THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ausnutria Dairy Corporation Ltd, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN HYPROCA DAIRY GROUP B.V. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of Ausnutria Dairy Corporation Ltd to be held at 2:00 p.m. on 14 October 2011 at No.2 East Wangwang Road, Hexi, Changsha, Hunan Province, PRC is set out on pages 114 to 115 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Ausnutria Dairy Corporation Ltd in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the commencement of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

23 September 2011

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition Agreement"	the acquisition agreement dated 19 July 2011 and entered into among DDI, the DDI Shareholders, the Purchaser, the Company and Hyproca Dairy in relation to the Share Purchase
"Affiliate"	with respect to any party, any person (or persons acting in concert) directly or indirectly (a) having control over that party; or (b) under control of that party at any time during the period for which determination of affiliate(s) is made
"Announcement"	the announcement of the Company dated 4 July 2011 in relation to the Subscription
"Board"	the board of Directors
"Business Day(s)"	a day other than a Saturday or a Sunday on which banks are open for the transaction of regular business in Amsterdam, the Netherlands, Hong Kong and Beijing, the PRC
"Company"	Ausnutria Dairy Corporation Ltd (澳優乳業股份有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1717)
"Completion"	completion of the Share Purchase
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration"	Euro 10,369,000 (equivalent to approximately HK$115.51 million), being the total consideration for the Sale Shares (subject to adjustment)
"Consideration Shares"	11,000,000 new Shares to be issued by the Company to DDI pursuant to the Acquisition Agreement
"DDI"	Dutch Dairy Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands

"DDI Shareholders"	collectively Participatiemaatschappij Heerenveen B.V., Manids B.V. and Elbe B.V., being all the existing shareholders of DDI
"Director(s)"	the director(s) of the Company (including independent non-executive director(s))
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
"Enlarged Group"	the Group as enlarged by the Share Purchase upon Completion
"Euro"	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"Group"	the Company and its subsidiaries
"HB Food"	HB Food Group B.V., a wholly-owned subsidiary of Hyproca Dairy
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hyproca Dairy"	Hyproca Dairy Group B.V., a private company with limited liability incorporated under the laws of the Netherlands
"Hyproca Dairy Group"	Hyproca Dairy and its subsidiaries from time to time
"Hyproca Dairy Share(s)"	ordinary share(s) with a nominal value of Euro 4.54 each in the capital of Hyproca Dairy
"Hyproca Lyempf"	Hyproca Lyempf B.V. (formerly known as Hyproca Dairy Investments B.V.), a non wholly-owned subsidiary of Hyproca Dairy

"Latest Practicable Date"	20 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2012, being the long stop date of the Acquisition Agreement
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prepayment"	the total sum of Euro 7,419,000 (equivalent to approximately HK$82.65 million) advanced by the Company to DDI pursuant to the terms of an agreement dated 31 May 2011 entered into among the Company, DDI, the DDI Shareholders and Hyproca Dairy
"Prohibited Area"	the countries in which the Hyproca Dairy Group is active or is concretely planning to be active as at the date of the Shareholders' Agreement
"Purchaser"	Ausnutria Dairy (Dutch) Coöperatief U.A., a wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands
"Restricted Activity"	the business as conducted by the Hyproca Dairy Group as at the date of the Shareholders' Agreement
"Restricted Period"	(i) an initial three-year period after the Completion Date; (ii) the period during which a relevant party to the Shareholders' Agreement directly or indirectly holds Hyproca Dairy Shares; and (iii) thereafter a two-year period from the date on which the relevant party to the Shareholders' Agreement ceases to, directly or indirectly, hold Hyproca Dairy Shares
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	284,000 existing Hyproca Dairy Shares, representing approximately 31.56% of the existing issued share capital of Hyproca Dairy
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) with par value of HK$0.10 each in the share capital of the Company
"Share Purchase"	the purchase of the Sale Shares by the Purchaser from DDI pursuant to the Acquisition Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement dated 19 July 2011 entered into among DDI, the DDI Shareholders, the Purchaser, the Company and Hyproca Dairy in relation to, among others, the rights and obligations of the shareholders of Hyproca Dairy
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Purchaser on 30 June 2011
"Subscription Agreement"	the agreement dated 3 July 2011 executed among DDI, the DDI Shareholders, the Purchaser, the Company and Hyproca Dairy in relation to the Subscription
"Subscription Shares"	175,000 Hyproca Dairy Shares subscribed for by the Purchaser on 30 June 2011
"%"	per cent.

For the purpose of illustration only, amounts in Euro in this circular have been translated into HK$ at the rate of Euro 1 = HK$11.14 and amounts in RMB have been translated into HK$ at the rate of RMB 1 = HK$1.20. These exchange rates are adopted for illustration purpose only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rates or at all.

*Certain English translation of Chinese names or words in this circular (as marked with *) are included for identification only, and are not official English translation of such Chinese names or words.*

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. Wu Yueshi *(Chairman)*
Mr. Yan Weibin
Mr. Chen Yuanrong *(Chief Executive Officer)*
Ms. Ng Siu Hung

Independent Non-executive Directors:
Mr. Qiu Weifa
Mr. Jason Wan
Mr. Chan Yuk Tong

Registered Office:
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Cayman Islands

Principal Place of Business in Hong Kong:
Room 2101, Beautiful Group Tower
77 Connaught Road Central
Central
Hong Kong

23 September 2011

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN HYPROCA DAIRY GROUP B.V.

INTRODUCTION

Reference is made to the announcements of the Company dated 29 March 2011, 13 June 2011, 4 July 2011 and 20 July 2011 respectively in relation to, among other things, the entering into of a letter of intent, the Prepayment, the Subscription and the Share Purchase. After the Stock Exchange trading hours on 19 July 2011, DDI, the DDI Shareholders, Hyproca Dairy, the Purchaser and the Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and DDI has conditionally agreed to sell, the Sale Shares at the Consideration of Euro 10,369,000 (equivalent to approximately HK$115.51 million). In conjunction with the Acquisition Agreement, the parties also entered into the Shareholders' Agreement to regulate their respective rights and obligations in Hyproca Dairy.

The Share Purchase, on its own and when aggregated with the Subscription, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll at the EGM.

The purpose of this circular is to provide you with (i) details of the Acquisition Agreement; (ii) the financial and other information of the Group and the Hyproca Dairy Group; and (iii) the notice convening the EGM.

THE ACQUISITION AGREEMENT

Date

19 July 2011

Parties

(i) DDI, the vendor of the Sale Shares;

(ii) the DDI Shareholders;

(iii) Ausnutria Dairy (Dutch) Coöperatief U.A., a wholly-owned subsidiary of the Company, as the purchaser of the Sale Shares;

(iv) the Company; and

(v) Hyproca Dairy.

DDI is an investment holding company with limited liability incorporated under the laws of the Netherlands and is interested in approximately 80.56% issued share capital of Hyproca Dairy as at the date of the Acquisition Agreement. The DDI Shareholders are Participatiemaatschappij Heerenveen B.V., Manids B.V. and Elbe B.V. Participatiemaatschappij Heerenveen B.V. is a private equity investment company with limited liability incorporated under the laws of the Netherlands. Each of Manids B.V. and Elbe B.V. is an investment holding company with limited liability incorporated under the laws of the Netherlands. Hyproca Dairy is a private company with limited liability incorporated under the laws of the Netherlands and is principally a holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the common shareholding interest (direct or indirect) in Hyproca Dairy, DDI and its ultimate beneficial owners, the DDI Shareholders and Hyproca Dairy are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase, and DDI has conditionally agreed to sell, the Sale Shares. The Sale Shares represent approximately 31.56% of the existing issued share capital of Hyproca Dairy. Taking into account the Subscription Shares held by the Purchaser, the Purchaser will hold 51% of the issued share capital of Hyproca Dairy upon Completion and Hyproca Dairy will become an indirect non wholly-owned subsidiary of the Company.

Consideration

The Consideration for the Sale Shares is Euro 10,369,000 (equivalent to approximately HK$115.51 million) and is payable by the Purchaser to DDI in the following manner:

(i) as to Euro 7,419,000 (equivalent to approximately HK$82.65 million) by the setting off of the Prepayment on the Completion Date; and

(ii) as to Euro 2,950,000 (equivalent to approximately HK$32.86 million) to be satisfied by the allotment and issuance of 11,000,000 Consideration Shares, credited as fully paid, by the Company to DDI after the Completion Date.

The Consideration has been determined after arm's length negotiations among the parties to the Acquisition Agreement with reference to, among other things, the historical financial performance of the Hyproca Dairy Group, the growth potential of the Hyproca Dairy Group and the potential synergy between the Group's existing business and that of the Hyproca Dairy Group.

Adjustments to the Consideration

Pursuant to the Acquisition Agreement, if the average of net profit after taxation of Hyproca for the two years ended 31 December 2010 and 2011 (as calculated and adjusted in accordance with the terms set out in the Acquisition Agreement and as to be agreed between the Purchaser and DDI or as determined by an independent accountant) (the "**Adjusted Results**") are above or below 10% of Euro 2,600,000, the parties shall adjust the Consideration in accordance with the formula below.

In the event and to the extent that the Adjusted Results exceed Euro 2,600,000 by more than 10%, the difference in excess of 10% multiplied by 10 times, up to a maximum amount of Euro 3,000,000 (the "**Purchaser Adjusted Consideration**"), shall be payable by the Purchaser to Hyproca Dairy, provided that the upward adjustment to the consideration of Euro 6,282,500 for the Subscription Shares shall be deducted from the amount payable under the Purchaser Adjusted Consideration.

In the event and to the extent that the Adjusted Results are below Euro 2,600,000 by more than 10%, the difference in excess of 10% multiplied by 10 times and 51% (the "**DDI Adjusted Consideration**") shall be payable by DDI to the Purchaser, provided that the downward adjustment to the consideration of Euro 6,282,500 for the Subscription Shares shall be deducted from the amount payable under the DDI Adjusted Consideration.

Taking into account the Subscription Shares held by the Purchaser, the Purchaser will be interested in 51% of the issued share capital of Hyproca Dairy upon Completion. Accordingly, the ratio of 51% will be applied in the calculation of the DDI Adjusted Consideration which shall be payable by DDI to the Purchaser pursuant to the terms of the Acquisition Agreement. The Purchaser Adjusted Consideration shall be payable by the Purchaser to Hyproca Dairy, as a result of which the Purchaser, through the holding of the Subscription Shares and the Sale Shares, will be effectively entitled to 51% of the Purchaser Adjusted Consideration and for this reason the ratio of 51% will not be applied in the calculation of the Purchaser Adjusted Consideration. For the avoidance of doubt, pursuant to the terms of the Subscription Agreement and the Acquisition Agreement, in the event that the Adjusted Results are above or below 10% of Euro 2,600,000, the consideration for the Subscription and the Share Purchase shall be adjusted respectively. However, as disclosed above, the adjustments to the consideration for the Subscription Shares paid under the Subscription Agreement shall be deducted from the amount payable under adjustment terms of the Acquisition Agreement. Accordingly, the Purchaser Adjusted Consideration and the DDI Adjusted Consideration represent the aggregate and maximum amount of adjustment to be made under both the Subscription Agreement and the Acquisition Agreement.

The Purchaser Adjusted Consideration or the DDI Adjusted Consideration shall be due to DDI or the Purchaser, as the case may be, within ten Business Days from the date that (i) the audited and consolidated financial statements of the Hyproca Dairy Group for the year ending 31 December 2011 have been adopted by the general meeting of shareholders of Hyproca Dairy; and (ii) the calculation of the Purchaser Adjusted Consideration or the DDI Adjusted Consideration, as the case may be, has become final in accordance with the terms and conditions of the Acquisition Agreement.

Consideration Shares

The Consideration Shares will be issued by the Company to DDI after the Completion Date. Under the Acquisition Agreement, DDI is not entitled, directly or indirectly, without the prior approval of the Company, to (i) sell or transfer any of the Consideration Shares; or (ii) create any encumbrance on any of the Consideration Shares, during a period of six months from the Completion Date.

In the event that no Consideration Shares are allotted and issued by the Company to DDI within three months after the Completion Date, DDI shall have the right to demand a cash compensation in the sum of Euro 2,950,000 from the Company (instead of the issuance of the Consideration Shares), which shall be paid on first demand to DDI. The cash compensation, if required, will be funded by the internal resources of the Group.

Based on the portion of the Consideration of Euro 2,950,000 and the 11,000,000 Consideration Shares to be issued, the issue price per Consideration Share is equivalent to approximately Euro 0.268 (equivalent to approximately HK$2.99). The issue price of the Consideration Shares was arrived at after arm's length negotiations among the parties to the Acquisition Agreement and taking into account the prevailing trading prices of the Shares.

The issue price of HK$2.99 per Consideration Share represents:

(i) a premium of approximately 40.4% over the closing price of HK$2.13 per Share as quoted on the Stock Exchange on 19 July 2011 (being the date of the Acquisition Agreement and the last trading day of the Shares immediately prior to the suspension in trading of the Shares pending the release of the announcement in relation to the Share Purchase);

(ii) a premium of approximately 39.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 19 July 2011 of HK$2.146 per Share;

(iii) a premium of approximately 36.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 19 July 2011 of HK$2.196 per Share;

(iv) a premium of approximately 104.8% over the closing price of HK$1.46 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 129.3% over the audited net asset value per Share of HK$1.304 as at 31 December 2010 (calculated based on the audited total equity of the Group of RMB1,135.67 million (equivalent to approximately HK$1,362.80 million) and 1,045,000,000 Shares in issue as at that date).

The Consideration Shares represent approximately 1.11% of the existing issued share capital of the Company and approximately 1.10% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares, when issued, will rank pari passu with all other Shares in issue as at the date of allotment and issue of the Consideration Shares. The aggregate nominal value of the Consideration Shares to be issued amounts to HK$1,100,000. The Consideration Shares will be issued pursuant to a specific mandate to be sought from the Shareholders at the EGM.

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

Conditions precedent

Completion of the Share Purchase contemplated under the Acquisition Agreement is conditional upon the fulfilment or waiver (where applicable) of the following conditions:

(i) all approvals, consents and acts to be obtained or completed before Completion as required under the Listing Rules, the Hong Kong Code on Takeovers and Mergers or as otherwise required by the Stock Exchange or the Securities and Futures Commission of Hong Kong in connection with the Acquisition Agreement and the transactions contemplated thereunder (including the Shareholders' Agreement) have been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules or requirements has been obtained from the Stock Exchange or the Securities and Futures Commission of Hong Kong; and

(ii) all requisite waivers, consents and approvals from any other relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Acquisition Agreement have been obtained.

The condition (ii) above is waivable at the discretion of the Company. Save as mentioned above, no other condition is waivable by any party. If the above conditions precedent are not satisfied or waived on or before the Long Stop Date, the Acquisition Agreement shall terminate and none of the parties to the Acquisition Agreement shall have any claim against the others. The Long Stop Date may be extended by mutual consent of the Company, the Purchaser, the DDI Shareholders and DDI. As disclosed in the announcement of the Company dated 13 June 2011, the Prepayment was secured by a first right of pledge in favour of the Company over the Sale Shares. In the event that Completion does not take place, the Prepayment will be converted into a non-interest bearing loan to be repaid in full in one installment by DDI on 30 June 2012.

Completion

Completion will take place on the date falling three Business Days after the fulfilment or waiver (as the case may be) of the conditions precedents above, or such other date agreed in writing between the parties to the Acquisition Agreement.

Security

Pursuant to the Acquisition Agreement, DDI will establish a first right of pledge up to a maximum amount of Euro 2,950,000 in favour of the Purchaser over all of its Hyproca Dairy Shares as security for the liability of DDI and the DDI Shareholders in relation to the warranties and indemnities given by DDI and the DDI Shareholders under the Acquisition Agreement. Such right of pledge shall be effective as of the Completion Date and will expire at the later of (i) the date falling three months after the audited and consolidated financial statements of the Hyproca Dairy Group for the year ending 31 December 2011 have been adopted by the general meeting of shareholders of Hyproca Dairy (the "**Expiration Date**"); (ii) the date on which any and all claims in relation to warranties and indemnities given by DDI and the DDI Shareholders in respect of which notice was given by the Purchaser to DDI and the DDI Shareholders prior to the Expiration Date, have been fully and finally settled among the parties or as appears from a final arbitral award or an irrevocable judgement; or (iii) the date on which all the reported deferred tax assets as referred to in the Acquisition Agreement have been effectively realised by the relevant company in the Hyproca Dairy Group.

THE SHAREHOLDERS' AGREEMENT

In connection with the Share Purchase, DDI, the DDI Shareholders, Hyproca Dairy, the Purchaser and the Company also entered into the Shareholders' Agreement on 19 July 2011 to regulate their respective rights and obligations in Hyproca Dairy. The Shareholders' Agreement superseded all prior agreements, understandings or arrangement among the shareholders of Hyproca Dairy, including but not limited to the shareholders' agreement entered into among the parties on 3 July 2011 as disclosed in the Announcement.

Parties

(i) DDI;

(ii) the DDI Shareholders;

(iii) the Purchaser;

(iv) the Company; and

(v) Hyproca Dairy.

Formation of Hyproca Nutrition (Hong Kong) Co. Ltd and Hyproca Nutrition (China) Co. Ltd

Pursuant to the Shareholders' Agreement, in addition to Hyproca Nutrition (Hong Kong) Co. Ltd which has been incorporated in Hong Kong as a wholly-owned subsidiary of Hyproca Dairy, Hyproca Nutrition (China) Co. Ltd will be established in the PRC with 85% equity and 100% voting interests to be held by Hyproca Nutrition (Hong Kong) Co. Ltd and 15% equity and non-voting interests being held by the management of Hyproca Nutrition (China) Co. Ltd (the allocation of such interests among the management of Hyproca Nutrition (China) Co. Ltd is to be further decided by the parties to the Shareholders' Agreement). It is the current intention of the parties that Hyproca Nutrition (Hong Kong) Co. Ltd and Hyproca Nutrition (China) Co. Ltd will be a marketing and sales platform for nutritional products in consumer packs to the PRC and other Asian countries.

Management of the Hyproca Dairy Group

Pursuant to the Shareholders' Agreement, Hyproca Dairy will have a supervisory board comprising three or five members, of which two or three members (as the case may be) shall be appointed upon the binding nomination by the Purchaser and one or two member(s) (as the case may be) shall be appointed upon the binding nomination by DDI. It is further provided that the chairman of the supervisory board must be a member appointed by the Purchaser. The management board of Hyproca Dairy shall continue to consist of one managing director; and the management team shall consist of five members including the managing director. The general meeting of the shareholders of Hyproca Dairy will appoint the members of the management board by a majority of votes cast in such meeting.

Non-compete undertaking

Each of the DDI Shareholders, Messrs. I. Jorna, Bart Van Der Meer and B. Busser and DDI undertakes towards each other and the other parties to the Shareholders' Agreement that, subject to the provisions in the Shareholders' Agreement, neither he/it nor his/its Affiliates will (unless with the written approval of the other parties), either alone or jointly with others, whether as principal, agent or manager, shareholder, independent contractor or in any other capacity, directly or indirectly through any other person, for his/its own benefit or that of others during the Restricted Period and other than through the Hyproca Dairy Group:

(i) engage in or carry out or be concerned or interested in any Restricted Activity in the Prohibited Area in competition with the Hyproca Dairy Group;

(ii) canvass or solicit or accept orders for the supply of goods or services substantially similar to the Restricted Activity in the Prohibited Area in the normal course of business by the Hyproca Dairy Group from any person who has been a customer of the Hyproca Dairy Group, or induce or seek to induce any person to cease being a customer or supplier of the Hyproca Dairy Group; or

(iii) in relation to any Restricted Activity in the Prohibited Area, solicit or employ from the Hyproca Dairy Group any (former) director or (former) employee, whether or not this would be a breach of contract on the part of the (former) director or (former) employee.

Based on the information provided by DDI, Messrs. I. Jorna, Bart Van Der Meer and B. Busser, through their respective indirect interest in DDI, were interested in an aggregate of an approximately 75.0% effective interest in Hyproca Dairy as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the common shareholding interest (direct or indirect) in Hyproca Dairy, Messrs. I. Jorna, Bart Van Der Meer and B. Busser are third parties independent of the Company and its connected persons.

Each of the Company and the Purchaser undertakes towards the other parties to the Shareholders' Agreement that, subject to the provisions in the Shareholders' Agreement, neither it nor its Affiliates will (unless with the written approval of DDI), either alone or jointly with others, whether as principal, agent or manager, shareholder, independent contractor or in any other capacity, directly or indirectly through any other person, for its own benefit or that of others during the Restricted Period and other than through the Hyproca Dairy Group:

(i) engage in or carry out or be concerned or interested in any business activities regarding goat milk or goat milk based products in the Prohibited Area; or

(ii) in relation to any Restricted Activity in the Prohibited Area, solicit or employ from the Hyproca Dairy Group or the subsidiaries any (former) director or (former) employee, whether or not this would be a breach of contract on the part of the (former) director or (former) employee,

provided that the Company or the Purchaser shall not be limited in its opportunities to purchase a company or a group of companies of which part of the business activities consist of activities as described in paragraph (i) above, provided that it shall first offer to sell such part of the business activities as described in paragraph (i) above (either through a share or an asset deal) to a company in the Hyproca Dairy Group, whereby in case the relevant company in the Hyproca Dairy Group chooses not to accept such offer, the Company or the Purchaser shall be free to purchase such company or group of companies and will take reasonable measures to contribute the relevant business activities to the Hyproca Dairy Group.

