

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 15% EQUITY INTEREST IN HNC GROUP INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

THE ACQUISITION

The Board is pleased to announce that on 14 February 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Vendors and the Company entered into the Sale and Purchase Agreement in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing all the issued shares of the Target Company, at the Total Consideration (which shall not exceed HK\$400,870,000). The Total Consideration will be settled by the issue and allotment of the Consideration Shares (which shall not exceed 80,174,000 Shares in aggregate).

Upon completion of the Reorganisation, the Target Company will hold 15% equity interest in HNHK, an indirect non-wholly-owned subsidiary of the Company.

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

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

As at the date of this announcement, two of the Beneficial Owners, being the sole owners of Vendor A and Vendor C respectively, are connected persons of the Company by virtue of Rule 14A.07(1). Accordingly, the entry into of the Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions for the Company under the Listing Rules and are also subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Two of the Beneficial Owners, who are the sole owners of Vendor A and Vendor C respectively, are interested in the Acquisition and hold 580,000 Shares in aggregate as at the date of this announcement (representing approximately 0.05% of the total issued share capital of the Company) and shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

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

GENERAL

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

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, the circular is expected to be despatched by the Company to the Shareholders on or before 12 April 2018.

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

INTRODUCTION

The Board is pleased to announce that on 14 February 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Vendors and the Company entered into the Sale and Purchase Agreement in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing all the issued shares of the Target Company, at the Total Consideration (which shall not exceed HK\$400,870,000). The Total Consideration will be settled by the issue and allotment of the Consideration Shares (which shall not exceed 80,174,000 Shares in aggregate).

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

THE SALE AND PURCHASE AGREEMENT

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

- Date : 14 February 2018 (after trading hours)
- Parties : (i) Hyproca Nutrition B.V., being the Purchaser;
- (ii) Perfect Victory Holdings Limited, being Vendor A;
- (iii) Dynamic Winners Group Limited, being Vendor B;
- (iv) Reliable Global Holdings Limited, being Vendor C; and
- (v) the Company

Subject matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at the Total Consideration. The Sale Shares represent all the issued shares of the Target Company.

Upon completion of the Reorganisation (details of which are set out under the paragraph headed "The Sale and Purchase Agreement – Reorganisation" below), the Target Company will hold 15% equity interest in HNHK, an indirect non-wholly-owned subsidiary of the Company.

Consideration

Pursuant to the Sale and Purchase Agreement, the Total Consideration payable by the Purchaser to the Vendors for the Acquisition comprises the Upfront Consideration and the Subsequent Consideration (if any), with a maximum cap of HK\$400,870,000.

Upfront Consideration

The Upfront Consideration shall be calculated as 15% of 8.5 times of the audited consolidated net profit after taxation of HNC Group for the year ended 31 December 2017. Upon Completion, the Upfront Consideration will be fully settled by the issue and allotment of the Upfront Consideration Shares at the Consideration Share Price by the Company to the Vendors in proportion to their respective equity interest in the Target Company.

Subsequent Consideration

Pursuant to the Sale and Purchase Agreement, the Subsequent Consideration is determined based on the Average Growth Rate. The Average Growth Rate shall be calculated in accordance with the following formula:

$$\text{Average Growth Rate} = \{[(B - A) \div A] + [(C - B) \div B] + [(D - C) \div C]\} \times 100\% \div 3$$

The Subsequent Consideration shall in turn be determined as follows:

- (i) If the Average Growth Rate is 20% or less, the Subsequent Consideration shall equal to zero.
- (ii) In the event that the Average Growth Rate is less than 25% but more than 20%, the Subsequent Consideration shall be determined in accordance with the following formula:

$$\text{Subsequent Consideration} = (2.5 \times X + 2 \times Y + 1.5 \times Z) \times 15\%$$

- (iii) In the event that the Average Growth Rate is 25% or above, the Subsequent Consideration shall be calculated in accordance with the following formula:

$$\text{Subsequent Consideration} = (5 \times X + 4 \times Y + 3 \times Z) \times 15\%$$

