 2023.
- Conditions precedent : Completion of the Subscription is conditional upon the fulfilment or waiver of the following conditions:
- (a) with respect to the Subscriber's obligations to consummate the completion of the Share Subscription Agreement only, all the warranties made or given under the Share Subscription Agreement are true, accurate and not misleading in all respects as of the date of the Share Subscription Agreement and as of the completion of the Subscription;
 - (b) with respect to the Subscriber's obligations to consummate the completion of the Share Subscription Agreement only, there shall not be any material adverse effect in the financial position, business or property, results of operations, business prospects or assets of the Company before the completion of the Subscription; and
 - (c) receipt of all consents, clearances, approvals, permissions, license, authorization and waivers required to be obtained from, and all registrations, applications, notices and filings required to be made with or provided to, any relevant governmental authority under or in connection with any applicable laws (to the extent applicable including the approval relating to overseas direct investment in the PRC), in connection with the implementation of the Share Subscription Agreement (where applicable).
- Completion : Prior to the completion of the Subscription (and after completion of the Acquisition), the equity interest of Bioflag Nutrition is owned as to approximately 89.74% by ADI. Upon completion of the Subscription, the equity interest of ADI in Bioflag Nutrition will be reduced to approximately 86.57% while the equity interest of the Subscriber in Bioflag Nutrition will be approximately 3.53%. Bioflag Nutrition will continue to be a subsidiary of the Company.

Information on parties to the Share Subscription Agreement

The Subscriber

The Subscriber is a company incorporated in Hong Kong, primarily engaged in investment and trading businesses. As at the date of this announcement, the Subscriber is wholly and beneficially owned by Yili Industrial.

Yili Industrial is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange in the PRC (stock code: 600887). Yili Industrial is a dairy product enterprise with the largest scale and most comprehensive product categories in the PRC. It is principally engaging in the processing, manufacturing and sales of various dairy products and healthy beverages. It has several major product series, comprising of liquid milk, milk beverages, milk powder, yogurt, frozen beverages, cheese, milk fat and packaged drinking water.

The Company

The Company was incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the (i) dairy industry with activities ranging from research and development, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia and other overseas countries; and (ii) research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.

Bioflag Nutrition

Bioflag Nutrition was incorporated in the Cayman Islands with limited liability. It is currently an indirect non-wholly owned subsidiary of the Company. Bioflag Nutrition is principally engaged in the research and development, manufacturing and sale of probiotics and fermentation-related products.

Set out below is (i) the audited financial information of Bioflag Nutrition for the period from 13 June 2022 (being its incorporation date) to 31 December 2022; and (ii) the unaudited financial information of Bioflag Nutrition for the year ended 31 December 2023:

	For the period from 13 June 2022 to 31 December 2022 RMB'000 (Audited)	For the year ended 31 December 2023 RMB'000 (Unaudited)
Revenue	43,324	165,972
Net (losses)/profit before taxation	(8,978)	_ ⁽¹⁾
Net (losses)/profit after taxation	(8,657)	9,238 ⁽²⁾

Notes:

1. The amount of net profit before taxation is negligible.
2. The difference between net profit before taxation and net profit after taxation resulted from deferred tax asset recognised during the year ended 31 December 2023.

As at 31 December 2023, the unaudited total asset value and net asset value of Bioflag Nutrition were approximately RMB291.51 million and approximately RMB172.43 million, respectively.

Upon completion of the transactions contemplated under the Share Subscription Agreement (and after completion of the Acquisition), the Subscriber will become a holder of approximately 3.53% of the total equity interest in Bioflag Nutrition, whilst the equity interest of the Company (through ADI) in Bioflag Nutrition will decrease from approximately 89.74% to approximately 86.57%. Bioflag Nutrition will continue to be accounted for as a subsidiary of the Company and its financial results will continue to be consolidated into the Company's consolidated financial statements. It is expected that the deemed disposal will not result in the recognition of any gain or loss in the Company's consolidated statement of profit or loss.

(3) REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION

As part of the Group's long-term strategy in expanding its business in the value chain of probiotics, the Board considers that the Group's acquisition of another 7.70% equity interest in Bioflag Nutrition would consolidate the Group's control in and the management of Bioflag Nutrition, which is in line with the Group's strategy. Upon completion of the Acquisition, Bioflag Nutrition will continue to be an indirect non-wholly owned subsidiary of the Company and its results will continue to be consolidated into the consolidated financial statements of the Company. Accordingly, the Board is of the view that the terms of the Share Purchase Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In addition, as part of the Group's plan to broaden the capital base and further enhance the financial conditions of Bioflag Nutrition for its business development and growth strategies, the Board considers that the Subscription will provide additional financial resources to support the business operation of Bioflag Nutrition. Furthermore, the Board is of the view that the terms under the Share Subscription Agreement are fair and reasonable (in particular, the issue price under the Share Subscription Agreement is the same as the purchase price per share under the Share Purchase Agreements) and believes that the Subscription is beneficial to its Shareholders in the long run and is in line with the Group's long-term corporate investment strategy.