The restrictions as mentioned above shall not operate to prohibit each party alone or jointly with others from holding a passive interest without operational involvement of up to 25% of the shares of any company or group engaged in any Restricted Activity, the shares of which are listed or dealt in on a recognised stock exchange.

Other major terms of the Shareholders' Agreement

It is provided in the Shareholders' Agreement that subject to the existing contractual arrangements between the Group and its suppliers, the Group will grant the Hyproca Dairy Group a preferred supplier position to supply products to the Company or its Affiliates, provided that the Hyproca Dairy Group is able to supply its products on conditions and requirements satisfactory to the Company.

It is also provided in the Shareholders' Agreement that the resolutions of the management board or the shareholders of Hyproca Dairy (together with those of the management boards of its subsidiaries) regarding certain reserved matters shall be subject to the prior written approval of the general meeting of the shareholders of Hyproca Dairy by virtue of a resolution adopted with a majority of votes or (as the case may be) a majority of at least 80% of votes cast in a meeting where the entire capital of Hyproca Dairy is represented and/or (in respect only of certain reserved matters to be resolved by the management board) the prior written approval of the relevant supervisory board by virtue of a resolution adopted with a majority. These reserved matters include, among others, issuance and repurchase of equity instruments of any of the companies in the Hyproca Dairy Group, amendments to the articles of association of Hyproca Dairy and acquisitions or disposals of assets outside the ordinary course of business.

It is further provided in the Shareholders' Agreement that each of DDI and the Purchaser, being all the shareholders of Hyproca Dairy, shall not, other than with the prior consent of the other party or in accordance with the Shareholders' Agreement:

(i) for the duration of the Shareholders' Agreement, pledge, grant a right of usufruct or otherwise encumber all or any of the Hyproca Dairy Shares;

(ii) for a period of five years following 29 March 2011, sell, transfer or otherwise dispose of all or any of its Hyproca Dairy Shares or any (beneficial) interest in its Hyproca Dairy Shares (including through the issuance of depository receipts in respect of its Hyproca Dairy Shares (except in accordance with the Shareholders' Agreement);

(iii) for the duration of the Shareholders' Agreement, enter into any agreement with respect to the voting rights attached to all or any of its Hyproca Dairy Shares; or

(iv) for the duration of the Shareholders' Agreement (in the case of (i) and (iii) above), or for a period of five years following 29 March 2011 (in the case of (ii) above), agree, whether conditionally or otherwise, to do any of the foregoing.

Each of the DDI Shareholders has also provided similar undertakings to the Company and the Purchaser as mentioned in paragraphs (i) and (ii) above for a period of five years following 29 March 2011.

Any transfer of the Hyproca Dairy Shares by a shareholder to a third party will be subject to right of first refusal of the other shareholder. Tag along rights to sell at the same time and on the same terms is also provided in the Shareholders' Agreement.

Effective date

The Shareholders' Agreement shall take effect from the Completion Date for an indefinite period and shall cease to have effect in relation to a shareholder of Hyproca Dairy if that shareholder of Hyproca Dairy ceases to hold any Hyproca Dairy Shares and such cessation was in accordance with the provisions of the Shareholders' Agreement.

INFORMATION ON THE HYPROCA DAIRY GROUP

Hyproca Dairy is a private company with limited liability incorporated under the laws of the Netherlands and is principally a holding company. As at the Latest Practicable Date, Hyproca Dairy was owned as to approximately 19.44% by the Purchaser and 80.56% by DDI.

Business

The Hyproca Dairy Group is principally engaged in the dairy industry in the Netherlands with activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products. It also has its own formula milk powder productions and is a leading producer of goat milk powder in the world. Upon Completion, the principal operating subsidiaries of the Hyproca Dairy Group are Hyproca Dairy B.V., Lypack Holding B.V., HB Food and Hyproca Lyempf.

The history of Hyproca Dairy goes back to 1897 when its first factory was established. The factory of Hyproca Dairy B.V. forms the basis of the Hyproca Dairy Group. The factory of Hyproca Dairy B.V. started its first milk powder productions in 1928 and has been producing milk powders since then.

The factory of Lypack Holding B.V. first started its production of baby formulae in 1938. Lypack Holding B.V. and its subsidiaries are experienced and dedicated producers of a wide range of high quality infant formulae.

HB Food and its subsidiaries specialise in the complete chain of fresh Dutch goat milk from collection from farms to finished products. HB Food is a leading producer of goat milk powder in the world.

Hyproca Lyempf holds certain assets acquired from a third party in April 2011, details of which are set out in the paragraph headed "Acquisition of assets by the Hyproca Dairy Group" below.

Financial information

Set out below is the audited financial information of the Hyproca Dairy Group for the two years ended 31 December 2009 and 2010, prepared using International Financial Reporting Standards and extracted from the accountants' report on the Hyproca Dairy Group as set out in Appendix II to this circular:

	For the year ended 31 December			
	2009		2010	
	(Euro million)	*(HK$ million)*	*(Euro million)*	*(HK$ million)*
Profit before taxation from continuing operations	1.8	20.1	2.3	25.6
Profit after taxation from continuing operations	1.2	13.4	1.8	20.1
Profit for the year from discontinued operations	0.2	2.2	–	–

As at 31 December 2010, the audited equity attributable to owners of Hyproca Dairy amounted to approximately Euro 5.4 million (equivalent to approximately HK$60.2 million).

Acquisition of assets by the Hyproca Dairy Group

On 21 April 2011, the Hyproca Dairy Group completed the acquisition of certain assets which were previously owned by Lyempf B.V. Based on the information provided by DDI, Lyempf B.V. is a well-established dairy company in the Netherlands principally engaged in the production of liquid milk products, milk powders and a range of combined milk based powders, including infant formulae. On 7 April 2011, Lyempf B.V. declared bankrupt and D. Meulenberg, LLM (the "**Trustee**") acts as the trustee in the bankruptcy of Lyempf B.V.

On 21 April 2011, Hyproca Lyempf purchased from the Trustee certain distressed assets comprising (i) fixed assets such as plant for pre-processing of raw milk, two spray dryers with capacity of 27,000 tons of powder, laboratory, furniture, other equipments and vehicles at a consideration of Euro 5.55 million; (ii) certain inventories and products of Lyempf B.V. at a consideration of Euro 0.5 million; (iii) claims on certain trade debtors of Lyempf B.V. at a consideration of Euro 3.7 million; and (iv) intangible assets such as brand name, list of customers, website and domain name at a consideration of Euro 0.25 million (collectively, the "**Distressed Assets**"). The total purchase price of the Distressed Assets is Euro 10.0 million (equivalent to approximately HK$111.4 million) and was financed as to approximately Euro 3.5 million by issued preference shares (the rights and terms of which are set forth below) of Hyproca Lyempf subscribed by Hyproca Dairy, as to approximately Euro 4.0 million by a loan from the shareholder of Hyproca Dairy and as to approximately Euro 2.5 million by a loan from Hyproca Dairy. The acquisition of the Distressed Assets did not involve the purchase or transfer of, among other things, liabilities, supplier contracts, sales contracts and employment contracts of Lyempf B.V.

The preference shares of Hyproca Lyempf are convertible into ordinary shares of Hyproca Lyempf. However, the terms relating to conversion into ordinary shares have not been fixed. Pursuant to the articles (the "**Articles**") of association of Hyproca Lyempf, the general meeting of shareholders of Hyproca Lyempf is authorised to decide on the conversion, splitting or consolidation of shares (meaning the ordinary shares and the preference shares of Hyproca Lyempf), with the proviso that (a) as far as such conversion relates to already issued shares, such conversion can only occur with the consent of all the holders of the shares to be converted and (b) the resolution to convert has been adopted with a majority of 3/4 of the votes in a meeting where 2/3 of the entire issued capital of Hyproca Lyempf is represented. With the said resolution, the general meeting of Hyproca Lyempf shall also (and only then and with the consent of all the holders of the shares to be converted) establish the terms of the conversion (including conversion ratio, conversion period, conditions of conversion), such with due observance of the Articles and Netherlands law. In terms of voting rights, there is no difference between preference shares and ordinary shares. Each preference share or ordinary share entitles its holder to one vote at a general meeting of the shareholders of Hyproca Lyempf. As to the entitlement to dividend, if the general meeting of the shareholders of Hyproca Lyempf resolves to distribute dividend, first of all, a cumulative preference dividend of six percent (6%) per year of the capital paid up on the preference shares will be paid on the preference shares and if any distributable profit remains after the payment in full of such cumulative preference dividend, the remaining distributable profit may be paid on the ordinary shares pro-rata the nominal amount of the ordinary shares. If in any year no, or just a partial, payment of the aforementioned dividend percentage was made on the preference shares, no dividend may be paid on the ordinary shares before the entire overdue dividend on the preference shares is paid in full. As regards entitlement to the surplus (if any) remaining on liquidation of Hyproca Lyempf, out of such surplus the holder(s) of the preference shares shall, if applicable, receive overdue dividend and the amount paid up on the preference shares. Any surplus then remaining shall be distributed among the holders of ordinary shares pro-rata the nominal amount of the ordinary shares. Save as mentioned above, the rights attached to the preference shares are the same as those attached to the ordinary shares.

In connection with the acquisition of the Distressed Assets, Hyproca Lyempf also entered into a leasing agreement with a third party independent of both the Hyproca Dairy Group and the Group in respect of the leasing of land and factory premises for the operation of the Distressed Assets (the "**Lease**"). Under the Lease, Hyproca Lyempf has, during the duration of the Lease, the right to purchase the land and factory premises leased thereunder from the aforesaid independent third party for the price of Euro 5,300,000 plus costs. By a notarial deed of (purchase) sale and delivery dated 8 September 2011, Hyproca Lyempf acquired the land and factory premises under the Lease at a consideration of Euro 5,300,000. By a notarial deed of issue and delivery dated 8 September 2011, Hyproca Dairy transferred 10% of all the issued ordinary shares of Hyproca Lyempf to a fellow subsidiary of the aforesaid independent third party at a nominal consideration of Euro 1 and Hyproca Dairy is therefore interested in approximately 91.6% of the entire issued share capital of Hyproca Lyempf (comprising Euro 19,700 out of the entire issued share capital of Hyproca Lyempf of Euro 21,500, as represented by 16,200 ordinary shares (out of the total of 18,000 ordinary shares in issue) with a par value of Euro 1.00 each and 3,500 preference shares (being all the preference shares in issue) with a par value of Euro 1.00 each) after the aforesaid transfer. Taking into account of the Subscription Shares held by the Purchaser, the Purchaser will be interested in an aggregate of 51% of the issued share capital of Hyproca Dairy upon Completion. The Company therefore will have a 46.7% effective interest (i.e. 51% x 91.6%) in the Distressed Assets upon Completion.

The acquisition of the Distressed Assets together with the land and factory premises did not form part of the basis of determining the aggregate consideration for the Share Purchase and the Subscription, as the acquisition of the Distressed Assets and the land and factory premises are purchase of assets made by the Hyproca Dairy Group in the ordinary and usual course of business with the prior verbal consent of the Company (in accordance with the conditions set out in the draft shareholders' agreement under negotiation between the Company and the shareholders of Hyproca Dairy at the material time). Pursuant to the Acquisition Agreement, completion of the acquisition of the Distressed Assets or the acquisition of the land and factory premises is not a condition precedent to Completion.

As a result of the acquisition of the Distressed Assets, the Hyproca Dairy Group is equipped with a full production chain of infant formula milk powder products and other dairy products. Further information regarding the Distressed Assets are set out in section C of the accountants' report of the Hyproca Dairy Group and note (3) to the pro forma financial information of the Enlarged Group contained in Appendix II and Appendix III to this circular respectively. Assuming Completion took place on or before 31 December 2011, for the purpose of preparation of forthcoming consolidated financial statements of the Enlarged Group for the year ending 31 December 2011, the Company will recognize the fair value of all the identifiable assets (including the Distressed Assets and the land and factory premises) and liabilities of the Hyproca Dairy Group in the consolidated statement of financial position of the Company upon completion of the Share Purchase. Based on the preliminary valuation of all the identifiable assets (including the Distressed Assets and the land and factory premises) and liabilities of the Hyproca Dairy Group, there will be an excess of the Consideration over the fair value of the identifiable assets (including the Distressed Assets and the land and factory premises) and liabilities of the Hyproca Dairy Group, which will be recorded as goodwill in the consolidated statement of financial position of the Company. The Company has made enquiries with its auditors, Ernst & Young, who confirmed that the above accounting treatments are consistent with the Company's accounting policies and in accordance with applicable accounting standards.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the production, marketing and distribution of high-end and premium paediatric nutrition products in the PRC.

It is the Company's business strategy to invest in or acquire upstream milk powder related assets and operations, including investments in overseas cattle farms and/or milk powder producers in order to broaden the Group's milk powder supply sources to diversify the Group's risk in this aspect and to ensure a stable supply of milk powder to cope with the business growth. As announced by the Company on 29 March 2011, the Company, DDI and Hyproca Dairy entered into a letter of intent on 29 March 2011 for the Share Purchase and the Subscription. As further announced by the Company on 13 June 2011, the Company entered into an agreement with DDI, the DDI Shareholders and Hyproca Dairy and advanced the Prepayment to DDI to fund the acquisition of the assets of Lyempf B.V. as mentioned in the paragraph headed "Information on the Hyproca Dairy Group" above. On 30 June 2011, the Purchaser subscribed for the Subscription Shares and the Group secured an equity interest in Hyproca Dairy, details of which are disclosed in the Announcement.

After completion of the Subscription, the Company has continued its negotiations with DDI with a view to acquiring a controlling stake in Hyproca Dairy. Given the potential synergies among the businesses of the Group and those of the Hyproca Dairy Group, the Company considers that the Acquisition is in the long-term interests of the Group. The Directors are also of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole. Upon Completion, Hyproca Dairy will be accounted for as an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated in the financial statements of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares, assuming there is no other changes in the shareholding structure of the Company after the Latest Practicable Date:

	As at the Latest Practicable Date		**Immediately after the allotment and issue of the Consideration Shares**	
	No. of Shares	*% to total*	*No. of Shares*	*% to total*
All Harmony International Limited *(Note 1)*	107,000,000	10.84	107,000,000	10.72
Brave Leader Limited *(Note 2)*	214,646,000	21.74	214,646,000	21.50
Silver Castle International Limited *(Note 3)*	60,000,000	6.08	60,000,000	6.01
Ausnutria Holding Co Ltd *(Note 4)*	200,000,000	20.26	200,000,000	20.04
	581,646,000	58.92	581,646,000	58.27
DDI	–	–	11,000,000	1.10
Other public Shareholders	405,514,000	41.08	405,514,000	40.63
	987,160,000	100.00	998,160,000	100.00

Notes:

1. All Harmony International Limited is owned as to 49.22% by Mr. Chen Yuanrong (an executive Director) and 20 former and present employees of the Group.

2. Brave Leader Limited is owned as to 59.57% by Mr. Wu Yueshi ("Mr. Wu", an executive Director), 30.67% by Ms. Wu Xing Xing ("Ms. X Wu", the elder sister of Mr. Wu) and 9.76% by Mr. Yan Weibin ("Mr. Yan", an executive Director).

3. Silver Castle International Limited is owned as to 59.57% by Mr. Wu, 30.67% by Ms. X Wu and 9.76% by Mr. Yan.

4. Ausnutria Holding Co Ltd is owned as to 60% by Mr. Wu, 30% by Mr. Yan and 10% by Ms. Xiong Fanyi (the spouse of Mr. Wu).

FINANCIAL EFFECTS OF THE SHARE PURCHASE

Earnings

Upon Completion, Hyproca Dairy will be accounted for as an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated in the financial statements of the Company. The Group recorded an audited profit attributable to the Shareholders of approximately RMB 110.2 million for the year ended 31 December 2010. Based on the accountants' report of the Hyproca Dairy Group as contained in Appendix II to this circular, the Hyproca Dairy Group recorded profit from continuing operations for the years ended 31 December 2009 and 2010 of approximately Euro 1.2 million and Euro 1.8 million respectively. Taking into account the proven track record of the Hyproca Dairy Group and the potential synergies among the businesses of the Group and those of the Hyproca Dairy Group, the Company expects that the Acquisition would likely to have a positive impact on the future financial performance of the Enlarged Group.

Assets and liabilities

According to the unaudited consolidated statement of financial position of the Group as at 30 June 2011, the Group had total assets and total liabilities of approximately RMB1,145.7 million and RMB109.3 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular and assuming Completion had taken place on 30 June 2011, the unaudited pro forma total assets and total liabilities of the Enlarged Group would be increased to approximately RMB1,376.0 million (including intangible assets of approximately RMB28.8 million and goodwill of approximately RMB51.6 million) and RMB233.4 million respectively. The net assets of the Group would be increased from approximately RMB1,036.4 million as at 30 June 2011 to RMB1,142.7 million upon Completion.

For the avoidance of doubt, as disclosed in note 3 to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group set out in Appendix III to this circular, the aforementioned total assets and total liabilities of the Enlarged Group have not taken into consideration the effect of the acquisition of the Distressed Assets and the land and factory premises by Hyproca Lyempf.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

After the Share Purchase, the Company's market competitiveness and market presence will be strengthened, enabling it to capture business opportunities in the blooming high-priced and premium-priced paediatric milk formula products in the PRC. Looking forward, the Directors consider that the growth momentum of the PRC's paediatric milk industry will be sustained for the coming years and the Enlarged Group will step up efforts on all fronts to capitalise on the trend. In anticipation of the growth potential of the paediatric milk business in the PRC, the Enlarged Group will continue to serve as a reliable supplier of quality paediatric milk as well as a production, distribution and sale platform in the paediatric milk market in the PRC. Meanwhile, the Enlarged Group will continue to look for new investment business opportunities with a view to seeking further expansion, enhancing the Enlarged Group's overall competitiveness and improving its business and financial performance.

LISTING RULES IMPLICATION

The Share Purchase, on its own or when aggregated with the Subscription, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder are therefore subject to the approval by the Shareholders at the EGM by way of poll.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, DDI, the DDI Shareholders, Hyproca Dairy and their respective associates (as defined under the Listing Rules) did not hold any Shares and no Shareholder is required to abstain from voting in respect of the Share Purchase at the EGM.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and the Share Purchase is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to the circular.

Yours faithfully,
By order of the Board
Ausnutria Dairy Corporation Ltd
Wu Yueshi
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010 AND THE SIX MONTHS ENDED 30 JUNE 2010 AND 2011

Set out below is a summary of the audited financial information of the Group for each of the years ended 31 December 2008, 2009 and 2010 as extracted from the annual reports of the Company and the unaudited financial information of the Group for the six months ended 30 June 2010 and 2011 as extracted from the interim reports of the Company.

	For the six months ended 30 June		For the year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
RESULTS					
REVENUE	219,030	294,550	579,333	623,777	405,166
Cost of sales	(102,446)	(140,567)	(261,789)	(315,530)	(259,163)
Gross profit	116,584	153,983	317,544	308,247	146,003
Other income and gains	7,599	7,388	21,520	6,898	836
Selling and distribution costs	(39,105)	(75,381)	(174,449)	(91,947)	(56,628)
Administrative expenses	(14,116)	(11,430)	(21,584)	(10,565)	(9,162)
Other expenses	(5,999)	(8,919)	(20,367)	(41)	(695)
Finance costs	–	(1,371)	(1,369)	(4,184)	(859)
Share of losses of associates	–	–	(104)	–	–
PROFIT BEFORE TAX	64,963	64,270	121,191	208,408	79,495
Tax	(10,224)	(4,620)	(11,024)	(26,288)	(8,966)
PROFIT FOR THE PERIOD/ YEAR	54,739	59,650	110,167	182,120	70,529
Other comprehensive income:					
Exchange difference on translating foreign operations	(600)	170	138	(210)	25
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	54,139	59,820	110,305	181,910	70,554
Attributable to:					
Owners of the parent	54,739	59,650	110,167	182,120	70,529
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,145,721	1,213,954	1,204,625	1,627,102	227,041
TOTAL LIABILITIES	(109,274)	(128,767)	(68,953)	(546,529)	(121,493)
NET ASSETS	1,036,447	1,085,187	1,135,672	1,080,573	105,548

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2009

The audited consolidated financial statements of the Group for the financial year ended 31 December 2009 together with the relevant notes to the accounts are set out on pages 33 to 87 of the annual report of the Company for the year ended 31 December 2009 published on 29 April 2010, which can be accessed on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.ausnutria.com.hk.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

The audited consolidated financial statements of the Group for the financial year ended 31 December 2010 together with the relevant notes to the accounts are set out on pages 36 to 88 of the annual report of the Company for the year ended 31 December 2010 published on 13 April 2011, which can be accessed on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.ausnutria.com.hk.

4. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2011

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2011 together with the relevant notes to the accounts are set out on pages 17 to 32 of the interim report of the Company for the six months ended 30 June 2011 published on 9 September 2011, which can be accessed on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.ausnutria.com.hk.

5. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 July 2011, being the latest practicable date for inclusion of information in this paragraph headed "Indebtedness statement" prior to the publication of this circular, the Enlarged Group had outstanding interest-bearing bank and other borrowings of approximately RMB128,770,000 as follows:

	As at 31 July 2011 *RMB'000*
Secured bank borrowings	14,406
Secured bank overdrafts	111,022
Finance leases	3,342
Total	128,770

As at 31 July 2011, the Group had, in fact, no loan or borrowing and all the bank borrowings, bank overdrafts and finance leases were of the Hyproca Dairy Group. The Enlarged Group had total available banking facilities of approximately RMB190,966,000 of which approximately RMB125,428,000 had been utilized as at 31 July 2011.

Collateral

As at 31 July 2011, the Enlarged Group's bank loans, bank overdrafts and finance leases were secured by the pledge of the followings:

	As at 31 July 2011
	RMB'000
Property, plant and equipment	107,243
Inventories	107,919
Trade and other receivables	100,451
Total	315,613

Contingent liabilities

As at the close of business on 31 July 2011, the Enlarged Group had no material contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 31 July 2011, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or debt securities or other material contingent liabilities.

The Directors confirmed that save for obtaining a mortgage loan facility of Euro 10.5 million on 8 September 2011 by Hyproca Lyempf, there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 July 2011 up to and including the Latest Practicable Date.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into RMB at the rates of exchange prevailing at the close of business on 31 July 2011.

6. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Share Purchase and the financial resources and the banking and other facilities presently available, the Enlarged Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

1. ACCOUNTANTS' REPORT ON THE HYPROCA DAIRY GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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23 September 2011

The Directors
Ausnutria Dairy Corporation Ltd

Dear Sirs,

We set out below our report on the financial information of Hyproca Dairy Group B.V. (formerly known as Hyproca Holding B.V.) ("Hyproca Dairy") and its subsidiaries (hereinafter collectively referred to as the "Hyproca Dairy Group") which comprises the consolidated statements of financial position of the Hyproca Dairy Group as at 31 December 2008, 2009 and 2010 and 31 March 2011 and Hyproca Dairy's statements of financial position as at 31 December 2008, 2009 and 2010 and 31 March 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Hyproca Dairy Group for each of the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), together with the unaudited financial information of the Hyproca Dairy Group including the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the three months ended 31 March 2010 (the "31 March 2010 Corresponding Information"), prepared on the basis of preparation set out in note 2 of Section B below, for inclusion in the circular of Ausnutria Dairy Corporation Ltd (the "Company") dated 23 September 2011 (the "Circular") in connection with the proposed acquisition of Hyproca Dairy (the "Acquisition") by the Company.

Hyproca Dairy was incorporated in the Netherlands on 16 October 1989 and registered as a private company with limited liability. Hyproca Dairy is principally engaged as investment holding. As at the date of this report, Hyproca Dairy has direct and indirect interests in the subsidiaries as set out in note 20 of Section B below.

The statutory consolidated financial statements of Hyproca Dairy for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with the Dutch Generally Accepted Accounting Principles and were audited by its statutory auditors, Accon AVM Controlepraktijk B.V. ("Accon"). Accon has issued a disclaimer opinion in respect of the statutory consolidated financial statements for the years ended 31 December 2008 and 2009 on the basis that there were no appropriate internal controls and Accon has been unable to perform sufficient audit procedures to obtain reasonable assurance on the completeness of turnover and related items. During the year ended 31 December 2010, an unqualified opinion has been issued on the basis that the internal control has been improved. We have considered the internal control relevant to the Hyproca Dairy Group's preparation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hyproca Dairy Group's internal control. By carrying out the audit procedures as described in the following paragraph, we have been able to satisfy ourselves that there were no material misstatements in the financial statements. Accordingly, our opinion as set out below is not qualified in this aspect.

For the purpose of this report, the sole director of Hyproca Dairy has prepared the consolidated financial statements of the Hyproca Dairy Group for the Relevant Periods (the "Underlying Financial Statements"), in accordance with International Financial Reporting Standards ("IFRSs"), including all applicable individual International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations, issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC"). We have carried out audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information and 31 March 2010 Corresponding Information have been prepared by the sole director of Hyproca Dairy based on the Underlying Financial Statements of the Hyproca Dairy Group with no adjustment made thereon and on the basis of preparation set out in note 2 of Section B below and the accounting policies set out in note 3 of Section B below.

The sole director of Hyproca Dairy is responsible for the preparation of the Financial Information and 31 March 2010 Corresponding Information that give a true and fair view presentation in accordance with IFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and for such internal control as the sole director of Hyproca Dairy determine is necessary to enable the preparation of the Financial Information and 31 March 2010 Corresponding Information that are free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the Financial Information and 31 March 2010 Corresponding Information presented in this report and the contents of the Circular in which this report is included.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Hyproca Dairy Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustment has been made in the Financial Information.

For the purpose of this report, we have reviewed the 31 March 2010 Corresponding Information, which has been prepared in accordance with the basis of preparation set out in note 2 of Section B below and the accounting policies set out in note 3 of Section B below, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our responsibility is to express a conclusion on the 31 March 2010 Corresponding Information based on our review. A review principally consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the 31 March 2010 Corresponding Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 March 2010 Corresponding Information.

Opinion and review conclusion

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 of Section B below and in accordance with the accounting policies in note 3 of Section B below, gives a true and fair view of the state of affairs of the Hyproca Dairy Group and of Hyproca Dairy as at 31 December 2008, 2009 and 2010 and 31 March 2011 and of the consolidated results and consolidated cash flows of the Hyproca Dairy Group for the Relevant Periods.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the 31 March 2010 Corresponding Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies adopted.

A. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
	Notes	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000* *(Unaudited)*	*Euro'000*
Continuing operations						
Turnover	*5*	36,742	34,512	37,218	8,348	11,733
Cost of sales		(34,415)	(30,786)	(33,682)	(7,642)	(10,355)
Gross profit		2,327	3,726	3,536	706	1,378
Other income and net gains or losses	*7*	(118)	43	185	(3)	77
Distribution costs		(464)	(460)	(503)	(209)	(278)
Administrative expenses		(522)	(560)	(597)	(154)	(185)
Other operating expenses		(437)	(672)	(333)	(157)	(717)
Share of (loss)/profit of an associate		(68)	66	312	43	20
Finance costs	*9*	(297)	(334)	(265)	(76)	(77)
Profit before income tax expense	*10(a)*	421	1,809	2,335	150	218
Income tax expense	*11*	(142)	(582)	(499)	(36)	(149)
Profit for the year/period from continuing operations		279	1,227	1,836	114	69
Discontinued operations						
Profit for the year from discontinued operations	*10(b)*	128	238	–	–	–
Profit and total comprehensive income for the year/period attributable to owners of Hyproca Dairy		407	1,465	1,836	114	69
Basic and diluted earnings per share in Euro	*15*					
– From continuing operations		0.40	1.75	2.62	0.16	0.10
– From discontinued operations		0.18	0.34	–	–	–
– From continuing and discontinued operations		0.58	2.09	2.62	0.16	0.10

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2008	2009	2010	2011
	Notes	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Non-current assets					
Goodwill	*16, 17*	176	176	176	416
Property, plant and equipment	*18*	5,924	5,808	5,769	6,389
Intangible assets	*19*	–	–	20	1,337
Interest in an associate	*21*	732	798	901	–
Deferred tax assets	*30*	361	331	139	1,371
Total non-current assets		7,193	7,113	7,005	9,513
Current assets					
Inventories	*22*	5,438	5,724	5,631	6,098
Trade and other receivables	*23*	3,050	3,755	4,774	5,181
Amount due from a related party	*24*	–	400	841	554
Current tax recoverable		15	–	181	264
Cash and bank balances		54	107	115	740
Total current assets		8,557	9,986	11,542	12,837
Total assets		15,750	17,099	18,547	22,350
Current liabilities					
Trade and other payables	*25*	5,090	4,049	5,475	13,321
Amount due to an associate	*24*	–	73	–	–
Amounts due to related parties	*24*	–	25	24	–
Current tax liabilities		107	186	–	149
Borrowings	*26*	5,125	6,065	6,299	1,688
Finance lease payables	*27*	108	114	121	126
Total current liabilities		10,430	10,512	11,919	15,284
Net current liabilities		(1,873)	(526)	(377)	(2,447)
Total assets less current liabilities		5,320	6,587	6,628	7,066
Non-current liabilities					
Borrowings	*26*	250	–	–	–
Finance lease payables	*27*	527	434	309	273
Derivative financial instrument	*28*	117	158	152	107
Employee benefits	*29*	136	207	246	246
Deferred tax liabilities	*30*	512	545	483	719
Total non-current liabilities		1,542	1,344	1,190	1,345
NET ASSETS		3,778	5,243	5,438	5,721
Capital and reserves					
Share capital	*31*	3,176	3,176	3,176	3,290
Reserves		602	2,067	2,262	2,431
TOTAL EQUITY		3,778	5,243	5,438	5,721

(c) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2008 Euro'000	As at 31 December 2009 Euro'000	As at 31 December 2010 Euro'000	As at 31 March 2011 Euro'000
Non-current assets					
Property, plant and equipment	18	3,064	2,960	2,817	2,791
Investments in subsidiaries	20	3,394	3,394	2,627	3,961
Investment in an associate	21	800	800	800	–
Total non-current assets		7,258	7,154	6,244	6,752
Current assets					
Prepayment and other receivables	23(b)	9	–	1	32
Amounts due from subsidiaries	24	210	88	112	281
Amount due from a related party	24	–	400	841	554
Current tax recoverable		–	–	211	295
Cash and bank balances		1	–	–	2,963
Total current assets		220	488	1,165	4,125
Total assets		7,478	7,642	7,409	10,877
Current liabilities					
Trade and other payables	25	132	94	58	6,184
Amounts due to subsidiaries	24	641	516	277	328
Amount due to an associate	24	–	73	–	–
Amount due to related parties	24	–	25	24	–
Current tax liabilities		105	213	–	–
Borrowings	26	2,713	3,349	4,586	1,688
Total current liabilities		3,591	4,270	4,945	8,200
Net current liabilities		(3,371)	(3,782)	(3,780)	(4,075)
Total assets less current liabilities		3,887	3,372	2,464	2,677
Non-current liabilities					
Borrowings	26	250	–	–	–
Derivative financial instrument	28	117	158	152	107
Deferred tax liabilities	30	374	226	243	243
Total non-current liabilities		741	384	395	350
NET ASSETS		3,146	2,988	2,069	2,327
Capital and reserves					
Share capital	31	3,176	3,176	3,176	3,290
Reserves	32	(30)	(188)	(1,107)	(963)
TOTAL EQUITY		3,146	2,988	2,069	2,327

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *Euro'000*	Share premium *Euro'000*	Treasury share *Euro'000*	Revaluation reserves *Euro'000*	(Accumulated losses)/ retained profits *Euro'000*	Total *Euro'000*
At 1 January 2008	3,313	287	(137)	617	(709)	3,371
Total comprehensive income for the year	–	–	–	–	407	407
Cancellation of treasury shares *(note 31)*	(137)	–	137	–	–	–
At 31 December 2008	3,176	287	–	617	(302)	3,778
Total comprehensive income for the year	–	–	–	–	1,465	1,465
At 31 December 2009	3,176	287	–	617	1,163	5,243
Total comprehensive income for the year	–	–	–	–	1,836	1,836
Share of an associate's movement in equity	–	–	–	–	(209)	(209)
Dividends paid *(note 14)*	–	–	–	–	(1,432)	(1,432)
At 31 December 2010	3,176	287	–	617	1,358	5,438
Total comprehensive income for the period	–	–	–	–	69	69
Issue of ordinary shares *(note 31)*	114	100	–	–	–	214
At 31 March 2011	3,290	387	–	617	1,427	5,721
For the three months ended 31 March 2010 (unaudited)						
At 31 December 2009	3,176	287	–	617	1,163	5,243
Total comprehensive income for the period (unaudited)	–	–	–	–	114	114
At 31 March 2010 (unaudited)	3,176	287	–	617	1,277	5,357

(e) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Operating activities					
Profit before income tax from					
– Continuing operations	421	1,809	2,335	150	218
– Discontinued operations	126	232	–	–	–
	547	2,041	2,335	150	218
Adjustments for:					
Depreciation	693	792	737	196	206
Amortisation	–	–	–	–	1
Interest income	(1)	(1)	–	–	(15)
Share of loss/(profit) of an associate	68	(66)	(312)	(43)	(20)
Loss on revaluation of existing interest in acquired subsidiary in fair value	–	–	–	–	578
Finance costs	297	334	265	76	77
Impairment loss on interest in an associate	–	233	–	–	–
Loss/(gain) on fair value change of derivative financial instruments	119	41	(6)	23	(45)
	1,723	3,374	3,019	402	1,000
(Increase)/decrease in inventories	(2,730)	(286)	59	1,643	(467)
Decrease/(increase) in trade and other receivables	371	(705)	(1,318)	1,150	2,007
Increase/(decrease) in trade and other payables	684	(1,041)	1,666	(839)	4,709
(Decrease)/increase in net employee benefit obligation	(32)	71	39	–	–
Cash generated from operations	16	1,413	3,465	2,356	7,249
Interest paid	(272)	(293)	(230)	(65)	(70)
Income tax paid	(313)	(419)	(635)	(19)	(83)
Net cash (used in)/generated from operating activities	(569)	701	2,600	2,272	7,096

		Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
	Notes	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000 (unaudited)*	*Euro'000*
Investing activities						
Acquisition of a subsidiary, net of cash acquired	*37*	–	–	–	–	(1,318)
Disposal of subsidiaries, net of cash disposed	*36*	–	–	(21)	(21)	–
Payments to acquire property, plant and equipment		(575)	(676)	(858)	(192)	(778)
Payments to acquire intangible assets		–	–	(20)	–	(4)
Investment in an associate		–	(233)	–	–	–
Interest received		1	1	–	–	15
(Increase)/decrease in amount due from a related party		–	(400)	(268)	(884)	287
Net cash used in investing activities		(574)	(1,308)	(1,167)	(1,097)	(1,798)
Financing activities						
Dividend paid		–	–	(1,432)	–	–
Repayment of borrowings		(345)	(312)	(500)	(167)	–
Repayment of finance lease payables		(76)	(128)	(153)	(39)	(38)
Increase/(decrease) in amounts due to related parties and an associate		–	98	(74)	8	(24)
Net cash used in financing activities		(421)	(342)	(2,159)	(198)	(62)
Net (decrease)/increase in cash and cash equivalents		(1,564)	(949)	(726)	977	5,236
Cash and cash equivalents at beginning of year/period		(1,257)	(2,821)	(3,770)	(3,770)	(4,496)
Cash and cash equivalents at end of year/period		(2,821)	(3,770)	(4,496)	(2,793)	740
Analysis of the balances of cash and cash equivalents:						
Cash and bank balances		54	107	115	72	740
Bank overdrafts	*26*	(2,875)	(3,877)	(4,611)	(2,865)	–
Cash and cash equivalents at end of year/period		(2,821)	(3,770)	(4,496)	(2,793)	740

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hyproca Dairy Group B.V. (formerly known as Hyproca Holding B.V.) ("Hyproca Dairy") was incorporated in the Netherlands on 16 October 1989 with limited liability. The address of its registered office and principal place of business of Hyproca Dairy is De Amert 312, 5462GH Veghel, the Netherlands.

The principal activities of Hyproca Dairy and its subsidiaries (hereafter collectively referred to as the "Hyproca Dairy Group") are investment holding and manufacturing and sale of nutrition products. Details of the principal activities of its subsidiaries are set out in note 20.

During the year ended 31 December 2010, Hyproca Dairy has transferred all of its equity interests in Interpack Emmen B.V. ("Interpack") and Kryger International Technics B.V. ("Kryger International") to its subsidiary, Krijger Installatie Techniek B.V. ("Krijger Installatie"). After that, Hyproca Dairy entered into sale and purchase agreement with Frisiana Food Investments B.V. ("FFI"), a fellow subsidiary of Hyproca Dairy, to transfer its 100% equity interests in Krijger Installatie and its subsidiaries (hereinafter collectively referred to as the "Disposed Group") at a consideration of Euro 728,000.

On 1 February 2011, Hyproca Dairy entered into sale and purchase agreements with Elbe B.V. and FFI, a fellow subsidiary of Hyproca Dairy, to acquire 25.07% and 35.45% equity interests in HB Food Group B.V. ("HB Food") and its subsidiaries, CBM B.V., Holland Geiten Melk B.V. ("HGM"), Kabrita B.V. (formally known as Xpert Nutrition B.V.) and Xpert Fine Foods B.V. ("XFF"), (hereinafter collectively referred to as "HB Group") for a total consideration of Euro 300,000 and new issue of 2,500 ordinary shares of Hyproca Dairy. The transactions resulted in HB Food ceasing to be an associate and became a wholly owned subsidiary of Hyproca Dairy.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information and 31 March 2010 Corresponding Information have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), including all applicable individual International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations, issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") and disclosure requirement of the Hong Kong Companies Ordinance.

In addition, the Financial Information and 31 March 2010 Corresponding Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Hyproca Dairy Group is set out in note 3 to the Financial Information.

(b) Adoption of new and revised International Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information and 31 March 2010 Corresponding Information, the Hyproca Dairy Group has applied all the new or revised IFRSs that are effective for accounting period beginning on or after 1 January 2011.

At the date of this report, the Hyproca Dairy Group has not applied the following new and revised IFRSs, which are potentially relevant to the Hyproca Dairy Group but are not yet effective for the Relevant Periods.

Amendments to IAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[3]
IAS 19 (2011)	Employee Benefits[4]
IAS 27 (2011)	Separate Financial Statements[4]
IAS 28 (2011)	Investments in Associates and Joint Ventures[4]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[2]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The management of the Hyproca Dairy Group is in the process of making an assessment of the potential impact of the new/revised IFRSs and the sole director of Hyproca Dairy so far concluded that the application of these new/revised IFRSs will have no material impact on the Hyproca Dairy Group's Financial Information and 31 March 2010 Corresponding Information.

(c) Basis of measurement and preparation

The Financial Information and 31 March 2010 Corresponding Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

As at 31 March 2011, Hyproca Dairy Group's current liabilities exceeded its current assets by Euro 2,447,000. In preparing the Financial Information, the sole director of Hyproca Dairy has assessed the Hyproca Dairy Group's sources of liquidity and believed that the Hyproca Dairy Group is able to generate sufficient cash flows from future operations to cover the Hyproca Dairy Group's operating costs and adequate funding is available to fulfil the Hyproca Dairy Group's short-term obligations and capital expenditure requirements. Accordingly, the Financial Information has been prepared on a basis that the Hyproca Dairy Group will be able to continue as a going concern. Further details are set out in note 39(a)(ii). Should Hyproca Dairy Group be unable to continue as a going concern, adjustments would be made to restate the values of assets to their net recoverable values, and to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these potential adjustments has not been reflected in the Financial Information and 31 March 2010 Corresponding Information.

(d) Functional and presentation currency

The Financial Information and 31 March 2010 Corresponding Information are presented in Euro, which is the same as the functional currency of Hyproca Dairy.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of Hyproca Dairy and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Hyproca Dairy Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Hyproca Dairy Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Hyproca Dairy Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Hyproca Dairy Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Hyproca Dairy Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiary

A subsidiary is an entity over which Hyproca Dairy is able to exercise control. Control is achieved where Hyproca Dairy, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In Hyproca Dairy's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by Hyproca Dairy on the basis of dividend received and receivable.