Where (for all the calculation formulae above),

- A = the audited consolidated net profit after taxation of HNC Group for the year ended 31 December 2017;
- B = the audited consolidated net profit after taxation of HNC Group for the year ending 31 December 2018;
- C = the audited consolidated net profit after taxation of HNC Group for the year ending 31 December 2019;
- D = the audited consolidated net profit after taxation of HNC Group for the year ending 31 December 2020;
- X = (B - A) or zero, whichever is higher;
- Y = (C - B) or zero, whichever is higher; and
- Z = (D - C) or zero, whichever is higher

The Subsequent Consideration (if any) will be settled by the issue and allotment of the Subsequent Consideration Shares at the Consideration Share Price by the Company to the Vendors in proportion to their respective equity interest in the Target Company. The Subsequent Consideration shall be payable to the Vendors no later than the twentieth (20th) Business Day immediately after the date of announcement of the Company's annual results for the year ending 31 December 2020.

The Total Consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to among others, (i) the historical financial performance of HNC Group; and (ii) the business development and prospects of HNC Group in the long run. The Directors (excluding the independent non-executive Directors, whose view will be included in the circular to be despatched to the Shareholders) consider that the Total Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

Number of Shares

As at the date of this announcement, the Company has 1,256,061,530 Shares in issue. Based on the maximum cap of the Total Consideration and the Consideration Share Price, the maximum number of 80,174,000 Consideration Shares represents:

- (i) approximately 6.38% of the total number of issued Shares of the Company as at the date of this announcement; and
- (ii) approximately 6.00% of the total number of issued Shares of the Company as enlarged by the issue and allotment of the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the issue and allotment of the Consideration Shares).

Share price

The Consideration Share Price of HK\$5.00 per Consideration Share represents:

- (i) a premium of approximately 3.31% to the closing price of HK\$4.84 per Share as quoted on the Stock Exchange on 14 February 2018, being the Last Trading Day;
- (ii) a premium of approximately 3.52% to the average closing price of approximately HK\$4.83 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 1.83% to the average closing price of approximately HK\$4.91 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

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

Lock-up undertakings

Pursuant to the Sale and Purchase Agreement, each of the Vendors undertakes to the Purchaser that it will not:

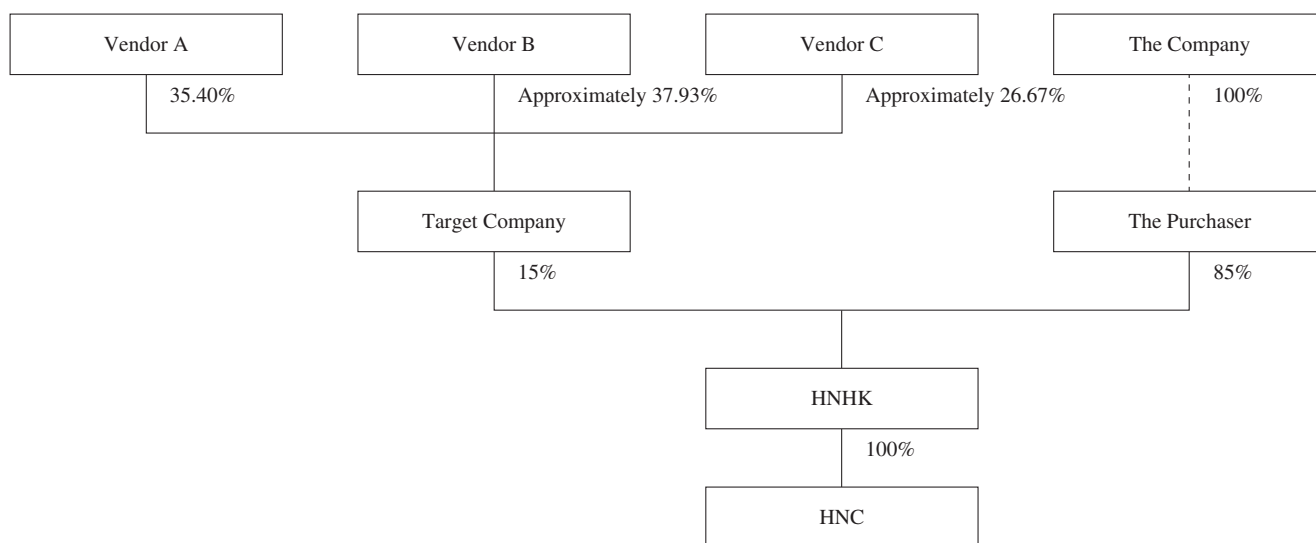
- (i) in respect of one-thirds of the Upfront Consideration Shares, for a period of 12 months from the issue and allotment of the Upfront Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such Consideration Shares;
- (ii) in respect of another one-thirds of the Upfront Consideration Shares, for a period of 24 months from the issue and allotment of the Upfront Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such Consideration Shares;
- (iii) in respect of the remaining one-thirds of the Upfront Consideration Shares, for a period of 36 months from the issue and allotment of the Upfront Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such Consideration Shares; and
- (iv) in respect of the Subsequent Consideration Shares, for a period of 12 months from the issue and allotment of the Subsequent Consideration Shares, sell, give, transfer, assign or dispose of or otherwise Encumber any of such Consideration Shares,

