



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)

Executive Directors:

Mr. Yan Weibin (*Chairman*)
Mr. Bartle van der Meer (*Chief Executive Officer*)
Ms. Ng Siu Hung

Non-executive Directors:

Mr. Shi Liang (*Vice-Chairman*)
Mr. Qiao Baijun
Mr. Tsai Chang-Hai

Independent non-executive Directors:

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

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 16, 36/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

10 February 2022

To Shareholders and Optionholders:

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS
BY CLSA LIMITED FOR AND ON BEHALF OF
HONGKONG JINGANG TRADE HOLDING CO., LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
AUSNUTRIA DAIRY CORPORATION LTD
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR
THE PARTIES ACTING IN CONCERT WITH IT) AND
FOR THE CANCELLATION OF ALL THE OUTSTANDING OPTIONS OF
AUSNUTRIA DAIRY CORPORATION LTD**

1. INTRODUCTION

Reference is made to the Rule 3.5 Announcement.

The Company was informed by the Vendors that, on 27 October 2021 (after trading hours), the Offeror and the Vendor Group entered into the Share Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares, being an aggregate of 530,824,763 Shares, representing approximately 29.35% of the entire issued share capital of the Company as at the Latest Practicable Date, for an aggregate consideration of HK\$5,340,097,116 (representing HK\$10.06 per Sale Share). On the same day, being 27 October 2021 (after trading hours), the Offeror and the Company entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue and the Offeror has conditionally agreed to subscribe, in cash, for 90,000,000 new Shares, representing approximately 4.98% of the entire issued share capital of the Company as at the Latest Practicable Date, for an aggregate of Subscription Price of HK\$905,400,000 (representing HK\$10.06 per Subscription Share).

Completion took place on 28 January 2022.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and the parties acting in concert with it). Pursuant to Rule 13 of the Takeovers Code, the Offeror will make an appropriate cash offer to the Optionholders to cancel all the Options.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other matters, (i) information relating to the Group, the Offeror and the Offers; (ii) a letter from CLSA Limited containing, among other things, details of the Offers; (iii) a letter from the Independent Board Committee containing its recommendation to Offer Shareholders and Optionholders as to whether the Offers is, or is not, fair and reasonable and as to acceptance of the Offers; and (iv) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in relation to the Offers.

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors namely, Mr. Jason Wan, Mr. Lau Chun Fai Douglas and Mr. Aidan Maurice Coleman who have no direct or indirect interest in the Offers has been established to make recommendations to Offer Shareholders and Optionholders (where applicable) on whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

Although Mr. Shi Liang, Mr. Qiao Baijun and Mr. Tsai Chang-Hai are non-executive Directors, Mr. Shi Liang, being a director of CAFM, Mr. Qiao Baijun, being the general manager of CAFM, and Mr. Tsai Chang-Hai, being a director of BioEngine Capital Inc., are considered to have conflicts of interest in advising on the Share Subscription and the terms of the Offers and therefore have not been appointed as members of the Independent Board Committee for the purpose of the Takeovers Code.

Optima Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to acceptance and voting.

3. THE OFFERS

As disclosed in the “Letter from CLSA Limited” in this Composite Document, CLSA Limited will, for and on behalf of the Offeror, make the Offers in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$10.06 in cash

The Option Offer

For the cancellation of each of Options HK\$0.06 in cash

Further details of the Offer are set out under the section headed “Letter from CLSA Limited” and Appendix I in this Composite Document and the accompanying Forms of Acceptance, which together set out the terms and conditions of the Offers and certain related information.

4. OFFEROR’S INTENTION ON THE COMPANY

Your attention is drawn to the section headed “Intention of the Offeror regarding the Group” in the “Letter from CLSA Limited” in this Composite Document which sets out the intention of the Offeror regarding the Group.

The Board is pleased to note the intention of the Offeror in respect of the Group as disclosed. The Board is willing to cooperate with the Offeror for the best interests of the Company and its Shareholders as a whole.

5. INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from CLSA Limited” in this Composite Document for information relating to the Offeror.

6. INFORMATION OF THE GROUP

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 (i) the dairy industry with activities ranging from the 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) the research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.

Your attention is also drawn to Appendices II and IV to this Composite Document which contain the financial information of the Group and the general information of the Group respectively.

7. PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “Public float and listing status of the Company” in the “Letter from CLSA Limited” in this Composite Document.

8. FURTHER INFORMATION

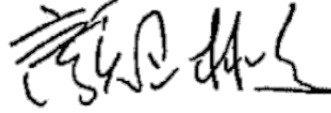
You are advised to read the “Letter from CLSA Limited” in this Composite Document and the accompanying Forms of Acceptance for information relating to the Offers and the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

9. RECOMMENDATION

Your attention is drawn to (i) “Letter from the Independent Board Committee” as set out on pages 30 to 31 of this Composite Document, which contains the recommendation of the Independent Board Committee to Offer Shareholders and Optionholders in relation to the Offers; and (ii) “Letter from the Independent Financial Adviser” as set out on pages 32 to 60 of this Composite Document, which sets out the advice and recommendation of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers and the principal factors considered by it before arriving at its recommendation. You are urged to read both letters and the other information contained in this Composite Document carefully before taking any action in respect of the Offers.

In considering what action to take in response to the Offers, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

By Order of the Board
Ausnutria Dairy Corporation Ltd

A handwritten signature in black ink, appearing to be 'Yan Weibin', written in a cursive style.

Yan Weibin
Chairman