(c) Associate

An associate is an entity over which the Hyproca Dairy Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associate is accounted for using the equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Hyproca Dairy Group's share of the post-acquisition change in the associate's net assets except that losses in excess of the Hyproca Dairy Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Hyproca Dairy Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Hyproca Dairy Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

In Hyproca Dairy's statement of financial position, investment in an associate is carried at cost less impairment loss. The results of associates are accounted for by Hyproca Dairy on the basis of dividends received and receivable during the Relevant Periods.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Hyproca Dairy Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Freehold land	Indefinite useful life
Buildings	25 years
Machinery	5 to 10 years
Furniture, fixtures and equipment	5 to 10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in cost of sales. The useful lives are as follows:

Contractual and non-contractual customer and supplier relationships	10 years
Others	2 to 10 years

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Financial instruments

(i) Financial assets

Hyproca Dairy classifies its financial assets as loans and receivables, which are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Hyproca Dairy Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Hyproca Dairy Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include borrowings and trade and other payables. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by Hyproca Dairy are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Hyproca Dairy Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Hyproca Dairy Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(vii) Derecognition

The Hyproca Dairy Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Hyproca Dairy Group and the amount of revenue can be measured reliably.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(k) Income taxes

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Hyproca Dairy Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(l) Foreign currency

Transactions entered into by the Hyproca Dairy Group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

(m) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Defined benefit retirement plan

The Hyproca Dairy Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the end of reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Hyproca Dairy Group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

In calculating the Hyproca Dairy Group's obligations in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligations and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Hyproca Dairy Group's net obligations results in a negative amount, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Hyproca Dairy Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(n) Impairment of other assets

At the end of each reporting period, the Hyproca Dairy Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment in subsidiaries;
- interest in an associate; and
- intangible assets (with finite useful lives)

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(o) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Hyproca Dairy Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Hyproca Dairy Group's accounting policies, the sole director of Hyproca Dairy is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Key sources of estimation uncertainty

Defined benefit retirement plan

The Hyproca Dairy Group operates two defined benefit retirement plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with IAS 19 Employee Benefits. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of reporting period based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. In calculating the Hyproca Dairy Group's obligations in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligations and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the IFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit retirement plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

Depreciation of property, plant and equipment

The Hyproca Dairy Group determines the depreciation amount of property, plant and equipment based on the estimated useful life and residual value, which are reviewed at end of each reporting period. The principal assumptions for the Hyproca Dairy Group's estimation of the useful life and residual value include those related to the mode of operations, government regulations and scrap value of property, plant and equipment in future.

Income taxes

The Hyproca Dairy Group is subject to income taxes in the Netherlands. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of assets

The Hyproca Dairy Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Hyproca Dairy Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. TURNOVER

Turnover represents the net invoiced value of goods sold net of discounts by the Hyproca Dairy Group during the Relevant Periods.

6. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, the chief operating decision maker of Hyproca Dairy, the Executive Director, regularly reviews turnover for major products. However, the financial information provided to the Executive Director, does not contain profit or loss information of each product line and the Executive Director reviewed the operating result of the Hyproca Dairy Group on a consolidated basis. Therefore, the operation of the Hyproca Dairy Group constitutes one single reportable segment, being the manufacture and sales of nutrition products.

Segment revenue and results

The financial information presented to the Executive Director is consistent with the consolidated statement of comprehensive income.

The Executive Director considers the Hyproca Dairy Group's profit for the Relevant Periods as the measurement of segment's results.

Geographical information

The following table provides an analysis of the Hyproca Dairy Group's turnover by geographical markets with reference to locations of external customers:

	Year ended 31 December			**Three months ended 31 March**	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
The Netherlands (place of domicile)	30,926	28,161	29,593	6,676	8,511
Foreign countries *(note)*	5,816	6,351	7,625	1,672	3,222
	36,742	34,512	37,218	8,348	11,733

Note: The turnover from external customers attributed to an individual foreign country accounted for less than 10% of the Hyproca Dairy Group's revenue during the Relevant Periods.

The Hyproca Dairy Group's operations are principally carried out in the Netherlands and all non-current assets of the Hyproca Dairy Group are located in the Netherlands.

Information about major customers

The following is an analysis of the Hyproca Dairy Group's turnover from continuing operations from its major customers.

	Year ended 31 December			**Three months ended 31 March**	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Customer A	7,478	7,671	10,205	2,535	3,991
Customer B	N/A	5,250	4,389	1,237	N/A
Customer C	5,090	4,212	N/A	N/A	N/A

7. OTHER INCOME AND NET GAINS OR LOSSES

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Continuing operations					
Interest income	1	1	–	–	15
(Loss)/gain on fair value change of derivative financial instruments	(119)	(41)	6	(23)	45
Other income	–	83	179	20	17
	(118)	43	185	(3)	77

8. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS (NOTE 13))

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Continuing operations					
Wages, salaries, bonuses and allowances	2,799	3,166	3,461	890	891
Contributions on defined contribution retirement plans	85	94	110	25	30
Expenses of defined benefit pension plans *(note 29(b))*	123	235	215	45	40
	3,007	3,495	3,786	960	961

9. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Continuing operations					
Interest on:					
Bank loan, wholly repayable over five years	141	156	136	41	21
Loans from shareholders, wholly repayable within five years	20	20	5	5	–
Bank overdrafts	111	117	89	19	49
Finance lease payables	25	41	35	11	7
	297	334	265	76	77

10. PROFIT BEFORE INCOME TAX EXPENSE

(a) Profit before income tax expense from continuing operations is arrived at after charging:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* (*unaudited*)	*Euro'000*
Auditors' remuneration	41	42	39	11	24
Cost of inventories sold	34,415	30,786	33,682	7,642	10,355
Depreciation of property, plant and equipment					
– Owned	552	627	628	169	179
– Held under finance leases	72	108	109	27	27
Loss on revaluation of existing interest in acquired subsidiary in fair value	–	–	–	–	578
Impairment loss on investment in an associate	–	233	–	–	–

(b) Discontinued operations

As mentioned in note 1 above, the Hyproca Dairy Group disposed of 100% of equity interests in the Disposed Group, which was engaged in manufacturing and sale of sugar. The disposal was effected to streamline the non-core business. The disposal was completed on 1 January 2010, the date on which the control of the Disposed Group passed to the acquirer. The turnover, results and cash flows of manufacturing and sales of sugar of the Disposed Group were as follows:

	Year ended 31 December	
	2008	**2009**
	Euro'000	*Euro'000*
Results of discontinued operations		
Turnover	1,085	1,206
Total operating costs	(959)	(974)
Profit before tax	126	232
Income tax credit	2	6
Profit for the year from discontinued operations	128	238
Cash flows from discontinued operations		
Operating cash inflows/(outflows)	89	(73)
Financing cash outflows	(43)	(148)
Net cash inflows/(outflows)	46	(221)

11. INCOME TAX EXPENSE

(a) The amounts of income tax expense in the consolidated statements of comprehensive income represent:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Continuing operations					
Current tax – Dutch corporate tax					
– Provision for the year	227	517	299	36	149
– (Over)/under provision in prior years	(11)	2	(29)	–	–
	216	519	270	36	149
Deferred tax *(note 30)*	(74)	63	229	–	–
Income tax expense	142	582	499	36	149

(b) The income tax for the Relevant Periods can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Profit before income tax expense	421	1,809	2,335	150	218
Less: Share of loss/(profit) of an associate	68	(66)	(312)	(43)	(20)
Accounting profit before income tax	489	1,743	2,023	107	198
Tax calculated at Dutch corporate tax rate	118	433	505	21	40
Tax effect of expenses not deductible for tax purposes	35	147	23	15	109
(Over)/under provision in prior years	(11)	2	(29)	–	–
Income tax expense	142	582	499	36	149

During the year ended 31 December 2008, the Dutch corporate tax rate is applied at 20% for the first Euro 40,000 of taxable profits, 23% for next Euro 160,000 taxable profits and 25.5% for the taxable profits exceeding Euro 200,000. For the years ended 31 December 2009 and 2010, the Dutch corporate tax rate is applied at 20% for the first Euro 200,000 taxable profits and 25.5% for the taxable profits exceeding Euro 200,000. Starting from year 2011, the Dutch corporate tax rate is applied at 20% for the first Euro 200,000 taxable profits and 25% for the taxable profits exceeding Euro 200,000.

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF HYPROCA DAIRY

Profit/(loss) attributable to owners of Hyproca Dairy during the Relevant Periods which have been dealt with in the Financial Information and the 31 March 2010 Corresponding Information of Hyproca Dairy are as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000 (unaudited)*	*Euro'000*
(Loss)/profit	(71)	(158)	513	148	44

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Director's emoluments

The remuneration of the sole director of Hyproca Dairy for the Relevant Periods is set out below:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000 (unaudited)*	*Euro'000*
Mr. Jorna, Ignatius Petrus					
Director's fee	166	188	190	48	36
Basic salaries and other emoluments	–	–	–	–	–
Pensions	–	–	–	–	–
	166	188	190	48	36

(b) Five highest paid individuals

The five individuals, other than the sole director of Hyproca Dairy disclosed above, whose emoluments were the highest in the Hyproca Dairy Group during the Relevant Periods are as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000 (unaudited)*	*Euro'000*
Wages and salaries, pension contributions and other benefits	401	429	470	125	119

The emoluments are within the following bands:

	Number of employee				
	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(unaudited)	
Nil to HK$1,000,000	4	3	2	5	5
HK$1,000,001 – HK$1,500,000	1	2	3	–	–

There were no amounts paid during the Relevant Periods to the sole director of Hyproca Dairy and the five highest paid individuals as an inducement to join or upon joining the Hyproca Dairy Group or as compensation for loss of office. Also, there was no arrangement under which the sole director of Hyproca Dairy waived or agreed to waive any remuneration during the Relevant Periods.

14. DIVIDENDS

The dividends paid during the Relevant Periods by Hyproca Dairy to the owners were as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
				(unaudited)	
Interim dividend declared and paid (Euro 2.05 per ordinary share issued) *(note)*	–	–	1,432	–	–

Note: The dividend per ordinary share amount was based on the enlarged number of ordinary shares (i.e. 700,000 ordinary shares) as a result of the share subdivision as disclosed in Section C.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of Hyproca Dairy is based on the following data:

Earnings:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
				(unaudited)	
Profit for the year/period attributable to owners of Hyproca Dairy					
– From continuing operations	279	1,227	1,836	114	69
– From discontinued operations	128	238	–	–	–
– From continuing and discontinued operations	407	1,465	1,836	114	69

Weighted average number of ordinary shares for the purposes of basic earnings per share:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
Issued ordinary shares, net of treasury share, at 1 January	70,000	70,000	70,000	70,000	70,000
Effect of issue of ordinary shares	–	–	–	–	1,629
	70,000	70,000	70,000	70,000	71,629
Effect of share subdivision *(note)*	630,000	630,000	630,000	630,000	644,661
Weighted average number of ordinary shares for the year/period	700,000	700,000	700,000	700,000	716,290

There were no dilutive potential ordinary shares during the Relevant Periods and therefore diluted earnings per share is equivalent to basic earnings per share.

Note: The number of ordinary shares for the purpose of calculating basic earnings per share for the Relevant Periods has been retrospectively adjusted for the share subdivision disclosed in Section C as if the shares had been in issue throughout the Relevant Periods.

16. GOODWILL

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Cost				
At 1 January	176	176	176	176
Acquired through business combinations *(note 37)*	–	–	–	240
At 31 December	176	176	176	416

17. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGUs") identified as follows:

	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Neolac Nutritional Products B.V. ("Neolac")	101	101	101	101
Lypack Holding B.V.	75	75	75	75
HB Food	–	–	–	240
	176	176	176	416

Impairment tests for goodwill

Goodwill is allocated to the Hyproca Dairy Group's CGUs identified according to country of operation and business segment.

The Hyproca Dairy Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. For the purposes of impairment tests, the calculation is based on a five-year budget. Cash flows beyond the five year period are extrapolated assuming a market growth rate of 5% to 20% in first five years and thereafter stays constant at 3%. Key assumptions were based on past performance, management's expectations on market development and general inflation. The discount rate applied to the cash flow projections is 15.5% reflecting the Hyproca Dairy Group's cost of capital.

Based on the assessments performed, the sole director of Hyproca Dairy is of the opinion that the recoverable amount of the goodwill exceeded its carrying amount. No impairment loss is recognised.

18. PROPERTY, PLANT AND EQUIPMENT

	The Hyproca Dairy Group			
	Freehold land and buildings	Machinery	Furniture, fixtures and equipment	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Cost:				
At 1 January 2008	4,367	5,361	1,207	10,935
Additions	–	1,087	174	1,261
At 31 December 2008	4,367	6,448	1,381	12,196
Additions	–	518	158	676
At 31 December 2009	4,367	6,966	1,539	12,872
Additions	–	704	154	858
Disposal of subsidiaries *(note 36)*	–	–	(444)	(444)
At 31 December 2010	4,367	7,670	1,249	13,286
Additions	–	699	79	778
Acquired through business combinations *(note 37)*	–	–	48	48
At 31 March 2011	4,367	8,369	1,376	14,112
Accumulated depreciation:				
At 1 January 2008	1,318	3,787	474	5,579
Charge for the year	128	391	174	693
At 31 December 2008	1,446	4,178	648	6,272
Charge for the year	128	510	154	792
At 31 December 2009	1,574	4,688	802	7,064
Charge for the year	128	503	106	737
Disposal of subsidiaries *(note 36)*	–	–	(284)	(284)
At 31 December 2010	1,702	5,191	624	7,517
Charge for the period	32	140	34	206
At 31 March 2011	1,734	5,331	658	7,723
Net book value:				
At 31 March 2011	2,633	3,038	718	6,389
At 31 December 2010	2,665	2,479	625	5,769
At 31 December 2009	2,793	2,278	737	5,808
At 31 December 2008	2,921	2,270	733	5,924

	Hyproca Dairy			
	Freehold land and buildings	**Machinery**	**Furniture, fixtures and equipment**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Cost:				
At 1 January 2008	4,367	847	3	5,217
Additions	–	–	90	90
At 31 December 2008	4,367	847	93	5,307
Additions	–	–	42	42
At 31 December 2009	4,367	847	135	5,349
Additions	–	–	4	4
At 31 December 2010	4,367	847	139	5,353
Additions	–	3	8	11
At 31 March 2011	4,367	850	147	5,364
Accumulated depreciation:				
At 1 January 2008	1,318	776	4	2,098
Charge for the year	128	2	15	145
At 31 December 2008	1,446	778	19	2,243
Charge for the year	128	1	17	146
At 31 December 2009	1,574	779	36	2,389
Charge for the year	128	1	18	147
At 31 December 2010	1,702	780	54	2,536
Charge for the period	32	–	5	37
At 31 March 2011	1,734	780	59	2,573
Net book value:				
At 31 March 2011	2,633	70	88	2,791
At 31 December 2010	2,665	67	85	2,817
At 31 December 2009	2,793	68	99	2,960
At 31 December 2008	2,921	69	74	3,064

Notes:

The freehold land and buildings are situated in the Netherlands.

All the property, plant and equipment of the Hyproca Dairy Group and Hyproca Dairy were pledged as securities for banking facilities (note 26).

The carrying amount of the Hyproca Dairy Group's machinery include amount of Euro 716,000, Euro 608,000, Euro 499,000 and Euro 472,000 in respect of assets acquired under finance leases (note 27) as at 31 December 2008, 2009 and 2010 and 31 March 2011 respectively.

19. INTANGIBLE ASSETS

	The Hyproca Dairy Group		
	Contractual and non-contractual customer and supplier relationships	**Others**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Cost:			
At 1 January 2008, 31 December 2008 and 31 December 2009	–	–	–
Additions	–	20	20
At 31 December 2010	–	20	20
Additions	–	4	4
Acquired through business combinations *(note 37)*	1,178	136	1,314
At 31 March 2011	1,178	160	1,338
Accumulated amortisation:			
At 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	–	–	–
Charge for the period	–	1	1
At 31 March 2011	–	1	1
Net book value:			
At 31 March 2011	1,178	159	1,337
At 31 December 2010	–	20	20
At 31 December 2009	–	–	–
At 31 December 2008	–	–	–

20. INVESTMENTS IN SUBSIDIARIES

	Hyproca Dairy			
	As at 31 December			**As at 31 March**
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Unlisted shares, at cost	5,890	5,890	2,627	3,961
Impairment loss	(2,496)	(2,496)	–	–
	3,394	3,394	2,627	3,961

Details of the subsidiaries are as follows:

Name	Principal activity	Registered paid-up capital	Effective equity interest As at 31 December 2008	2009	2010	As at 31 March 2011
Hyproca Dairy B.V. *(note c)*	Manufacture of nutrition products	Euro 18,151	100% (Direct)	100% (Direct)	100% (Direct)	100% (Direct)
Lypack Holding B.V. *(note c)*	Investment holding	Euro 250,000	100% (Direct)	100% (Direct)	100% (Direct)	100% (Direct)
Frisiana (Leeuwarden) B.V. *(note c)*	Trading of nutrition products	Euro 30,403	100% (Indirect)	100% (Indirect)	100% (Indirect)	100% (Indirect)
Lypack B.V. *(note c)*	Processing and packaging of nutrition products	Euro 18,151	100% (Indirect)	100% (Indirect)	100% (Indirect)	100% (Indirect)
Neolac *(note c)*	Trading of nutrition products	Euro 18,151	100% (Direct)	100% (Direct)	100% (Indirect)	100% (Indirect)
Krijger Installatie *(note b & c)*	Trading of internal transport equipment	Euro 6,807	100% (Direct)	100% (Direct)	–	–
Interpack *(note b & c)*	Processing and packaging of nutrition products	Euro 18,151	100% (Indirect)	100% (Direct)	–	–
Kryger International *(note b & c)*	Trading of machines for food and beverage processing	Euro 15,882	100% (Indirect)	100% (Direct)	–	–
HB Food *(note d)*	Investment holding	Euro 36,300	N/A	N/A	N/A	100% (Direct)
CBM B.V. *(note d)*	Trading of nutrition products	Euro 18,151	N/A	N/A	N/A	100% (Indirect)
HGM *(note d)*	Trading of nutrition products	Euro 725,358	N/A	N/A	N/A	100% (Indirect)
Kabrita B.V. *(note d)*	Trading of nutrition products	Euro 18,000	N/A	N/A	N/A	100% (Indirect)
XFF *(note d)*	Trading of nutrition products	Euro 18,000	N/A	N/A	N/A	100% (Indirect)
Hyproca Lyempf B.V. ("Hyproca Lyempf") *(note e)*	Manufacture of nutrition products	Euro 18,000	N/A	N/A	N/A	100% (Direct)

Notes:

(a) All subsidiaries are established as limited liability companies and operated in the Netherlands.

(b) Disposed during the year ended 31 December 2010 (note 36).

(c) The statutory financial statements for the years ended 31 December 2008, 2009 and 2010 were audited by its statutory auditors, Accon AVM Controlepraktijk B.V..

(d) Acquired during the period ended 31 March 2011 (note 37). No statutory financial statements have been prepared for that period.

(e) Formerly known as Hyproca Dairy Investment B.V., which was incorporated during the period ended 31 March 2011. No statutory financial statements have been prepared for that period.

(f) None of the subsidiaries had issued any debt securities at the end of the each reporting period.

21. INTEREST IN AN ASSOCIATE

	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Unlisted shares, at cost	800	1,033	1,033	–
Impairment loss	–	(233)	(233)	–
Investment in an associate	800	800	800	–
Share of results (post acquisition)	(68)	(2)	310	–
Share of movement in equity	–	–	(209)	–
Interest in an associate	732	798	901	–

During the year ended 31 December 2008, the Hyproca Dairy Group completed the acquisition of 39.48% interest in an associate, namely HB Food, at a consideration of Euro 1. On the same date, the Hyproca Dairy Group subscribed for eight 6% cumulative preference shares of HB Food of Euro 100,000 each.

During the year ended 31 December 2009, the Hyproca Dairy Group acquired four 6% cumulative preference shares of HB Food with nominal value of Euro 100 each for a total consideration of Euro 233,000. The Hyproca Dairy Group has recognised an impairment loss on these four preference shares.

During the period ended 31 March 2011, the Hyproca Dairy Group acquired the remaining 60.52% equity interest in HB Food. The transaction resulted in HB Food ceasing to be an associate and becoming a subsidiary of the Hyproca Dairy Group effective from 1 February 2011.

As at 31 December 2008, 2009 and 2010, interest in an associate included goodwill identified from the acquisition of Euro 1,251,000.

Particulars of the Hyproca Dairy Group's associate at the end of the reporting period were as follows:

				Effective equity interest			
				As at 31 December			As at 31 March
Name of associate	**Place of incorporation**	**Principal activities**	**Registered paid-up capital**	**2008**	**2009**	**2010**	**2011**
HB Food	The Netherlands	Investment holding *(note)*	Euro 36,300	39.48%	39.48%	39.48%	N/A

Note: The principal activity of the subsidiaries of HB Food is trading of nutrition products.

The summarised financial information in respect of the Hyproca Dairy Group's associate is set out as below:

	As at 31 December		
	2008	2009	2010
	Euro'000	*Euro'000*	*Euro'000*
Total assets	3,401	3,493	2,836
Total liabilities	4,776	4,769	3,322
Net liabilities	(1,375)	(1,276)	(486)
The Hyproca Dairy Group's share of net liabilities of an associate	(543)	(504)	(192)
Total revenue	18,737	19,840	17,221
Total (loss)/profit for the year	(273)	167	790
The Hyproca Dairy Group's share of (loss)/profit of an associate for the year	(68)	66	312

22. INVENTORIES

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Raw materials	788	1,467	1,571	2,412
Finished goods	4,650	4,257	4,060	3,686
	5,438	5,724	5,631	6,098

All the inventories of the Hyproca Dairy Group were pledged as securities for banking facilities (note 26).