In light of the above, the Directors (including the independent non-executive Directors but excluding Mr. Zhang Zhanqiang, Mr. Sun Donghong and Ms. Yan Junrong, who are required to abstain from voting on the relevant Board resolution(s)) are of the view that the terms of the Share Subscription Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

(4) IMPLICATIONS OF THE LISTING RULES

The Acquisition

As none of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition exceeds 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Subscription

Upon completion of the Subscription (and after completion of the Acquisition), the equity interest of ADI in Bioflag Nutrition will be reduced from approximately 89.74% to approximately 86.57%. Accordingly, the Subscription constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are less than 5%, the Subscription is exempted from all reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Subscriber is wholly and beneficially owned by Yili Industrial (being the controlling shareholder of the Company). The Subscriber is therefore a connected person of the Company under the Listing Rules.

As the Subscriber is a connected person of the Company, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription and transaction contemplated under the Share Subscription Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Share Subscription Agreement is subject to the reporting and announcement requirements but exempted from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Zhang Zhanqiang, Mr. Sun Donghong and Ms. Yan Junrong are Directors who are associated with Yili Industrial and therefore are considered to have a material interest in the transactions contemplated under the Share Subscription Agreement. As such, each of Mr. Zhang Zhanqiang, Mr. Sun Donghong and Ms. Yan Junrong has abstained from voting on the Board resolution(s) in relation to the approval of the transaction contemplated under the Share Subscription Agreement.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendors pursuant to the terms of the Share Purchase Agreements
“ADI” or “Purchaser”	Ausnutria Dairy Investments Limited, an exempted company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company
“Bioflag Nutrition”	Bioflag Nutrition Corporation Ltd., a company incorporated in the Cayman Islands with limited liability, being an indirect non-wholly owned subsidiary of the Company
“Board”	the board of Directors of the Company
“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 to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	3,780,840 shares of Bioflag Nutrition, representing 7.70% equity interest in Bioflag Nutrition pursuant to the Share Purchase Agreements
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the issued share capital of the Company
“Share Purchase Agreement A”	the share purchase agreement dated 19 January 2024 entered into between Vendor A and the Purchaser in relation to the acquisition of 2,250,500 shares of Bioflag Nutrition by the Purchaser from Vendor A
“Share Purchase Agreement B”	the share purchase agreement dated 19 January 2024 entered into between Vendor B and the Purchaser in relation to the acquisition of 1,530,340 shares of Bioflag Nutrition by the Purchaser from Vendor B
“Share Purchase Agreements”	collectively, Share Purchase Agreement A and Share Purchase Agreement B
“Share Subscription Agreement”	the share subscription agreement dated 19 January 2024 entered into between Bioflag Nutrition and the Subscriber in relation to the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Hongkong Jingang Trade Holding Co., Limited, which is wholly and beneficially owned by Yili Industrial
“Subscription”	the subscription of 1,796,326 new shares of Bioflag Nutrition by the Subscriber in accordance with the terms of the Share Subscription Agreement
“US\$”	United States dollars, the lawful currency of the United States
“Vendor A”	Yuanta Asia Growth Investment L.P., an Limited Partnership formed in the British Virgin Islands and a private investment fund managed by Yuanta Asia Investment (Hong Kong) Limited
“Vendor B”	Yuanta Venture Capital Co., Ltd., a company incorporated in Taiwan and a wholly-owned subsidiary of Yuanta Financial Holding Co., Ltd.* (元大金融控股股份有限公司) (a company listed on the Taiwan Stock Exchange (stock code: 2885))

“Vendors”

collectively, Vendor A and Vendor B

“Yili Industrial”

Inner Mongolia Yili Industrial Group Co., Ltd.* (內蒙古伊利實業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange of the PRC (stock code: 600887)

* For identification purpose only

For the purpose of illustration only, amounts in US\$ in this announcement have been translated into RMB at the rate of US\$1 = RMB7.0827. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates or at all.

By order of the Board
Ausnutria Dairy Corporation Ltd
ZHANG Zhanqiang
Chairman

The PRC, 19 January 2024

As at the date of this announcement, the Board comprises Mr. Ren Zhijian (CEO), Mr. Bartle van der Meer and Mr. Zhang Zhi as the executive Directors; Mr. Zhang Zhanqiang (Chairman), Mr. Sun Donghong (Vice-Chairman) and Ms. Yan Junrong as the non-executive Directors; and Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman as the independent non-executive Directors.