unless prior written consent has been obtained from the Purchaser.

Reorganisation

As at the date of this announcement, the Transfer Shares, representing 15% of all shares issued by HNHK, are beneficially owned by the Beneficial Owners and are legally held by Ms. Li Yimin, being the nominee of the Beneficial Owners. Upon completion of the Reorganisation, the Transfer Shares will be transferred to the Target Company free from Encumbrances and together with all rights now or hereafter attaching or accruing thereto. The Vendors undertake to discharge and/or procure the Target Company to discharge all the outstanding liabilities and obligations of the Target Company upon completion of the Reorganisation and immediately before the Completion.

Set out below is the group chart of the Target Company upon completion of Reorganisation:



Conditions precedent

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

- (i) the Reorganisation having been duly completed and the Target Company having been duly registered as the holder of the Transfer Shares;
- (ii) the representations, warranties and undertakings given by each of the Vendors as set out in the Sale and Purchase Agreement remaining true, accurate and not misleading throughout the period from the date of the Sale and Purchase Agreement to the Completion Date;
- (iii) the Independent Shareholders passing at the EGM resolutions approving the entry into, execution, delivery and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder, including without limitation the purchase of the Sale Shares and the issue and allotment of the Consideration Shares to the Vendors, and giving any other approvals or notifications as may be required under the Listing Rules and other applicable laws;
- (iv) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated hereunder required to be obtained on the part of the Purchaser or the Company having been obtained; and
- (v) the Company having obtained an approval from the Stock Exchange for the listing of and permission to deal in the Consideration Shares and such listing and permission not being subsequently revoked prior to the issue and allotment of the Consideration Shares.

Conditions precedent (ii) as set out above may be waived in writing by the Purchaser at its sole and absolute discretion. If any of the conditions precedent set out above are not fulfilled or waived at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Sale and Purchase Agreement shall lapse and be of no further effect (except the confidentiality obligations and certain clauses as specified therein), and no party to the Sale and Purchase Agreement shall have liability and obligation to the other party, save in respect of any antecedent breaches of the Sale and Purchase Agreement.

Completion

Upon Completion, the Target Company will be 100% owned by the Purchaser and become an indirect wholly-owned subsidiary of the Company. As such, HNHK and HNC will be 100% owned by the Purchaser and become indirect wholly-owned subsidiaries of the Company. Their financial results, assets and liabilities will continue be consolidated into the consolidated financial statements of the Company.

Unless the sale of all of the Sale Shares is completed simultaneously, neither any Vendor nor the Purchaser shall be obliged to complete the purchase of any of the Sale Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE

For illustrative purpose only, the following table sets out the effect of the issue of the Consideration Shares on the shareholding structure of the Company based on the total number of issued Shares as at the date of this announcement and assuming (i) the Completion having taken place; and (ii) the maximum number of Consideration Shares having been issued and allotted, without taking into account any other new Shares, if any, after the date of this announcement and prior to the Completion.