23. TRADE AND OTHER RECEIVABLES

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Trade receivables *(note a)*	2,786	2,848	2,935	4,645
Trade receivable from an associate *(note a, d)*	37	644	1,132	–
Prepayments and other receivables	227	263	707	536
	3,050	3,755	4,774	5,181

Notes:

(a) The Hyproca Dairy Group's trade receivables are attributable to a number of independent customers on credit terms. The credit terms are within 30 days from the date of billings.

An ageing analysis of trade receivables from invoice date during the Relevant Periods are as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
0 to 30 days	1,928	2,820	3,212	4,206
31 to 60 days	569	374	689	302
61 to 90 days	7	74	86	9
Over 90 days	319	224	80	128
	2,823	3,492	4,067	4,645

The ageing of trade receivables which are past due but not impaired are as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Less than 30 days past due	569	374	689	302
31 to 60 days past due	7	74	86	9
Over 60 days past due	319	224	80	128
	895	672	855	439

(b) All the trade and other receivables were pledged as securities for banking facilities (note 26).

(c) Receivables that were past due but not impaired related to customers for whom there was no recent history of default. Based on past experience, the sole director of Hyproca Dairy consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Hyproca Dairy Group does not hold any collateral over these balances.

(d) Trade receivable from an associate was unsecured, interest-free and on a credit term of 30 days.

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/AN ASSOCIATE AND RELATED PARTIES

Amount due from a related party, FFI, amounting to Euro 841,000 and Euro 554,000 as at 31 December 2010 and 31 March 2011 respectively was unsecured, interest-bearing at 5% per annum and with no fixed repayment terms.

The remaining amounts due from/(to) subsidiaries/an associate and related parties were unsecured, interest-free and with no fixed repayment terms.

All the amounts due from subsidiaries and related parties were pledged as securities for banking facilities (note 26).

25. TRADE AND OTHER PAYABLES

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Trade payables *(note a & b)*	3,636	2,424	3,619	4,736
Accrued staff costs	456	509	451	461
Deposit received *(note c)*	–	–	–	6,000
Other payables and accruals *(note a)*	998	1,116	1,405	2,124
	5,090	4,049	5,475	13,321

	Hyproca Dairy			
	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Deposit received *(note c)*	–	–	–	6,000
Other payables and accruals *(note a)*	132	94	58	184
	132	94	58	6,184

Note:

(a) All trade payables and other payables and accruals are due to be settled within twelve months.

(b) An ageing analysis of trade payables based on invoice date as of the end of reporting period is as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
0 to 30 days	3,382	2,079	3,377	4,183
31 to 60 days	187	345	152	551
61 to 90 days	61	–	–	2
Over 90 days	6	–	90	–
	3,636	2,424	3,619	4,736

(c) The deposit was advanced from Ausnutria Dairy Corporation Ltd. initially for purchase of Hyproca Dairy's products. The amount was subsequently applied to settlement of part of the consideration for subscription of ordinary shares of Hyproca Dairy as set out in section C of this report.

26. BORROWINGS

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Interest bearing				
Bank overdrafts – secured *(note a)*	2,875	3,877	4,611	–
Loans from shareholders *(note b)*	250	250	–	–
Bank loan – secured *(note a & c)*	2,250	1,938	1,688	1,688
	5,375	6,065	6,299	1,688

At the end of each reporting period, total current and non-current borrowings were repayable (based on the scheduled repayment date) as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
On demand or within one year	3,187	4,377	4,799	250
More than one year, but not exceeding two years	500	188	250	250
More than two years, but not exceeding five years	688	750	750	750
More than five years	1,000	750	500	438
	5,375	6,065	6,299	1,688
Amount due within one year included in current liabilities *(note c)*	(5,125)	(6,065)	(6,299)	(1,688)
	250	–	–	–

	Hyproca Dairy			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Interest bearing				
Bank overdrafts – secured *(note a)*	463	1,161	2,898	–
Loans from shareholders *(note b)*	250	250	–	–
Bank loan – secured *(note a & c)*	2,250	1,938	1,688	1,688
	2,963	3,349	4,586	1,688

At the end of each reporting period, total current and non-current borrowings were repayable (based on the scheduled repayment date) as follows:

	Hyproca Dairy			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
On demand or within one year	775	1,661	3,086	250
More than one year, but not exceeding two years	500	188	250	250
More than two years, but not exceeding five years	688	750	750	750
More than five years	1,000	750	500	438
	2,963	3,349	4,586	1,688
Amount due within one year included in current liabilities *(note c)*	(2,713)	(3,349)	(4,586)	(1,688)
	250	–	–	–

Notes:

(a) The bank overdrafts and bank loan of the Hyproca Dairy Group and Hyproca Dairy were secured by pledge of property, plant and equipment (note 18), inventories (note 22), trade and other receivables (note 23) and amounts due from subsidiaries and related parties (note 24).

(b) The loans from shareholders were unsecured, interest bearing at 8% per annum and were settled in April 2010.

(c) Pursuant to the Hyproca Dairy Group's banking facilities letter, the Hyproca Dairy Group was required to maintain sufficient solvency ratio. As at 31 December 2008, 2009, 2010 and 31 March 2011, the Hyproca Dairy Group and Hyproca Dairy were in breach of the banking facility covenant and accordingly the full amount of the bank loan has been classified as current liabilities. The lender has not taken any action in relation to the breach during the Relevant Periods. During the three months ended 31 March 2011, the Hyproca Dairy Group negotiated with the lender to obtain a waiver letter in relation to the breach of covenants for the bank loan. The waiver letter was received in February 2011 and the lender has agreed not to demand payment as a consequence of the breach until the end of 2011. However, as at 31 March 2011, the Hyproca Dairy Group does not have an unconditional right to repay the loan on the original maturity date for at least twelve months after the reporting period (i.e. 31 March 2012). Therefore, the full amount of the bank loan of Euro 1,688,000 has been classified as current liabilities.

The borrowings, including bank overdrafts, loans from shareholders and bank loan, of the Hyproca Dairy Group and Hyproca Dairy carry interest at rates per annum ranging as follows:

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	%	%	%	%
Fixed-rate borrowings	4.45% to 8%	4.45% to 8%	4.45%	4.45%
Floating-rate borrowings	Euribor + 0.90%	Euribor + 0.90%	Euribor + 1.75%	Euribor + 1.75%

27. FINANCE LEASE PAYABLES

The Hyproca Dairy Group leases part of its machinery. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic lives of the assets concerned and often the Hyproca Dairy Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	The Hyproca Dairy Group							
	2008		2009		2010		2011	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Not later than one year	145	108	149	114	146	121	151	126
Later than one year and not later than five years	544	445	467	405	349	309	306	273
Later than five years	87	82	32	29	–	–	–	–
	776	635	648	548	495	430	457	399
Less: future finance charges	(141)		(100)		(65)		(58)	
	635		548		430		399	

The present value of future lease payments are analysed as:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Current liabilities	108	114	121	126
Non-current liabilities	527	434	309	273
	635	548	430	399

28. DERIVATIVE FINANCIAL INSTRUMENT

	The Hyproca Dairy Group and Hyproca Dairy			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Derivative liabilities that do not qualify for hedge accounting				
Interest rate swap contracts	117	158	152	107

The Hyproca Dairy Group has bank loan (note 26) exposed to floating interest rates. In order to manage the fluctuations in interest rates related to the bank borrowings, the Hyproca Dairy Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of Euro 2.5 million with 3-month floating rate Euro Interbank Offered Rate (the "Euribor") swapped to a fixed rate of approximately 4.45% per annum. This contract expires in October 2017.

29. EMPLOYEE BENEFITS

The Hyproca Dairy Group operates two defined benefit plans that provide post-employment benefits for employees upon retirement, resignation or death.

The latest independent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 19 August 2011 by Ernst & Young Actuarissen B.V., qualified actuaries, using the projected unit credit method.

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Liabilities for defined benefit retirement plan	136	207	246	246

(a) The amounts recognised in the consolidated statement of financial position are as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Present value of defined benefit obligations	2,265	2,581	2,923	2,980
Fair value of plan assets *(note)*	(1,172)	(1,465)	(1,657)	(1,714)
	1,093	1,116	1,266	1,266
Net actuarial losses not recognised	(957)	(909)	(1,020)	(1,020)
Net liabilities arising from defined benefit obligation	136	207	246	246

Note: The Hyproca Dairy Group funds the defined benefit plans by contributing to an insurance contract with an insurance company.

(b) The amounts recognised in the consolidated statement of comprehensive income are as follows:

	The Hyproca Dairy Group				
	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* (unaudited)	*Euro'000*
Current service cost	105	105	91	26	22
Interest cost	73	121	128	30	31
Additional charges	16	27	29	6	7
Expected return on plan assets	(67)	(67)	(77)	(17)	(20)
Net actuarial (gains)/losses recognised	(4)	49	44	–	–
Total, included in staff costs *(note 8)*	123	235	215	45	40

(c) Movements in the present value of defined benefit obligation are as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
At beginning of the year/period	1,278	2,265	2,581	2,923
Current service cost	105	105	91	22
Interest cost	73	121	128	31
Employee contributions	14	14	14	4
Actuarial losses	825	106	155	–
Benefits paid	(30)	(30)	(46)	–
At end of the year/period	2,265	2,581	2,923	2,980

(d) Movements in the fair value of plan assets are as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
At beginning of the year/period	1,294	1,172	1,465	1,657
Expected return on plan assets	67	67	77	20
Employer contributions	155	164	176	40
Employee contributions	14	14	14	4
Additional charges	(16)	(27)	(29)	(7)
Actuarial (losses)/gains	(312)	105	–	–
Benefits paid	(30)	(30)	(46)	–
At end of the year/period	1,172	1,465	1,657	1,714

(e) Historical information

	The Hyproca Dairy Group				
		As at 31 December			As at 31 March
	2007	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Present value of defined benefit obligation	1,278	2,265	2,581	2,923	2,980
Fair value of plan assets	(1,294)	(1,172)	(1,465)	(1,657)	(1,714)
(Surplus)/deficit	(16)	1,093	1,116	1,266	1,266
Experience adjustments on defined benefit obligations	–	581	–	–	–
Experience adjustments on plan assets	–	(45)	–	–	–

(f) The principal actuarial assumptions used for accounting purposes at each reporting period are as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
Discount rate applied to pension obligations	5.1%	4.8%	4.5%	4.5%
Expected rate of return on plan assets *(note)*	5.1%	4.8%	4.5%	4.5%
Expected rate of future salary increases	2.5%	2.5%	2.5%	2.5%

The general retirement age is 65. When an employee is born before 1959 and reaches the age of 62 before 31 December 2020 and has accrued early retirement pensions, pension accrual is assumed to end at age 62.

Note: The expected rate of return on plan assets is derived from the Bloomberg index C667 at a duration of 15 years.

(g) The actual returns on plan assets for each of the financial period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Actual returns on plan assets	(245)	172	77	N/A	N/A

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant one-off events, such as plan amendments, curtailments and settlements.

(h) The employer's contributions expected to be paid to the plans during the annual period beginning after 31 March 2011 is Euro 205,000.

30. DEFERRED TAX

Details of the deferred tax assets/(liabilities) of the Hyproca Dairy Group recognised and movements during the Relevant Periods:

	The Hyproca Dairy Group		
	Tax loss	**Accelerated tax depreciation**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
At 1 January 2008	324	(549)	(225)
Credited to profit or loss for the year	37	37	74
At 31 December 2008	361	(512)	(151)
Charged to profit or loss for the year	(30)	(33)	(63)
At 31 December 2009	331	(545)	(214)
Disposal of subsidiaries *(note 36)*	(10)	109	99
Charged to profit or loss for the year	(182)	(47)	(229)
At 31 December 2010	139	(483)	(344)
Acquired through business combinations *(note 37)*	1,232	(236)	996
At 31 March 2011	1,371	(719)	652

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Hyproca Dairy Group			
	As at 31 December			**As at 31 March**
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Deferred tax assets	361	331	139	1,371
Deferred tax liabilities	(512)	(545)	(483)	(719)
	(151)	(214)	(344)	652

At the end of each reporting period, there were no material unprovided deferred tax assets of the Hyproca Dairy Group.

Details of the deferred tax liabilities of Hyproca Dairy recognised and movements during the Relevant Periods:

	Hyproca Dairy Accelerated tax depreciation
	Euro'000
At 1 January 2008	579
Credited to profit or loss for the year	(205)
At 31 December 2008	374
Credited to profit or loss for the year	(148)
At 31 December 2009	226
Charged to profit or loss for the year	17
At 31 December 2010 and 31 March 2011	243

31. SHARE CAPITAL

Hyproca Dairy was incorporated in the Netherlands on 16 October 1989, with an authorised share capital of Euro 6,807,000 divided into 150,000 ordinary shares of Euro 45.38 each.

	As at 31 December			**As at 31 March**
	2008	**2009**	**2010**	**2011**
Issued and fully paid:				
Number of shares	70,000	70,000	70,000	72,500
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Issued and fully paid:				
Ordinary shares of Euro 45.38 each	3,176	3,176	3,176	3,290

	Number of Shares	**Share Capital**
		Euro'000
At 1 January 2008	73,000	3,313
Cancellation of treasury shares *(note a)*	(3,000)	(137)
At 31 December 2008, 31 December 2009, and 31 December 2010	70,000	3,176
Issue of ordinary shares for acquisition of a subsidiary *(note 37)*	2,500	114
At 31 March 2011	72,500	3,290

Notes:

a) During the year ended 31 December 2008, 3,000 treasury shares were cancelled by Hyproca Dairy.

b) On 30 June 2011, the shareholder of Hyproca Dairy passed a resolution that each of the existing issued and unissued ordinary shares with a nominal value of Euro 45.38 each was subdivided into ten ordinary shares of Euro 4.54 each, resulting in the number of ordinary shares of Hyproca Dairy in issue of 725,000.

c) On 3 July 2011, Hyproca Dairy issued and allotted 175,000 ordinary shares to Ausnutria Dairy Corporation Limited ("Ausnutria") at a total consideration of Euro 6,283,000, resulting in the number of ordinary shares of Hyproca Dairy in issue of 900,000.

32. RESERVES

	Share premium	Revaluation reserves	Hyproca Dairy Treasury shares	Accumulated losses	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
At 1 January 2008	287	617	(137)	(863)	(96)
Total comprehensive income for the year	–	–	–	(71)	(71)
Cancellation of treasury shares	–	–	137	–	137
At 31 December 2008	287	617	–	(934)	(30)
Total comprehensive income for the year	–	–	–	(158)	(158)
At 31 December 2009	287	617	–	(1,092)	(188)
Total comprehensive income for the year	–	–	–	513	513
Dividends paid *(note 14)*	–	–	–	(1,432)	(1,432)
At 31 December 2010	287	617	–	(2,011)	(1,107)
Total comprehensive income for the period	–	–	–	44	44
Issue of ordinary shares *(note 31)*	100	–	–	–	100
At 31 March 2011	387	617	–	(1,967)	(963)

33. OPERATING LEASE ARRANGEMENTS

The Hyproca Dairy Group leases its office under operating lease arrangement with lease terms of five years. The total future minimum lease payments are due as follows:

	The Hyproca Dairy Group			
	As at 31 December			As at 31 March
	2008	2009	2010	2011
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Within one year	–	–	–	24
After one year but within five years	–	–	–	50
Minimum leases payments	–	–	–	74

34. COMMITMENT

Capital commitment

At the end of each reporting period, the Hyproca Dairy Group had the following capital commitments in respect of:

	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Contracted for acquisition of property, plant and equipment but not provided	–	49	500	181

35. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information and 31 March 2010 Corresponding Information, the Hyproca Dairy Group entered into the following material related party transactions.

(a) Name and relationship

A. *Associates:*

Name of related party	**Relationship with the Hyproca Dairy Group**
HB Food	An associate of Hyproca Dairy prior to 1 February 2011 *(note 37)*
HGM	Subsidiary of HB Food
CBM B.V.	Subsidiary of HB Food
Kabrita B.V.	Subsidiary of HB Food
XFF	Subsidiary of HB Food

B. *Shareholders:*

Name of related party	**Relationship with the Hyproca Dairy Group**
Manids B.V.	Shareholder prior to 22 March 2011
Participatiemaatschappij Heerenveen B.V.	Shareholder prior to 22 March 2011

C. *Fellow subsidiaries:*

Name of related party	**Relationship with the Hyproca Dairy Group**
FFI	Fellow subsidiary
Interpack	Fellow subsidiary since 1 January 2010 *(note 36)*
Kryger International	Fellow subsidiary since 1 January 2010 *(note 36)*
Krijger Installatie	Fellow subsidiary since 1 January 2010 *(note 36)*

(b) During the Relevant Periods, the Hyproca Dairy Group entered into the following significant transactions with its related parties:

		Year ended 31 December			Three months ended 31 March	
		2008	2009	2010	2010	2011
	Notes	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Sales of goods to an associate	*(i)*	3,176	5,273	4,408	1,237	381
Purchases of goods from an associate	*(i)*	3,596	4,941	3,848	358	57
Interest expenses paid to shareholders	*26(b)*	20	20	5	5	–
Other income from an associate		–	83	51	21	–
Other income from fellow subsidiaries		–	–	128	–	–
Interest income from FFI	*24*	–	–	–	–	15
Disposal of the Disposed Group to FFI	*36*	–	–	728	728	–
Acquisition of 35.45% equity share in HB Food from FFI	*37*	–	–	–	–	300
Financial guarantees issued to an associate – maximum amount guaranteed	*40*	262	262	262	262	–

Notes:

(i) Sales and purchases of goods were conducted at prices and terms agreed between the Hyproca Dairy Group and the related parties.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Hyproca Dairy Group, including amounts paid to Hyproca Dairy's sole director and certain of the highest paid employees as disclosed in note 13, is as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000* *(unaudited)*	*Euro'000*
Director's fee	166	188	190	48	36
Wages and salaries, pension contributions and other benefits	199	219	235	81	71
	365	407	425	129	107

36. DISPOSAL OF SUBSIDIARIES

On 1 January 2010, the Hyproca Dairy Group disposed of 100% of equity interests in the Disposed Group to FFI at a consideration of Euro 728,000. The carrying amounts of assets and liabilities disposed of are as follows:

	The Disposed Group
	Euro'000
Net assets disposed of:	
Property, plant and equipment	160
Deferred tax assets	10
Inventories	34
Trade and other receivables	854
Cash and cash equivalents	21
Trade and other payables	(240)
Deferred tax liabilities	(109)
Current tax liabilities	(2)
	728
Consideration satisfied by:	
Receivable from FFI	728
Net cash outflow arising on disposal	
– Cash and cash equivalents disposed of	(21)

37. BUSINESS ACQUISITION DURING THE RELEVANT PERIODS

On 1 February 2011, the Hyproca Dairy Group acquired the remaining 60.52% equity interest in a former associate, HB Food, for a cash consideration of Euro 300,000 and issue 2,500 ordinary shares of Hyproca Dairy. The transaction resulted in HB Food ceasing to be an associate and becoming a wholly-owned subsidiary of Hyproca Dairy. The principal activity of HB Food is investment holding and its subsidiaries are engaged in trading of nutrition products. The sole director of Hyproca Dairy considered the acquisition should increase the Hyproca Dairy Group's market share in sale of nutrition products in particular to goat milk. Goodwill arose in the business combination because of the expected synergies and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured separately.

The fair value of identifiable assets and liabilities of acquired business in the transactions, and the goodwill arising, are as follows:

	Fair value
	Euro' 000
Property, plant and machinery	48
Intangible assets	1,314
Deferred tax assets	1,232
Trade and other receivables *(note)*	2,414
Cash and cash equivalents	(1,018)
Trade and other payables	(3,137)
Deferred tax liabilities	(236)
Total identifiable net assets at fair value acquired	617
Goodwill	240
	857
Satisfied by:	
Cash	300
Issue of ordinary shares	214
Fair value of equity interest previously held as investments in an associate	343
	857
Cash consideration	300
Negative cash and cash equivalents acquired	1,018
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,318

Note: The gross contractual amounts of the trade and other receivables is same as its fair value at Euro 2,414,000. The sole director of Hyproca Dairy estimated at the acquisition date that all receivable are fully recoverable.

The acquired business contributed revenue of Euro 2,073,000 and net profit of Euro 103,000 to the Hyproca Dairy Group for the period since the date of acquisition. If the acquisition had occurred on 1 January 2011, the Hyproca Dairy Group's revenue would have been increased by Euro 1,756,000 and net profit would have been increased by Euro 51,000.

38. CAPITAL RISK MANAGEMENT

The Hyproca Dairy Group's objective when managing capital is to safeguard the Hyproca Dairy Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Hyproca Dairy Group monitors the current and expected liquidity requirements regularly to ensure that the Hyproca Dairy Group maintain sufficient solvency ratio as required by the banking facilities letter. Upon the discovery of any default, the Hyproca Dairy Group would negotiate immediately with the lender for proper arrangement in order to maintain sufficient working capital. Upon the expectation of any cash insufficiency, the Hyproca Dairy Group would seek new source of funding so as to maintain sufficient working capital.

The solvency ratio, adjusted capital (note a) to adjusted assets (note b) ratio, at the end of each reporting period is as follows:

	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
Solvency ratio	21.6%	28.8%	23.7%	11.5%

Notes:

a) Adjusted capital is defined as the share capital plus reserves (which includes share premium and retained earnings) and less intangible assets, deferred tax assets and receivables from related parties based on local statutory consolidated accounts.

b) Adjusted assets is defined as total assets minus intangible assets, deferred tax assets and receivables from related parties based on local statutory consolidated accounts.

The Hyproca Dairy Group sets the amount of capital in proportion to risk. The Hyproca Dairy Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Hyproca Dairy Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made to the objectives or policies during the Relevant Periods.

39. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The main risks arising from the Hyproca Dairy Group's financial instruments in the normal course of the Hyproca Dairy Group's business are credit risk, liquidity risk and interest rate risk. The Hyproca Dairy Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Hyproca Dairy Group by closely monitoring the individual exposure as follows:

(i) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Hyproca Dairy Group. The Hyproca Dairy Group is exposed to credit risk from loans and receivables. The Hyproca Dairy Group has adopted a credit policy to monitor and mitigate credit risk arising from trade receivables. Credit limit is regularly reviewed and approved by the Board. The Hyproca Dairy Group assesses credit risk based on customer's past due record, trading history, financial condition or credit rating.

There is no concentration of credit risk with respect to trade receivables, as the Hyproca Dairy Group has a large number of customers.

Except for the financial guarantees given by Hyproca Dairy as set out in note 40, the Hyproca Dairy Group does not provide any other guarantees which would expose the Hyproca Dairy Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in note 40.

The carrying amount of each financial asset included in the consolidated statement of financial position represents the Hyproca Dairy Group's maximum exposure to credit risk in relation to the Hyproca Dairy Group's financial assets.

(ii) Liquidity risk

The Hyproca Dairy Group's policy is to regularly monitor its current and expected liquidity requirements and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

As at 31 March 2011, the Hyproca Dairy Group's current liabilities exceeded its current assets by Euro 2,447,000. In 2011 and thereafter, the liquidity of the Hyproca Dairy Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and its ability to obtain adequate external financing to meet its committed future capital expenditures. As at 31 March 2011, the Hyproca Dairy Group had banking facilities with a bank for providing overdraft and loan finance with a maximum of Euro 6,000,000, of which approximately Euro 1,688,000 was utilised. Subsequent to 31 March 2011, the Hyproca Dairy Group renewed its banking facilities and the maximum amount further increased to Euro 10,000,000. The sole director of Hyproca Dairy believes that sufficient financing will be available to the Hyproca Dairy Group.

The sole director of Hyproca Dairy has carried out a detailed review of the cash flow forecast of the Hyproca Dairy Group for the twelve months ending 31 March 2012. Based on such forecast, the sole director of Hyproca Dairy has determined that the Hyproca Dairy Group is able to generate sufficient cash flows from future operations to cover the Hyproca Dairy Group's operating costs and adequate funding is available to fulfil the Hyproca Dairy Group's short-term obligations and capital expenditure requirements during that period. In preparing the cash flow forecast, the sole director of Hyproca Dairy has considered historical cash requirements of the Hyproca Dairy Group as well as other key factors, including the availability of the above-mentioned loan finance which may impact the operations of the Hyproca Dairy Group during the next twelve-month period. The sole director of Hyproca Dairy is of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following table details the contractual maturities of the Hyproca Dairy Group and Hyproca Dairy for its non-derivative financial liabilities. The table has been drawn up using undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Hyproca Dairy Group is expected to pay. The table includes both interest and principal cash flows.

Non-derivative financial liabilities	The Hyproca Dairy Group Carrying amount *Euro'000*	Total contractual undiscounted cash flows *Euro'000*	On demand or within one year *Euro'000*	More than one year but less than five years *Euro'000*	More than five years *Euro'000*
At 31 December 2008					
Trade and other payables	5,090	5,090	5,090	–	–
Bank overdrafts	2,875	2,875	2,875	–	–
Loans from shareholders	250	275	20	255	–
Bank loan	2,250	2,250	2,250	–	–
Finance lease payables	635	776	145	544	87
Total	11,100	11,266	10,380	799	87
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–
At 31 December 2009					
Trade and other payables	4,049	4,049	4,049	–	–
Amount due to an associate	73	73	73	–	–
Amounts due to related parties	25	25	25	–	–
Bank overdrafts	3,877	3,877	3,877	–	–
Loans from shareholders	250	255	255	–	–
Bank loan	1,938	1,938	1,938	–	–
Finance lease payables	548	648	149	467	32
Total	10,760	10,865	10,366	467	32
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–
At 31 December 2010					
Trade and other payables	5,475	5,475	5,475	–	–
Amounts due to related parties	24	24	24	–	–
Bank overdrafts	4,611	4,611	4,611	–	–
Bank loan	1,688	1,688	1,688	–	–
Finance lease payables	430	495	146	349	–
Total	12,228	12,293	11,944	349	–
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–
At 31 March 2011					
Trade and other payables	13,321	13,321	13,321	–	–
Bank loan	1,688	1,688	1,688	–	–
Finance lease payables	399	457	151	306	–
Total	15,408	15,466	15,160	306	–

	Hyproca Dairy				
Non-derivative financial liabilities	**Carrying amount**	**Total contractual undiscounted cash flows**	**On demand or within one year**	**More than one year but less than five years**	**More than five years**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
At 31 December 2008					
Other payables and accruals	132	132	132	–	–
Amounts due to subsidiaries	641	641	641	–	–
Bank overdrafts	463	463	463	–	–
Loans from shareholders	250	275	20	255	–
Bank loan	2,250	2,250	2,250	–	–
Total	3,736	3,761	3,506	255	–
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–
At 31 December 2009					
Other payables and accruals	94	94	94	–	–
Amounts due to subsidiaries	516	516	516	–	–
Amount due to an associate	73	73	73	–	–
Amounts due to related parties	25	25	25	–	–
Bank overdrafts	1,161	1,161	1,161	–	–
Loans from shareholders	250	255	255	–	–
Bank loan	1,938	1,938	1,938	–	–
Total	4,057	4,062	4,062	–	–
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–
At 31 December 2010					
Other payables and accruals	58	58	58	–	–
Amounts due to subsidiaries	277	277	277	–	–
Amounts due to related parties	24	24	24	–	–
Bank overdrafts	2,898	2,898	2,898	–	–
Bank loan	1,688	1,688	1,688	–	–
Total	4,945	4,945	4,945	–	–
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–

	Hyproca Dairy				
Non-derivative financial liabilities	Carrying amount	Total contractual undiscounted cash flows	On demand or within one year	More than one year but less than five years	More than five years
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
At 31 March 2011					
Other payables and accruals	6,184	6,184	6,184	–	–
Amounts due to subsidiaries	328	328	328	–	–
Bank loan	1,688	1,688	1,688	–	–
Total	8,200	8,200	8,200	–	–
Financial guarantee contracts – maximum amount guaranteed *(note 40)*	–	262	262	–	–

As at 31 December 2008, 2009, 2010 and 31 March 2011, the Hyproca Dairy Group and Hyproca Dairy were in breach of the banking facility covenant. Pursuant to the Hyproca Dairy Group's banking facilities letter, the Hyproca Dairy Group was required to maintain sufficient solvency ratio and accordingly the full amount of bank loan are included in the "on demand or within one year" time band in the above maturity analysis, in which interest payments computed using contractual rates are not included.

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Hyproca Dairy Group and Hyproca Dairy's bank loan based on the scheduled repayment dates set out in the agreements as set out in the table below.

	The Hyproca Dairy Group and Hyproca Dairy				
Non-derivative financial liabilities	Carrying amount	Total contractual undiscounted cash flows	On demand or within one year	More than one year but less than five years	More than five years
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
At 31 December 2008					
Bank loan	2,250	2,595	379	1,130	1,086
At 31 December 2009					
Bank loan	1,938	2,147	266	1,081	800
At 31 December 2010					
Bank loan	1,688	1,819	205	1,093	521
At 31 March 2011					
Bank loan	1,688	1,843	272	1,117	454

The lenders have not taken any action in relation to the breach during the Relevant Periods. During the three months ended 31 March 2011, the Hyproca Dairy Group negotiated with the lender to obtain a waiver letter in relation to the breach of covenants for the bank loan. The waiver letter was received in February 2011 and the lender has agreed not to demand payment as a consequence of the breach until the end of 2011.

The following table details the contractual maturities of the Hyproca Dairy Group and Hyproca Dairy for its derivative financial liabilities. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis, the amount disclosed has been determined by the prevailing interest rate at the end of each reporting period.

	The Hyproca Dairy Group and Hyproca Dairy				
Derivative financial liabilities – settled net	**Carrying amount**	**Total contractual undiscounted cash flows**	**On demand or within one year**	**More than one year but less than five years**	**More than five years**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
At 31 December 2008					
Interest rate swap	117	124	29	85	10
At 31 December 2009					
Interest rate swap	158	163	70	88	5
At 31 December 2010					
Interest rate swap	152	155	58	93	4
At 31 March 2011					
Interest rate swap	107	110	49	58	3

(iii) Interest rate risk

The Hyproca Dairy Group's interest rate risk arises primarily from borrowings (note 26). The Hyproca Dairy Group maintains a mixed portfolio of borrowings subject to floating and fixed interest rates. In addition, the Hyproca Dairy Group enters into interest rate swap contracts with lending bank to manage against the exposure arising from the floating interest rates, if necessary.

At the end of each reporting period, the Hyproca Dairy Group's bank loan was subject to floating interest rates but the Hyproca Dairy Group managed its exposures by way of interest rate swap contracts. As at 31 December 2008, 2009, 2010 and 31 March 2011, the Hyproca Dairy Group had derivative liabilities in respect of interest rate swap contracts of Euro 117,000, Euro 158,000, Euro 152,000 and Euro 107,000 respectively (note 28).

The following table indicates the approximate change in the profit after tax in response to reasonably possible changes in an interest rate to which the Hyproca Dairy Group has exposure at the end of each reporting periods. In determining the effect on profit after tax on the next accounting period until the end of next reporting period, we assume that the change in interest rate had occurred at the end of each reporting periods and all other variables remain constant. There is no change in the methods and assumptions used in the Relevant Period.

	Increase/(decrease) in profit after tax			
				As at
	As at 31 December			**31 March**
	2008	**2009**	**2010**	**2011**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Bank borrowings				
Increase by 100 basis points	(21)	(29)	(34)	–
Decrease by 100 basis points	21	29	34	–

(b) Fair value

The sole director of Hyproca Dairy consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate their fair values due to short term maturities.

The Hyproca Dairy Group's derivative financial instruments (note 28) are measured at fair value, which is determined by valuation techniques, discounted cash flow analysis, for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly. (i.e Level 2 fair value hierarchy as defined by IFRS 7 Financial Instruments: Disclosures). The valuation was carried out by an independent valuer, Asset Appraisal Limited.

40. FINANCIAL GUARANTEES

During the Relevant Periods, Hyproca Dairy has provided financial guarantee to a bank to secure the banking facilities granted to an associate and its subsidiaries, HB Group, with a maximum amount of Euro 262,000.

In the opinion of the sole director of Hyproca Dairy, no material liabilities will arise from the above guarantee which arose in the ordinary course of the business and the fair value of the guarantee granted by the Hyproca Dairy Group is insignificant.

41. NOTE SUPPORTING CASH FLOW STATEMENT

Apart from the transactions detailed in notes 36 and 37, the Hyproca Dairy Group had the following significant non-cash transactions of financing activities during the Relevant Periods:

During the year ended 31 December 2008, 1) the Hyproca Dairy Group acquired several machineries under finance leases amounted to Euro 686,000 and 2) the Hyproca Dairy Group subscribed for eight 6% cumulative preference shares of an associate for a total consideration of Euro 800,000 which was satisfied by offsetting of trade receivable due from that associate.

C. SUBSEQUENT EVENTS

Subsequent to 31 March 2011 and up to the date of this report, the following significant events have taken place:

Acquisition of certain assets of Lyempf B.V.

Pursuant to the assets purchase agreement dated 20 April 2011 entered into between Hyproca Lyempf, a subsidiary of the Hyproca Dairy Group, and Mr. D. Meulenberq, trustee of Lyempf B.V., Hyproca Lyempf has acquired certain assets as stated in the table below for a consideration of Euro 10 million. The acquisition had been completed on 21 April 2011 and the acquisition is primarily for the expansion of the production facilities of the Hyproca Dairy Group. Comparing the provisionally determined fair value of identifiable assets acquired with consideration paid, the Hyproca Dairy Group made a provisionally determined gain on bargain purchase arising from acquisition amounted to Euro 4,475,000 which is mainly due to the liquidator rendering a price on disposal of these distressed assets with reference to their book carrying values.

The fair values of identifiable assets as at 21 April 2011, provisionally determined, are as follows:

	Fair value
	Euro'000
Property, plant and machinery	10,025
Intangible assets	250
Inventories	500
Trade and other receivables *(note)*	3,700
Total identifiable net assets at fair value acquired	14,475
Gain on bargain purchase arising from acquisition	(4,475)
	10,000
Satisfied by:	
Cash	10,000

Note: The gross contractual amounts of the trade and other receivables is amounted to Euro 5,512,000 and the sole director of Hyproca Dairy's best estimate at the acquisition date of the contractual cash flows not expected to be collected is Euro 1,812,000.

Pursuant to deed of issue and delivery shares of Hyproca Lyempf B.V. dated 8 September 2011, the Hyproca Dairy Group has transferred 10% of all the issued ordinary shares of Hyproca Lyempf to an independent third party at a nominal consideration of Euro 1. Upon completion, Hyproca Dairy has become interested in approximately 91.6% of the entire issued share capital of Hyproca Lyempf (comprising

Euro 19,700 out of the entire issued share capital of Hyproca Lyempf of Euro 21,500, as represented by 16,200 ordinary shares (out of the total of 18,000 ordinary shares in issue) with a par value of Euro 1 each and 3,500 preference shares (being all the preference shares in issue) with a par value of Euro 1 each).

Subdivision of ordinary shares

On 30 June 2011, the shareholder of Hyproca Dairy passed a resolution that each of the existing issued and unissued ordinary shares with a nominal value of Euro 45.38 each was subdivided into ten ordinary shares of Euro 4.54 each, resulting in the number of ordinary shares of Hyproca Dairy in issue of 725,000.

Issue of ordinary shares

On 3 July 2011, Hyproca Dairy issued and allotted 175,000 ordinary shares to Ausnutria at a total consideration of Euro 6,283,000, resulting in the number of ordinary shares of Hyproca Dairy in issue of 900,000.

Acquisition of land and factory premises

On 2 April 2011, Hyproca Lyempf and Romeva Vastgoed B.V. (the "Landlord") entered into an office leasing agreement pursuant to which the Landlord shall lease the land and factory premises located in the Netherlands to Hyproca Lyempf at a rental payment of Euro 300,000 per annum for 10 years together with an option to extend to 15 years with mutual agreement. The office leasing agreement also carried an option for Hyproca Lyempf to acquire the land and factory premises at a fixed price of Euro 5,300,000 within the contract period. Pursuant to the notarial deed of (purchase) sales and delivery dated 8 September 2011 entered into between Hyproca Lyempf and the landlord, Hyproca Lyempf acquired the land and factory premises at a consideration of Euro 5,300,000 on 8 September 2011.

Save as disclosed above, there are no other significant events which have taken place subsequent to 31 March 2011.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Hyproca Dairy Group in respect of any period subsequent to 31 March 2011.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HYPROCA DAIRY GROUP

The Hyproca Dairy Group is principally engaged in the dairy industry in the Netherlands with activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products. It also has its own formula milk powder productions and is one of the leading producers of goat milk powder in the world.

For the year ended 31 December 2008

Financial review

For the year ended 31 December 2008, the Hyproca Dairy Group recorded turnover and profit from continuing operations of approximately Euro 36,742,000 and Euro 279,000 respectively. For the year ended 31 December 2008, the Hyproca Dairy Group recorded a profit from discontinued operations of approximately Euro 128,000.

Gross profit margin

The gross profit margin of the Hyproca Dairy Group for the year ended 31 December 2008 was approximately 6.3%.

Other income and net gains or losses

Other net losses amounted to Euro 118,000 for the year ended 31 December 2008. Such net losses were mainly attributable to loss on fair value change of derivative financial instruments.

Distribution costs and administrative expenses

For the year ended 31 December 2008, distribution costs of the Hyproca Dairy Group amounted to approximately Euro 464,000 and represented 1.3% of its turnover. For year ended 31 December 2008, administrative expenses of the Hyproca Dairy Group amounted to approximately Euro 522,000. Such administrative expenses mainly represented staff costs, insurance charges, travelling and accommodation expenses and other office expenses.

Finance costs

For the year ended 31 December 2008, the finance costs of the Hyproca Dairy Group amounted to approximately Euro 297,000 which mainly represented interest on a bank loan, bank overdrafts and interest on loans from the shareholders of Hyproca Dairy.

Income tax expense

During the year ended 31 December 2008, the corporate tax rate in the Netherlands was applied at 20% for the first Euro 40,000 of taxable profits, 23% for the next Euro 160,000 taxable profits and 25.5% for the taxable profits exceeding Euro 200,000. The income tax expense of the Hyproca Dairy Group for the year ended 31 December 2008 was Euro 142,000.

Capital structure, liquidity and financial resources

As at 31 December 2008, the cash and bank balances of the Hyproca Dairy Group were approximately Euro 54,000. The Hyproca Dairy Group funded its operations mainly by a combination of internal resources, bank borrowings and loans from the shareholders of Hyproca Dairy. The gearing ratio of the Hyproca Dairy Group as at 31 December 2008, which was calculated on the basis of its total bank borrowings divided by its total assets, was approximately 34.1%.

Contingent liabilities

As at 31 December 2008, the Hyproca Dairy Group had no contingent liabilities.

Capital commitment

There was no capital commitment as at 31 December 2008

Material acquisition and disposal

On 28 April 2008, the Hyproca Dairy Group completed the acquisition of a 39.48% interest in HB Food Group B.V. ("HB Food") at a consideration of Euro 1. On the same date, the Hyproca Dairy Group subscribed for eight 6% cumulative preference shares of HB Food of nominal value Euro 100 each and including share premium of Euro 99,900 each. HB Food and its subsidiaries were principally engaged in the trading of goat milk related dairy products.

Save as disclosed above, the Hyproca Dairy Group had no other material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2008.

Analysis of segmental information

The Hyproca Dairy Group operated only in the dairy-related business for the year ended 31 December 2008. Approximately 84.2% of its revenue, with reference to locations of external customers, was generated from the Netherlands and the remaining 15.8% was generated from other countries of the world, with each of these individual countries accounted for less than 10% of the Hyproca Dairy Group's revenue for the year ended 31 December 2008.

Foreign exchange, currency risks and interest rate risks

As most of the Hyproca Dairy Group's transactions, assets and liabilities were denominated in Euro, the operations of the Hyproca Dairy Group were not subject to significant exchange rate risk. Accordingly, no financial instrument for hedging of currency risks was used by the Hyproca Dairy Group for the year ended 31 December 2008.

The Hyproca Dairy Group has a bank loan exposed to floating interest rates. In order to manage the fluctuations in interest rates related to the bank loan, the Hyproca Dairy Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of Euro 2.5 million with 3-month floating rate Euro Interbank Offered Rate swapped to a fixed rate of approximately 4.45% per annum. The aforesaid derivative financial instrument will expire in October 2017.

Staff and remuneration policies

The number of employees of the Hyproca Dairy Group as at 31 December 2008 was 69. For the year ended 31 December 2008, total staff costs (including salaries and other benefits and pension scheme contributions) of the Hyproca Dairy Group amounted to approximately Euro 3,007,000.

The Hyproca Dairy Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice and maintains various pension schemes for the retirement benefits of their employees.

Charges on assets

As at 31 December 2008, the Hyproca Dairy Group's bank borrowings and bank facilities were secured by pledge of all of its property, plant and equipment, inventories, trade and other receivables and amount due from subsidiaries and related parties.

Future plans for material investments or capital assets

As at 31 December 2008, the Hyproca Dairy Group had no significant investment and future plans for material investments or capital assets.

For the year ended 31 December 2009

Financial review

For the year ended 31 December 2009, the Hyproca Dairy Group recorded turnover, profit from continuing operations and profit from discontinued operations of approximately Euro 34,512,000, Euro 1,227,000 and Euro 238,000 respectively. Turnover of the Hyproca Dairy Group for the year ended 31 December 2009 decreased by approximately 6.1% as compared to the year ended 31 December 2008 whereas profit attributable to the owners of Hyproca Dairy increased by approximately 260.0% as compared to the year ended 31 December 2008. Such increase was mainly attributable to an increase in gross profit margin during the year.

Gross profit margin

The gross profit margin of the Hyproca Dairy Group for the year ended 31 December 2009 was approximately 10.8% which was higher than that for the year ended 31 December 2008 of approximately 6.3%. The increase in gross profit margin was mainly due to the decrease in milk collection cost during the year.