	As at the date of this announcement		Immediately upon the issue and allotment of the maximum Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Vendor A	–	–	28,381,596	2.12
Vendor B	–	–	30,412,671	2.28
Vendor C	–	–	21,379,733	1.60
Center Laboratories, Inc. (“Center Lab”) ^(Note 1)	505,931,772	40.28	505,931,772	37.86
Mr. Bartle van der Meer ^(Notes 2 and 3)	162,605,230	12.95	162,605,230	12.17
Mr. Yan Weibin ^(Notes 4 and 5)	106,939,085	8.51	106,939,085	8.00
Public Shareholders	480,585,443	38.26	480,585,443	35.97
	<u>1,256,061,530</u>	<u>100.00</u>	<u>1,336,235,530</u>	<u>100.00</u>

Notes:

- As at the date of this announcement, Center Lab beneficially owns 361,738,129 Shares. Both BioEngine Capital Inc. and BioEngine Technology Development Inc., which hold 123,355,375 Shares and 20,838,268 Shares respectively, are non-wholly-owned subsidiaries of Center Lab. Accordingly, Center Lab is deemed to be interested in a total of 505,931,772 Shares.
- The amount represents the number of Shares Mr. Bartle van der Meer is deemed to be interested in under the SFO as at the date of this announcement, and comprises (i) 400,000 Shares he beneficially owns; and (ii) 162,205,230 Shares held by Dutch Dairy Investments HK Limited, a corporation which he indirectly controls. Apart from these, Mr. Bartle van der Meer also holds share options granted by the Company on 21 January 2016 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enables him to subscribe for 800,000 Shares.
- Dutch Dairy Investments HK Limited, which holds 162,205,230 Shares, is wholly-owned by Dutch Dairy Investments B.V.. Dutch Dairy Investments B.V. is owned as to 50.00% by Fan Deming B.V., which is in turn wholly-owned by Mr. Bartle van der Meer.
- The amount represents the number of Shares Mr. Yan Weibin is deemed to be interested in under the SFO as at the date of this announcement, and comprises (i) 400,000 Shares he beneficially owns; and (ii) 106,539,085 Shares held by Ausnutria Holding Co. Ltd., a corporation which is wholly-owned by him. Apart from these, Mr. Yan Weibin also holds share options granted by the Company on 21 January 2016 (under the share option scheme of the Company approved by the Shareholders on 19 September 2009) which enables him to subscribe for 800,000 Shares.
- Ms. Chen Miaoyuan is the spouse of Mr. Yan Weibin and is therefore deemed to be interested in all the Shares in which Mr. Yan Weibin is deemed to be interested.

INFORMATION OF THE GROUP, THE PURCHASER AND THE VENDORS

The Group

The principal business activity of the Company is investment holding. The Group is principally engaged in the dairy industry with activities ranging from research and development, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands and other overseas countries. The Group also commenced the business in research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC, Australia and New Zealand.

The Purchaser

Hyproca Nutrition B.V. is a private company with limited liability incorporated in the Netherlands and an indirect wholly-owned subsidiary of the Company and is principally engaged in marketing and distribution of goat milk nutrition products. As at the date of this announcement, the Purchaser owns 85% of all the issued shares of HNHK.

The Vendors

Perfect Victory Holdings Limited and Reliable Global Holdings Limited, being Vendor A and Vendor C respectively, are companies incorporated under the laws of the British Virgin Islands with limited liability and are principally engaged in investment holding. As at the date of this announcement, Vendor A and Vendor C are solely owned by two of the Beneficial Owners respectively, who own HNHK as to 5.31% and 4.00% respectively. Upon completion of the Reorganisation, Vendor A and Vendor C will respectively own 35.40% and approximately 26.67% of the equity interest of the Target Company, which in turn own 15% equity interest of HNHK.

Dynamic Winners Group Limited, being Vendor B, is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. Vendor B is beneficially owned by the Remaining Beneficial Owners. As at the date of this announcement, the Remaining Beneficial Owners own 5.69% equity interest in HNHK in aggregate. Upon completion of the Reorganisation, Vendor B will own approximately 37.93 % of the equity interest of the Target Company, which in turn own 15% equity interest of HNHK.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company set up by the Vendors and incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement and upon completion of the Reorganisation, the Target Company is and will continue to be owned as to 35.40%, approximately 37.93% and approximately 26.67% by Vendor A, Vendor B and Vendor C, respectively.