Other income and net gains or losses

Other income amounted to Euro 43,000 for the year ended 31 December 2009 and mainly represented the net effect of management fee and late charges on trade balance from an associate after offsetting a loss on fair value change of derivative financial instrument.

Distribution costs and administrative expenses

For the year ended 31 December 2009, the distribution costs of the Hyproca Dairy Group amounted to approximately Euro 460,000 and represented 1.3% of the Hyproca Dairy Group's turnover. For year ended 31 December 2009, administrative expenses of the Hyproca Dairy Group amounted to approximately Euro 560,000. Such administrative expenses mainly represented staff costs, insurance charges, travelling and accommodation expenses and other office expenses.

Finance costs

For the year ended 31 December 2009, the finance costs of the Hyproca Dairy Group amounted to approximately Euro 334,000 which mainly represented interest on a bank loan, bank overdrafts and interest on loans from the shareholders of Hyproca Dairy.

Income tax expense

For the year ended 31 December 2009, the corporate tax rate in the Netherlands was applied at 20% for the first Euro 200,000 taxable profits and 25.5% for the taxable profits exceeding Euro 200,000. Such tax rates were lower than those for the year ended 31 December 2008. For the year ended 31 December 2009, the income tax expense of the Hyproca Dairy Group was Euro 582,000.

Capital structure, liquidity and financial resources

As at 31 December 2009, the cash and bank balances of the Hyproca Dairy Group were approximately Euro 107,000. The Hyproca Dairy Group funded its operations mainly by a combination of internal resources, bank borrowings, amount advanced from related parties and loans from the shareholders of Hyproca Dairy. The total amount of borrowings as at 31 December 2009 was approximately Euro 6.1 million, representing an increase of approximately 12.8% as compared to that as at 31 December 2008. The gearing ratio as at 31 December 2009, which was calculated on the basis of total bank borrowings divided by total assets of the Hyproca Dairy Group, was approximately 35.5%.

Contingent liabilities

As at 31 December 2009, the Hyproca Dairy Group had no contingent liabilities.

Capital commitment

As at 31 December 2009, the Hyproca Dairy Group had, contracted but not provided for, capital commitment in respect of acquisition of property, plant and equipment of Euro 49,000.

Material acquisition and disposal

During the year ended 31 December 2009, the Hyproca Dairy Group acquired four 6% cumulative preference shares with nominal value of Euro 100 each in HB Food for a total consideration of Euro 233,000. The Hyproca Dairy Group had recognized an impairment loss on these four preference shares to its nominal value for the year ended 31 December 2009.

Save as disclosed above, the Hyproca Dairy Group had no other material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2009.

Analysis of segmental information

The Hyproca Dairy Group operated only in the dairy-related business for the year ended 31 December 2009. Approximately 81.6% of its revenue, with reference to locations of external customers, was generated from the Netherlands and the remaining

18.4% was generated from other countries of the world, with each of these individual countries accounted for less than 10% of the Hyproca Dairy Group' revenue for the year ended 31 December 2009.

Foreign exchange, currency risks and interest rate risks

As most of the Hyproca Dairy Group's transactions, assets and liabilities were denominated in Euro, the operations of the Hyproca Dairy Group were not subject to significant exchange rate risk. Accordingly, no financial instrument for hedging of currency risks was used by the Hyproca Dairy Group for the year ended 31 December 2009.

The Hyproca Dairy Group has a bank loan exposed to floating interest rates. In order to manage the fluctuations in interest rates related to the bank loan, the Hyproca Dairy Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of Euro 2.5 million with 3-month floating rate Euro Interbank Offered Rate swapped to a fixed rate of approximately 4.45% per annum. The aforesaid derivative financial instrument will expire in October 2017.

Staff and remuneration policies

The number of employees of the Hyproca Dairy Group as at 31 December 2009 was 69. For the year ended 31 December 2009, total staff costs (including salaries and other benefits and pension scheme contributions) of the Hyproca Dairy Group amounted to approximately Euro 3,495,000.

Hyproca Dairy Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice and maintains various pension schemes for the retirement benefits of their employees.

Charges on assets

As at 31 December 2009, the Hyproca Dairy Group's bank borrowings and bank facilities were secured by pledge of all of its property, plant and equipment, inventories, trade and other receivables and amount due from subsidiaries and related parties.

Future plans for material investments or capital assets

As at 31 December 2009, the Hyproca Dairy Group had no significant investment and future plans for material investments or capital assets.

For the year ended 31 December 2010

Financial review

For the year ended 31 December 2010, the Hyproca Dairy Group recorded turnover and profit attributable to the owners of Hyproca Dairy of approximately Euro 37,218,000 and Euro 1,836,000 respectively. Turnover of the Hyproca Dairy Group for the year ended 31 December 2010 increased by approximately 7.8% as compared to that for the year ended 31 December 2009 and profit attributable to the owners of Hyproca Dairy increased by approximately 25.3% as compared to that for the year ended 31 December 2009.

Gross profit margin

The gross profit margin of the Hyproca Dairy Group for the year ended 31 December 2010 was approximately 9.5%, which was slightly lower than that for the year ended 31 December 2009 of approximately 10.8%.

Other income and net gains or losses

The other income and net gains amounted to Euro 185,000 for the year ended 31 December 2010. It mainly represented late charges on trade balance from an associate and management fee income for the management services provided to Krijger Installatie Techniek B.V. ("**Krijger Installatie**") and its subsidiaries. Krijger Installatie was disposed of by Hyproca Dairy during the year ended 31 December 2010.

Distribution costs and administrative expenses

For the year ended 31 December 2010, distribution costs of the Hyproca Dairy Group amounted to approximately Euro 503,000 and represented 1.4% of the turnover. For year ended 31 December 2010, administrative expenses of the Hyproca Dairy Group amounted to approximately Euro 597,000. Such administrative expenses mainly represented staff costs, insurance charges, travelling and accommodation expenses and other office expenses.

Finance costs

For the year ended 31 December 2010, the finance costs of the Hyproca Dairy Group amounted to approximately Euro 265,000 which mainly represented interest on a bank loan, bank overdrafts and interest on loans from the shareholders of Hyproca Dairy.

Income tax expense

For the year ended 31 December 2010, the corporate tax rate in the Netherlands was applied at 20% for the first Euro 200,000 taxable profits and 25.5% for the taxable profits exceeding Euro 200,000. Such rates were the same as those for the year ended 31 December 2009. The income tax expense of the Hyproca Dairy Group for the year ended 31 December 2010 was approximately Euro 499,000.

Capital structure, liquidity and financial resources

As at 31 December 2010, the cash and bank balances of the Hyproca Dairy Group were approximately Euro 115,000. The Hyproca Dairy Group funded its operations mainly by a combination of internal resources, bank borrowings, amount advanced from related parties and loans from the shareholders of Hyproca Dairy. Loans from shareholders of Hyproca Dairy of Euro 250,000 was settled in April 2010 but the balance of bank overdrafts as at 31 December 2010 increased by approximately 18.9% as compared to that as at 31 December 2009. The gearing ratio of the Hyproca Dairy Group as at 31 December 2010, which was calculated on the basis of total bank borrowings divided by total assets, was approximately 34.0%.

Contingent liabilities

As at 31 December 2010, the Hyproca Dairy Group had no contingent liabilities.

Capital commitment

As at 31 December 2010, the Hyproca Dairy Group had, contracted but not provided for, capital commitment in respect of acquisition of property, plant and equipment of Euro 500,000.

Material acquisition and disposal

During the year ended 31 December 2010, Hyproca Dairy has transferred all of its equity interests in Interpack Emmen B.V. and Kryger International Technics B.V. to its subsidiary, Krijger Installatie. After the aforesaid transfer, Hyproca Dairy entered into a sale and purchase agreement with Frisiana Food Investments B.V., a fellow subsidiary of Hyproca Dairy, to transfer its 100% equity interests in Krijger Installatie and its subsidiaries at a consideration of Euro 728,000. Krijger Installatie and its subsidiaries were principally engaged in manufacturing and sale of sugar. The disposal was effected to streamline the non-core business of the Hyproca Dairy Group.

Save as disclosed above, the Hyproca Dairy Group had no other material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2010.

Analysis of segmental information

The Hyproca Dairy Group operated only in the dairy-related business for the year ended 31 December 2010. Approximately 79.5% of its revenue, with reference to locations of external customers, was generated from the Netherlands and the remaining 20.5% was generated from other countries of the world, with each of these individual countries accounted for less than 10% of the Hyproca Dairy Group' revenue for the year ended 31 December 2010.

Foreign exchange, currency risks and interest rate risks

As most of the Hyproca Dairy Group's transactions, assets and liabilities were denominated in Euro, the operations of the Hyproca Dairy Group were not subject to significant exchange rate risk. Accordingly, no financial instrument for hedging of currency risks was used by the Hyproca Dairy Group for the year ended 31 December 2010.

The Hyproca Dairy Group has a bank loan exposed to floating interest rates. In order to manage the fluctuations in interest rates related to the bank loan, the Hyproca Dairy Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of Euro 2.5 million with 3-month floating rate Euro Interbank Offered Rate swapped to a fixed rate of approximately 4.45% per annum. The aforesaid derivative financial instrument will expire in October 2017.

Staff and remuneration policies

The number of employees of the Hyproca Dairy Group as at 31 December 2010 was 70. For the year ended 31 December 2010, total staff costs (including salaries and other benefits and pension scheme contributions) of the Hyproca Dairy Group amounted to approximately Euro 3,786,000.

The Hyproca Dairy Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice and maintains various pension schemes for the retirement benefits of their employees.

Charges on assets

As at 31 December 2010, the Hyproca Dairy Group's bank borrowings and bank facilities were secured by pledge of all of its property, plant and equipment, inventories, trade and other receivables and amounts due from subsidiaries and related parties.

Future plans for material investments or capital assets

As at 31 December 2010, the Hyproca Dairy Group had no significant investment and future plans for material investments or capital assets.

For the period ended 31 March 2011

Financial review

For the three months ended 31 March 2011, the Hyproca Dairy Group recorded turnover and profit attributable to the owners of Hyproca Dairy of approximately Euro 11,733,000 and Euro 69,000 respectively. Turnover of the Hyproca Dairy Group for the three months ended 31 March 2011 increased by approximately 40.5% as compared to the corresponding period in 2010 whereas profit attributable to the owners of Hyproca Dairy decreased by 39.5% as compared to the corresponding period in 2010. Such decrease was mainly attributable to a loss of approximately Euro 578,000 arising on the revaluation of the 39.48% equity interest in HB Food which became a wholly-owned subsidiary of Hyproca Dairy on 1 February 2011.

Gross profit margin

The gross profit margin of the Hyproca Dairy Group for the three month ended 31 March 2011 was approximately 11.7%, which was higher than that of 8.4% for the corresponding period in 2010. The significant improvement in gross profit margin ratio for the three months ended 31 March 2011 was mainly due to the decrease in cost of raw milk as compared to the corresponding period in 2010.

Other income and net gains or losses

The other income and net gains was Euro 77,000 for the three months ended 31 March 2011 which was mainly attributable to fair value gain on derivative financial instruments and interest income.

Distribution cost and administrative expenses

For the three months ended 31 March 2011, distribution costs of the Hyproca Dairy Group amounted to approximately Euro 278,000. The slightly increase in distribution costs as compared to that of the corresponding period in 2010 was in line with the increase in turnover for the three months ended 31 March 2011. For the three months ended 31 March 2011, the administrative expenses of the Hyproca Dairy Group amounted to Euro 185,000. Such administrative expenses mainly represented staff costs, insurance charges, travelling and accommodation expenses and other office expenses.

Finance costs

For the three months ended 31 March 2011, the finance costs of the Hyproca Dairy Group amounted to Euro 77,000 which mainly represented interest on a bank loan and bank overdrafts.

Income tax expense

The profit recorded by the Hyproca Dairy Group will be subject to the corporate tax in the Netherlands. The corporate tax rate in the Netherlands was at 20% for the first Euro 200,000 taxable profits and at 25.0% for taxable profits above Euro 200,000, which was 25.5% for the year ended 31 December 2010. For the three months ended 31 March 2011, the income tax expense payable by the Hyproca Dairy Group was approximately Euro 149,000.

Capital structure, liquidity and financial resources

The Hyproca Dairy Group funded its operations mainly by a combination of internal resources and bank borrowings. During the period ended 31 March 2011, the Hyproca Dairy Group repaid bank overdrafts of approximately Euro 4.6 million. Accordingly, the total amount of borrowings of the Hyproca Dairy Group as at 31 March 2011 of Euro 1.7 million was significantly lower than that as at 31 December 2010 of approximately Euro 6.3 million.

As at 31 March 2011, the cash and bank balances of the Hyproca Dairy Group were approximately Euro 740,000. The gearing ratio of the Hyproca Dairy Group as at 31 March 2011, which was calculated on the basis of its total bank borrowings divided by its total assets, was approximately 7.6%.

Contingent Liabilities

As at 31 March 2011, the Hyproca Dairy Group had no contingent liabilities.

Capital commitment

As at 31 March 2011, the Hyproca Dairy Group had, contracted but not provided for, capital commitment in respect of acquisition of property, plant and equipment of Euro 181,000.

Material acquisition and disposal

On 1 February 2011, the Hyproca Dairy Group acquired the remaining 60.52% equity interest in a former associate, HB Food, the consideration of which was satisfied by a cash payment of Euro 300,000 and the issue of 2,500 ordinary shares of Hyproca Dairy. The transaction resulted in HB Food ceasing to be an associate and becoming a wholly-owned subsidiary of Hyproca Dairy.

Save as disclosed above, the Hyproca Dairy Group had no other material acquisitions or disposals of subsidiaries or associated companies during the three months ended 31 March 2011.

Analysis of segmental information

The Hyproca Dairy Group operated only in the dairy-related business during the three months ended 31 March 2011. Approximately 72.5% of its revenue, with reference to locations of external customers, was generated from the Netherlands and the remaining 27.5% was generated from other countries of the world, with each of these individual countries accounted for less than 10% of the Hyproca Dairy Group' revenue for the three months ended 31 March 2011.

Foreign exchange, currency risks and interest rate risks

As most of the Hyproca Dairy Group's transactions, assets and liabilities were denominated in Euro, the operations of the Hyproca Dairy Group were not subject to significant exchange rate risk. Accordingly, no financial instrument for hedging of currency risks was used by the Hyproca Dairy Group during the three months ended 31 March 2011.

The Hyproca Dairy Group has a bank loan exposed to floating interest rates. In order to manage the fluctuations in interest rates related to the bank loan, the Hyproca Dairy Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of Euro 2.5 million with 3-month floating rate Euro Interbank Offered Rate swapped to a fixed rate of approximately 4.45% per annum. The aforesaid derivative financial instrument will expire in October 2017.

Staff and remuneration policies

The number of employees of the Hyproca Dairy Group as at 31 March 2011 was 74. For the three months ended 31 March 2011, total staff costs (including salaries and other benefits and pension scheme contributions) of the Hyproca Dairy Group amounted to approximately and Euro 961,000.

The Hyproca Dairy Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice and maintains various pension schemes for the retirement benefits of their employees.

Charges on assets

As at 31 March 2011, the Hyproca Dairy Group's bank borrowings and bank facilities were secured by pledge of all of its property, plant and equipment, inventories, trade and other receivables and amounts due from subsidiaries and related parties.

Outlook and future plans for material investments or capital assets

Pursuant to the assets purchase agreement dated 20 April 2011 entered into between Hyproca Lyempf and the Trustee, Hyproca Lyempf has acquired certain assets including plant and machinery, inventories and trade and other receivables at a total consideration of Euro 10 million. The acquisition was completed on 21 April 2011 primarily for the expansion of the production facilities of the Hyproca Dairy Group.

Save as disclosed above, as at 31 March 2011, the Hyproca Dairy Group had no significant investment and future plans for material investments or capital assets. As a result of the aforesaid acquisition, the Hyproca Dairy Group is equipped with a full production chain of infant formula milk powder products and the management of the Hyproca Dairy Group is optimistic about the future development of the business and operations of the Hyproca Dairy Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out below is for illustrative purpose only and does not form part of the accountants' report prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, as set out in Appendix II to this circular.

To provide additional financial information, the unaudited pro forma consolidated statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Enlarged Group as at 30 June 2011 has been prepared based on:

(a) the historical unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 which has been extracted from the interim report for the six-month period ended 30 June 2011 of the Company;

(b) the audited consolidated statement of financial position of the Hyproca Dairy Group as at 31 March 2011 which has been extracted from Appendix II to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the proposed acquisition might have affected the historical financial information in respect of the Group as if the proposed acquisition had been completed on 30 June 2011.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the Accountants' Report on the Hyproca Dairy Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2011 or at any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2011

	The Group as at 30 June 2011	**The Hyproca Dairy Group as at 31 March 2011**	**Unaudited Pro Forma Adjustments**		**Unaudited Pro Forma of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	41,184	59,673	95,422	*2(ii)*	196,279
Lease prepayments for land use rights	2,228	–			2,228
Intangible assets	1,934	12,488	14,355	*2(ii)*	28,777
Deferred tax assets	2,329	12,805			15,134
Investments in associates	3,260	–			3,260
Goodwill	–	3,885	(3,885)	*2(ii)*	51,620
			51,620	*2(ii)*	
Long-term prepayments	154,106	–	(58,679)	*2(i), (ii)*	26,134
			(69,293)	*2(ii)*	
Total non-current assets	205,041	88,851			323,432
CURRENT ASSETS					
Inventories	120,400	56,955			177,355
Trade and other receivables	175,198	53,565			228,763
Held-to-maturity investment	200,000	–			200,000
Current tax recoverable	6,679	2,466			9,145
Cash and cash equivalents	438,403	6,912	(8,000)	*4*	437,315
Total current assets	940,680	119,898			1,052,578
CURRENT LIABILITIES					
Trade and other payables	109,274	124,418	(58,679)	*2(i)*	175,013
Current tax payables	–	1,392			1,392
Borrowings	–	15,766			15,766
Finance lease payables	–	1,177			1,177
Total current liabilities	109,274	142,753			193,348

	The Group as at 30 June 2011	The Hyproca Dairy Group as at 31 March 2011	Unaudited Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
NET CURRENT ASSETS/ (LIABILITIES)	831,406	(22,855)			859,230
TOTAL ASSETS LESS CURRENT LIABILITIES	1,036,447	65,996			1,182,662
NON-CURRENT LIABILITIES					
Finance lease payables	–	2,550			2,550
Derivative financial instrument	–	999			999
Employee benefits	–	2,298			2,298
Deferred tax liabilities	–	6,715	27,444	*2(ii)*	34,159
Total non-current liabilities	–	12,562			40,006
NET ASSETS	1,036,447	53,434			1,142,656

Notes:

1) For the purpose of this Unaudited Pro Forma Financial Information, conversion of Euro to RMB in pro forma adjustment is based on the exchange rate of Euro 1.00 to RMB9.34 as at 30 June 2011.

2) On 30 June 2011, the Group entered into the Subscription Agreement to acquire approximately 19.44% equity interest in Hyproca Dairy by way of subscription of 175,000 ordinary shares of Hyproca Dairy at a consideration of Euro 6,282,500 (equivalent to approximately RMB58,679,000). A prepayment has been paid to Hyproca Dairy before 30 June 2011 and recorded in the unaudited condensed consolidated statement of financial position of the Group as long term prepayments as at 30 June 2011.

   Pursuant to the Acquisition Agreement dated 19 July 2011 entered into amongst the Company and the DDI Shareholders, the Group has conditionally agreed to purchase the Sale Shares, representing an additional 31.56% of the existing issued share capital of Hyproca Dairy, at a consideration estimated to be approximately RMB90,127,000. The consideration comprises a cash consideration of Euro 7,419,000 (equivalent to approximately RMB69,293,000), issue of 11,000,000 Consideration Shares and a contingent consideration. The contingent consideration, representing the Purchaser Adjusted Consideration and DDI Adjusted Consideration as set out in letter from the Board contained in this circular, will become payables or receivable until the determination of the final consideration at the date of issue of the Hyproca Dairy Group's 2011 audited financial statements. The amount of fair value of contingent consideration was estimated to be immaterial by the Directors.

For the purpose of this Unaudited Pro Forma Financial Information, the Subscription and the purchase of Sale Shares (hereinafter collectively referred as the "Acquisition") are accounted for as if they had been completed on 30 June 2011.

Upon completion of the Acquisition, Hyproca Dairy will be accounted for as a subsidiary of the Group under International Financial Reporting Standard 3 (Revised) Business Combinations (the "IFRS 3").

The pro forma adjustments reflect the following:

(i) The consideration for the Subscription of Euro 6,282,500 (equivalent to approximately RMB58,679,000) was satisfied by offsetting of long term prepayments of the Group against the deposit received of the Hyproca Dairy Group.