Upon completion of Reorganisation, HNHK will be owned as to 85% and 15% by the Purchaser and the Target Company, respectively. HNHK and HNC are principally engaged in marketing and distribution of goat milk nutrition products in Hong Kong and the PRC, respectively.

The total investment of HNC Group was contributed by the Purchaser and the Beneficial Owners on a proportion basis (i.e. RMB8.50 million and RMB1.5 million respectively).

Financial information of HNC Group

Set out below is the summary of the key financial information of HNC Group based on the audited consolidated financial statements of HNC Group for the two years ended 31 December 2016 and the unaudited consolidated financial statements of HNC Group for the six months ended 30 June 2017:

	Year ended 31 December 2015	Year ended 31 December 2016	Six months ended 30 June 2017
	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)	<i>RMB million</i> (unaudited)
Revenue	461.04	664.96	454.62
Net profit before taxation	94.10	143.06	112.14
Net profit after taxation	67.69	103.99	80.11
			As at 30 June 2017
			<i>RMB million</i> (unaudited)
Net assets			267.07

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the dairy business, in particular on the manufacture and distribution of infant formula, where it has established a strong foundation over the years.

Both HNHK and HNC were established in 2011 to be a marketing and sales platform for nutrition products, in particular the goat milk infant formula under the brand name of *Kabrita*, in consumer packs to Hong Kong and the PRC. The financial results of HNC Group have been consolidated into the consolidated financial statements of the Company since the year ended 31 December 2011. Since then, HNC Group has provided the Group with continuous positive contribution.

With the increasing recognition of the good quality of goat milk infant formula, the *Kabrita* series products has progressed significantly, and become a major momentum for the Group's business growth. Furthermore, the market share of *Kabrita* has been ranked as the number one imported goat milk infant formula in the PRC for three consecutive years since 2014. The management of the Company is of the view that *Kabrita* will continue to grow steadily and positively contribute to the Group.

The acquisition of the remaining 15% equity interest of HNHK will (i) enable the Group to further enhance its operating results and fully benefit from 100% of the cash flow streams and profit of HNC Group; (ii) enable the Group to further increase its stake in HNC Group, the operations of which the Group is familiar with through its existing 85% equity interest in HNHK; and (iii) facilitate better implementation of the operating philosophies and strategies of the Company into HNC Group, create better synergy with the Group as a whole, and hence improve the operational efficiency.

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

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

MANDATE TO ISSUE THE CONSIDERATION SHARES AND APPLICATION FOR LISTING

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

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

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

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

As at the date of this announcement, two of the Beneficial Owners, being the sole owners of Vendor A and Vendor C respectively, are a director of HNC and a chief executive of the Company respectively, and hence are connected persons of the Company by virtue of Rule 14A.07(1). Accordingly, the entry into of the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute connected transactions for the Company under the Listing Rules and are also subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Two of the Beneficial Owners, who are the sole owners of Vendor A and Vendor C respectively, are interested in the Acquisition and hold 580,000 Shares in aggregate as at the date of this announcement (representing approximately 0.05% of the total issued share capital of the Company) and shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

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

GENERAL

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

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular, the circular is expected to be despatched by the Company to the Shareholders on or before 12 April 2018.