(ii) Goodwill resulted from the Acquisition is calculated as follows:

	The Hyproca Dairy Group as at 30 June 2011		
	Carrying amount	**Fair value adjustment**	**Fair value**
	RMB'000	*RMB'000* *(a)*	*RMB'000*
Net assets of the Hyproca Dairy Group	53,434	82,333	135,767
Adjustments for:			
Elimination of goodwill recognized in the Hyproca Dairy Group	(3,885)	–	(3,885)
Increase in net assets of the Hyproca Dairy Group by way of issuance of 175,000 ordinary shares	58,679	–	58,679
			190,561
Non controlling interest of 49% in the Hyproca Dairy Group			(93,375)
Fair value of net assets acquired			97,186
Goodwill *(b)*			51,620
Cost of investment at Completion			148,806

To be satisfied by:	*RMB'000*
Cash by way of offsetting a long term prepayment	127,972
Fair value of the Consideration Shares *(c)*	20,834
	148,806

(a) The fair value adjustment of RMB82,333,000 represented fair value increase of property, plant and equipment and intangible assets of the Hyproca Dairy Group of approximately RMB95,422,000 and RMB14,355,000 respectively as estimated by the Directors with reference to an independent valuation report, net of the corresponding deferred tax liability of approximately RMB27,444,000 charged at Dutch corporate tax rate of 25%. Except for the above, the fair value of the identifiable assets and liabilities of the Hyproca Dairy Group is assumed to be the same as their carrying amounts as at 31 March 2011.

(b) Goodwill represented the excess of the cost of investment over the estimated fair value of the net identifiable assets of the Hyproca Dairy Group.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment on the goodwill as at 30 June 2011 on a pro forma basis, in accordance with International Accounting Standards 36 Impairment of Assets ("IAS 36"). Based on the Directors' assessment on the business plan to be executed and the recoverable amount of the business to be acquired, the Directors consider that there is no impairment loss on the goodwill arising from the Acquisition as at 30 June 2011 on the assumption that the Acquisition was completed on the same date.

The Directors will apply consistent accounting policies and principal assumptions to assess the impairment of goodwill in subsequent reporting periods in accordance with the requirements of IAS 36.

The reporting accountants concurred with the Directors' assessment of impairment of goodwill in this Unaudited Pro Forma Financial Information and adoption of consistent accounting policies.

(c) The fair value is calculated based on the closing price of the Shares on the Stock Exchange of HK$2.28 per Share and the exchange rate of RMB1.00 to HK$1.20 as at 30 June 2011.

Upon completion of the Acquisition, the fair value of the identifiable assets and liabilities of the Hyproca Dairy Group, the contingent consideration and the Consideration Shares will have to be reassessed. As a result of the foregoing, the amount of goodwill may be different from that estimated as stated above for the purpose of this Unaudited Pro Forma Financial Information and is subject to impairment review at the end of each reporting period.

3) Subsequent to 31 March 2011, pursuant to an assets purchase agreement, Hyproca Lyempf B.V., a subsidiary of the Hyproca Dairy Group, acquired certain assets (the "Distressed Assets") at a consideration of Euro 10,000,000 (equivalent to RMB93,400,000). The acquisition was completed on 21 April 2011 and financed by borrowings.

Pursuant to the deed of issue and delivery shares of Hyproca Lyempf B.V. dated 8 September 2011, Hyproca Dairy has transferred 10% of all the issued ordinary shares of Hyproca Lyempf to an independent third party at a nominal consideration of Euro 1. Upon completion, the Hyproca Dairy Group has become interested in approximately 91.6% of the entire issued share capital of Hyproca Lyempf (comprising Euro 19,700 out of the entire issued share capital of Hyproca Lyempf of Euro 21,500, as represented by 16,200 ordinary shares (out of the total of 18,000 ordinary shares in issue) with a par value of Euro 1 each and 3,500 preference shares (being all the preference shares in issue) with a par value of Euro 1 each).

Furthermore, pursuant to the notarial deed of (purchase) sales and delivery dated 8 September 2011, Hyproca Lyempf, a subsidiary of the Hyproca Dairy Group, acquired the land and factory premises at a consideration of Euro 5,300,000 (equivalent to RMB49,500,000) on 8 September 2011. The acquisition was financed by borrowings.

The details of the acquisition of the Distressed Assets and the land and factory premises were disclosed in Section C of Appendix II to this circular.

As the acquisition of the Distressed Assets and the land and factory premises are not directly attributable to the Acquisition concerned, no pro forma adjustment is prepared to reflect the acquisition of the Distressed Assets and the land and factory premises.

Upon Completion, the Distressed Assets and the land and factory premises will be part of the identifiable assets of the Hyproca Dairy Group and the Hyproca Dairy Group will recognise the fair value adjustments on the Distressed Assets and the land and factory premises. Accordingly, the goodwill arising from acquisition of the Hyproca Dairy Group has to be adjusted and may be different from that estimated as stated above for the purpose of this Unaudited Pro Forma Financial Information.

4) The transaction costs for the Acquisition are estimated to be RMB8,000,000 which consist mainly of the professional fees directly attributable to the Acquisition and are assumed to be settled by cash as at 30 June 2011. The Group will follow the requirements under IFRS 3 to expense off the legal and professional fee when the transaction is completed.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, received from the reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

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香港干諾道中111號
永安中心25樓

23 September 2011

The Directors
Ausnutria Dairy Corporation Ltd

Dear Sirs,

We report on the unaudited pro forma consolidated statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (being Ausnutria Dairy Corporation Ltd (the "Company") and its subsidiaries (the "Group") together with Hyproca Dairy Group B.V. (formerly known as Hyproca Holding B.V.) ("Hyproca Dairy") and its subsidiaries (hereinafter collectively referred to as the "Hyproca Dairy Group")) set out in Section A of Appendix III to the shareholders' circular of the Company dated 23 September 2011 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisitions of 51% equity interests in the Hyproca Dairy Group might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix III of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

OPINION

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Company; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were and after the allotment and issue of the Consideration Shares will be as follows:

Authorised:		*HK$*
1,500,000,000	Shares	150,000,000
Issued and fully paid or credited as fully paid:		*HK$*
987,160,000	Shares	98,716,000
11,000,000	Consideration Shares to be allotted and issued after Completion	1,100,000
998,160,000	Shares	99,816,000

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of each Director in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest
Mr. Wu Yueshi ("**Mr. Wu**")	Interest of a controlled corporation	474,646,000 (L) *(Note 2)*	48.08%
Mr. Chen Yuanrong ("**Mr. Chen**")	Interest of a controlled corporation	107,000,000 (L) *(Note 3)*	10.84%

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company.

2. Of these Shares, 214,646,000, 60,000,000 and 200,000,000 Shares were respectively beneficially held by Brave Leader Limited ("**Brave Leader**"), Silver Castle International Limited ("**Silver Castle**") and Ausnutria Holding Co. Ltd ("**Ausnutria BVI**"). Brave Leader, Silver Castle and Ausnutria BVI were beneficially held as to 59.57%, 59.57% and 60% respectively by Mr. Wu.

3. These Shares were beneficially held by All Harmony International Limited ("**All Harmony**"), which in turn was beneficially held as to 49.22% by Mr. Chen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	Nature of interest	Number of Shares	Approximate percentage of interest
All Harmony International Limited *(Note 2)*	Beneficial owner	107,000,000 (L)	10.84%
Brave Leader Limited *(Note 3)*	Beneficial owner	214,646,000 (L)	21.74%
Silver Castle International Limited *(Note 4)*	Beneficial owner	60,000,000 (L)	6.08%
Ausnutria Holding Co. Ltd *(Note 5)*	Beneficial owner	200,000,000 (L)	20.26%
Xiong Fanyi ("**Ms. Xiong**") *(Note 6)*	Interest of spouse	474,646,000 (L)	48.08%
JPMorgan Chase & Co.	Interest of controlled corporation	51,154,000 (L)	5.18%

Notes:

1. The letter "L" represents the person's interests in the shares and underlying shares of the Company.

2. This company is owned as to 49.22% by Mr. Chen and 50.78% by 20 former and present employees of the Group.

3. This company is owned as to 59.57% by Mr. Wu, 30.67% by Ms. Wu Xing Xing ("**Ms. X Wu**", the elder sister of Mr. Wu) and 9.76% by Mr. Yan Weibin ("**Mr. Yan**").

4. This company is owned as to 59.57% by Mr. Wu, 30.67% by Ms. X Wu and 9.76% by Mr. Yan.

5. This company is owned as to 60% by Mr. Wu, 30% by Mr. Yan and 10% by Ms. Xiong.

6. Ms. Xiong is the wife of Mr. Wu and is therefore deemed to be interested in the shares in which Mr. Wu is interested.

As at the Latest Practicable Date, so far as was known to or can be ascertained after reasonable enquiry by the Directors, the following person was, either directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a member of the Enlarged Group:

Name of member	Name of shareholder	Class of share	Percentage of interests
Hyproca Lyempf	Alsi Beheer B.V. *(Note)*	ordinary shares with a par value of Euro 1.00 each	10%

Note: The shares of Alsi Beheer B.V. are wholly-owned by Mr. S. van der Valk.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined under the Listing Rules) was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice, which is contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants

BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or opinion as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, BDO Limited had no direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, direct or indirect, in any assets which had been acquired or disposed of by or leased to or which were proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries, since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) a deed of non-competition dated 23 September 2009 and entered into among Mr. Wu, Mr. Yan, Mr. Chen, Ms. Ng Siu Hung, Mr. Qiu Weifa, Mr. Jason Wan, Mr. Chan Yuk Tong, Mr. Xiao Shihu, Mr. Dai Lianyu, Mr. Liu Yuehui, Mr. Dai Zhiyong, Mr. Li Wei, Mr. Yang Mingqing, 湖南新大新股份有限公司 (Hunan Xin Da Xin Joint Co., Ltd.*), 黑龍江省姆阿普食品有限公司 (Heilongjiang MoveUp

Foodstuff Co., Ltd.*), 湖南沐林現代食品有限公司 (Hunan Mornring Foodstuff Co., Ltd.*) and 湖南澳博蘭食品有限公司 (Hunan Aubrand Food Co., Ltd.*) in favour of the Company (for itself and on behalf of its subsidiaries);

(b) the Hong Kong underwriting agreement dated 23 September 2009, relating to the Hong Kong Public Offer (as defined in the prospectus (the "**Prospectus**") of the Company dated 24 September 2009) entered into, amongst others, among the Company, Mr. Wu and the Hong Kong Underwriters (as defined in the Prospectus);

(c) a deed of indemnity dated 24 September 2009 entered into by Mr. Wu and Brave Leader with and in favour of the Company (and any of its subsidiaries), pursuant to which each of Mr. Wu and Brave Leader has agreed to indemnify the Company against, among others, certain estate duty and tax liabilities;

(d) the international underwriting agreement dated 30 September 2009, relating to the International Offering (as defined in the Prospectus) entered into, amongst others, among the Company, Mr. Wu, All Harmony, Brave Leader, Silver Castle, the International Underwriters and the Joint Global Coordinators (both as defined in the Prospectus);

(e) the price determination agreement dated 30 September 2009, relating to the determination of the offer price for the Shares for the Global Offering (as defined in the Prospectus) entered into, among others, among the Company, All Harmony, Brave Leader, Silver Castle, and the Joint Bookrunners (as defined in the Prospectus) (on behalf of the Underwriters (as defined in the Prospectus));

(f) a notarial deed of sale and delivery dated 29 December 2009 for the acquisition by Hyproca Dairy from Busser Beheer B.V. of 4 six percent cumulative preference shares with a nominal value of Euro 100 each in the capital of HB Food at a consideration of Euro 300,000;

(g) a notarial deed of sale and delivery dated 30 December 2010 for the disposal by Hyproca Dairy to Frisiana Food Investments B.V. ("**Frisiana**") of 30 shares with a nominal value of 500 Dutch Guilders (*f* 500) each in the capital of Krijger Installatie Techniek B.V. ("**Krijger**") at a consideration of Euro 727,612;

(h) a notarial deed of sale and delivery dated 30 December 2010 for the disposal by Hyproca Diary to Krijger of 40 shares with a nominal value of 1,000 Dutch Guilders (*f* 1,000) each in the capital of Interpack Emmen B.V. at a consideration of Euro 1.00;

(i) a notarial deed of sale and delivery dated 30 December 2010 for the disposal by Hyproca Dairy to Krijger of 23 shares and 12 preference shares, all with a nominal value of 1,000 Dutch Guilders (*f* 1,000) each, in the capital of Kryger International Technics B.V. at a consideration of Euro 1.00;

(j) a notarial deed of issue dated 1 February 2011 for the acquisition by Hyproca Dairy from Elbe B.V. ("**Elbe**") of 87 ordinary shares and 4 six percent cumulative preference shares, all with a nominal value of Euro 100 each, in the capital of HB Food at the consideration of Hyproca Dairy issuing to Elbe 2,500 shares with a nominal value of 100 Dutch Guilders (*f* 100) each in the capital of Hyproca Dairy;

(k) a notarial deed of sale and delivery dated 1 February 2011 for the acquisition by Hyproca Dairy from Frisiana of 123 ordinary shares with a nominal value of Euro 100 each in the capital of HB Food at a consideration of Euro 300,000;

(l) the letter of intent dated 29 March 2011 and entered into between the Company, DDI and Hyproca Dairy in relation to, among other things, the Subscription and the Share Purchase;

(m) the transfer agreement made on 2 April 2011 between Deutsche Bank Nederland N.V. ("**Deutsche Bank**") and Hyproca Lyempf, whereby Deutsche Bank has agreed to sell, and Hyproca Lyempf has agreed to purchase, a claim by Deutsche Bank on Lyempf B.V. in an amount not exceeding Euro five million at a consideration equal to such claim;

(n) the tenancy agreement office space signed on 2 April 2011 between Romeva Vastgoed B.V. (the "**Lessor**") and Hyproca Lyempf, under which the Lessor leases out to Hyproca Lyempf on the terms of such agreement the factory with premises and other appurtenances located in Kampen at the IJsseldijk 38, 40, 42, 44, 46 and Thomas Berentzstraat 2, known in the land register municipality Kampen section N 1090 and 1160, with the starting rent of Euro 25,000 per month;

(o) the purchase agreement assets signed on 19 April 2011 between D. Meulenberg, LL M, qq trustee in bankruptcy Lyempf B.V. (the "**Trustee**") and Hyproca Lyempf, pursuant to which Hyproca Lyempf acquired such assets of Lyempf B.V. as referred to in such purchase agreement assets from the Trustee at a total consideration of Euro 10 million;

(p) the entrusted fund management agreement dated 29 April 2011 and entered into by 澳優乳業（中國）有限公司 (Ausnutria Dairy (China) Co., Ltd*) ("**Ausnutria China**") and 雲南國際信託有限公司 (Yunnan International Trust Co., Ltd*) ("**Yunnan International Trust**"), in relation to the entrustment of RMB200 million by Ausnutria China to Yunnan International Trust for the purchase of certain financial assets held by 招商銀行長沙分行 (China Merchants Bank, Changsha Branch*), details of which are more particularly disclosed in the announcements of the Company dated 3 May 2011 and 6 May 2011;

(q) the agreement dated 31 May 2011 entered into among the Company, DDI, the DDI Shareholders and Hyproca Dairy in relation to the Prepayment (as restated and amended by a restated and amended agreement dated 3 July 2011 between the same parties) (the "**Prepayment Agreement**");

(r) the Subscription Agreement;

(s) the Shareholders' Agreement dated 3 July 2011;

(t) the deed of pledge on shares in the share capital of Hyproca Dairy dated 12 July 2011 between DDI, the Purchaser and Hyproca Dairy whereby DDI has granted in favour of the Purchaser a first priority right of pledge over 284,000 shares in the capital of Hyproca Dairy as security for all of DDI's obligations and liabilities to the Purchaser resulting from certain clauses of the Prepayment Agreement, subject to a maximum amount of Euro 7,419,000;

(u) the Acquisition Agreement;

(v) the Shareholders' Agreement dated 19 July 2011;

(w) a notarial deed of issue and delivery dated 8 September 2011 for the disposal by Hyproca Dairy to Alsi Beheer B.V. of 1,800 ordinary shares with a nominal value of Euro 1.00 each in the capital of Hyproca Lyempf at a consideration of Euro 1.00;

(x) a notarial deed of (purchase) sale and delivery dated 8 September 2011 for the acquisition at a consideration of Euro 5,300,000 by Hyproca Lyempf from Romeva Vastgoed B.V. of the property (the "**Property**") known as: (i) the factory with industrial buildings, the site, premises and other affiliations, situated at/nearby de IJsseldijk 38, 40, 42, 44 and 46 at 8261 LK Kampen, registered in the land register under municipality Kampen, section N, number 1090, in size seventy-two are and seventy-three centiare; (ii) the ground lease on a strip bank and premises and part factory at Kampen, situated at/nearby de IJsseldijk 36 at 8261 LK Kampen, registered in the land register under municipality Kampen, section N, number 1089, in size eight are and twenty-seven centiare; and (iii) the industrial buildings including the site, premises and other affiliations, situated at/nearby IJsseldijk 31 at 8266 AD Kampen, registered in the land register under municipality Kampen, section N, number 1183, in size twelve are and forty centiare; and

(y) a notarial mortgage dated 8 September 2011 whereby Hyproca Lyempf as mortgagor extended to ABN AMRO Bank N.V. (the "**Bank**") a first mortgage over the Property for a total sum of Euro 10,500,000 as security for the payment of everything that the Bank claims or can claim of certain members of the Hyproca Dairy Group according to their administration on account of provided or still to be provided loans or credit on current account, current and/or future securities, or for any other reasons.

9. MISCELLANEOUS

(a) The Company has two joint company secretaries – Ms. Ng Siu Hung ("**Ms. Ng**") and Mr. Lam Hiu Fung ("**Mr. Lam**").

Ms. Ng has also been an executive Director since 19 September 2009. Ms. Ng is primarily responsible for investor relations and the Group's public announcements. She studied Applied English Language at Changsha University and graduated at The University of Westminster, the United Kingdom with a Master's of Arts degree in Human Resource Management. She was the representative of a computer network company and then a manager of a trading company for about 2 years. From 2004 to present, Ms. Ng is a director of 湖南宇凱房地產有限公司 (Hunan Yukai Real Estate Development Co., Ltd*). She is the officer of 湖南新大新股份有限公司 (Public Relations of Hunan XinDaXin Co., Ltd*).

Mr. Lam is a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants and an Associate of the Charted Institute of Arbitrators. Mr. Lam is also a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarter and principal place of business of the Company in the PRC and Hong Kong is situated at 9th Floor, Xin Da Xin Building No. 168 Huangxing Middle Road, Changsha City, Hunan Province, China and Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central, Hong Kong respectively.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central, Hong Kong from the date of this circular and up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the published annual reports of the Company for each of the two financial years ended 31 December 2009 and 2010 and the published interim report of the Company for six months ended 30 June 2011;

(c) the accountants' report on the Hyproca Dairy Group, the text of which is set out in Appendix II to this circular;

(d) the accountants' report on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the letter of consent referred to in the paragraph headed "Expert and consent" in this appendix; and

(f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Ausnutria Dairy Corporation Ltd (the "**Company**") will be held at 2:00 p.m. on 14 October 2011 at No.2 East Wangwang Road, Hexi, Changsha, Hunan Province, PRC to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(A) the conditional share purchase agreement (the "**Acquisition Agreement**") (a copy of which has been produced to the meeting marked "**A**" and initialed by the chairman of the meeting for the purpose of identification) dated 19 July 2011 and entered into among Dutch Dairy Investments B.V., Participatiemaatschappij Heerenveen B.V., Manids B.V., Elbe B.V., Ausnutria Dairy (Dutch) Coöperatief U.A., the Company and Hyproca Dairy Group B.V. in relation to, among other things, the Share Purchase (as defined in the circular (the "**Circular**") of the Company dated 23 September 2011, a copy of which has been produced to the meeting marked "**B**" and initialed by the chairman of the meeting for the purpose of identification) together with all transactions contemplated under the Acquisition Agreement be and are hereby approved;

(B) conditional upon the Acquisition Agreement proceeding to completion in accordance with its terms and conditions, the directors (the "**Directors**") of the Company be and are hereby authorised to allot and issue the Consideration Shares (as defined in the Circular) on the terms and conditions of the Acquisition Agreement; and

(C) the Directors be and are hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Acquisition Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or wavier or matters relating thereto (including any variation, amendments or waiver of such documents) as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

By order of the board of directors of
Ausnutria Dairy Corporation Ltd
Wu Yueshi
Chairman

Changsha, China, 23 September 2011

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

Head Office and Principal Place of Business in Hong Kong:
Room 2101
Beautiful Group Tower
77 Connaught Road Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more person(s) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney, must be deposited not less than 48 hours before the time appointed for the holding of the above meeting at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

3. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the above meeting if the member so desires, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of a poll.

As at the date of hereof, the board of directors of the Company comprises four executive directors, namely Mr. Wu Yueshi, Mr. Yan Weibin, Mr. Chen Yuanrong and Ms. Ng Siu Hung, and three independent non-executive directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.