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

DEFINITIONS

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

“Acquisition”	The proposed acquisition of the Sale Shares by the Purchasers from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
“Average Growth Rate”	the average growth rates in the audited consolidated net profit after taxation of HNC Group for the years ending 31 December 2018, 2019 and 2020 respectively

“Beneficial Owners”	the 28 beneficial owners of the Transfer Shares, among which two of the Beneficial Owners are respectively a director of HNC and a chief executive of the Company, and beneficially own 53,100 ordinary shares and 40,000 ordinary shares in HNHK respectively, and the Remaining Beneficial Owners beneficially own 56,900 ordinary shares in HNHK
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“Completion”	the completion of the Acquisition in accordance with the terms of the Sale and Purchase Agreement
“Completion Date”	the third (3rd) Business Day after the last outstanding condition (other than the conditions which can only be fulfilled upon Completion) shall have been fulfilled or waived (or such other date agreed by the Purchaser and the Vendors in writing)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	the Upfront Consideration Shares and the Subsequent Consideration Shares, which shall not exceed 80,174,000 Shares in aggregate
“Consideration Share Price”	HK\$5.00 per Consideration Share
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue and allotment of Consideration Shares under the Specific Mandate
“Encumber”	to create or grant any Encumbrance
“Encumbrance”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), option, restriction, hypothecation, assignment, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance, priority or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect, and any agreement or obligation to create or grant any of the aforesaid

“Group”	the Company and its subsidiaries
“HNC”	Hyproca Nutrition Co. Ltd.* (海普諾凱營養品有限公司), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of HNHK
“HNC Group”	HNHK and HNC
“HNHK”	Hyproca Nutrition (Hongkong) Company Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 85% and 15% by the Purchaser and the Beneficial Owners as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not interested or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder
“Last Trading Day”	14 February 2018, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2018, or such other date as may be agreed by the Purchaser and the Vendors in writing
“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Hyproca Nutrition B.V., a private company with limited liability incorporated in the Netherlands, and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Purchaser owns 85% of all the issued shares of HNHK
“Remaining Beneficial Owners”	the 26 individuals who are employees of HNC and beneficially own 56,900 ordinary shares in HNHK in aggregate
“Reorganisation”	such arrangement and restructuring to be taken such that the investment vehicle structures are set up and the transfer of the Transfer Shares to the Target Company take effect as set out in the group chart under the paragraph headed “The Sale and Purchase Agreement – Reorganisation”

“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 February 2018 entered into between the Purchaser, the Vendors and the Company in respect of the Acquisition
“Sale Shares”	the 1,500 ordinary shares in the Target Company owned by the Vendors, representing the entire issued share capital of the Target Company as at the date of the this announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholders”	the shareholders of the Company
“Specific Mandate”	the specific mandate for the issue and allotment of the Consideration Shares, which is subject to the approval by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Consideration”	the consideration payable by the Purchaser to the Vendors to adjust the Total Consideration for the Acquisition based on the Average Growth Rate
“Subsequent Consideration Shares”	the new Shares to be issued by the Company to the Vendors for the settlement of Subsequent Consideration (if any) pursuant to the Sale and Purchase Agreement
“Target Company”	Multi Brilliant Enterprises Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is owned by Vendor A as to 35.40%, Vendor B as to approximately 37.93% and Vendor C as to approximately 26.67% as at the date of this announcement and immediately after the Reorganisation
“Target Group”	the Target Company and its subsidiaries, namely HNHK and HNC, upon completion of the Reorganisation
“Total Consideration”	collectively, the Upfront Consideration and the Subsequent Consideration (if any), which in aggregate shall not exceed HK\$400,870,000
“Transfer Shares”	the 150,000 ordinary shares in HNHK beneficially owned by the Beneficial Owners and legally held by Ms. Li Yimin, being the nominee of the Beneficial Owners, representing 15% of the entire share capital of HNHK as of the date of this announcement and subject to the Reorganisation
“Upfront Consideration”	the initial consideration payable by the Purchaser to the Vendors for the Acquisition
“Upfront Consideration Shares”	the new Shares to be issued by the Company to the Vendors for the settlement of the Upfront Consideration pursuant to the Sale and Purchase Agreement

“Vendor A”	Perfect Victory Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Vendor B”	Dynamic Winners Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Vendor C”	Reliable Global Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Vendors”	collectively, Vendor A, Vendor B and Vendor C
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* For Identification purpose only

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

Changsha City, People’s Republic of China, 14 February 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung; two non-executive Directors, namely Mr. Tsai Chang-Hai and Mr. Zeng Xiaojun; and three independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00 = HK\$1.22. Such conversion should not be construed as a representation that the currency could actually be converted at that rate.