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 to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

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

The circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

澳优·海普诺凯
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1717)

MAJOR AND CONNECTED TRANSACTION
RELATING TO
THE ACQUISITION OF
49% EQUITY INTEREST IN AUSNUTRIA HYPROCA

Financial Adviser to the Company

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 1 to 9 of this circular. A notice convening an extraordinary general meeting of the Company to be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Monday, 20 July 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the 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 meeting or any adjournment thereof should you so wish.

30 June 2015

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by Ausnutria (Dutch) pursuant to the Share Purchase Agreement
"Asean BMPI"	Asean Bio&Medical Platform Investment, L.P., a limited partnership established in Korea, one of the Joint Offerors
"associate(s)"	has the meaning given to it in the Listing Rules
"Ausnutria Hyproca"	Ausnutria Hyproca B.V. (formerly known as Hyproca Dairy Group B.V.), a private company with limited liability incorporated under the laws of the Netherlands and is owned as to 51% by Ausnutria (Dutch) and 49% by DDI as at the Latest Practicable Date
"Ausnutria Hyproca Group"	Ausnutria Hyproca and its subsidiaries
"Babyland"	Babyland Holdings Limited, a limited liability company incorporated in the British Virgin Islands, one of the Joint Offerors
"Board"	the board of Directors
"Business Day"	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
"Cash Consideration"	HK$100,193,398, being the cash portion of the Consideration
"Center Lab"	Center Laboratories, Inc. (晟德大藥廠股份有限公司), a limited liability company incorporated in Taiwan, one of the Joint Offerors
"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"	the completion of the Acquisition
"Completion Date"	the date when the Completion occurs
"connected person(s)"	has the meaning given to it under the Listing Rules
"Consideration"	HK$470,316,241 comprising the Cash Consideration and the Consideration Shares, being the consideration for the Acquisition

"Consideration Share(s)"	147,459,300 new Shares, being the share portion of the Consideration
"DDI Shareholder's Loans"	the loans granted by DDI to Ausnutria Hyproca
"DDI Shareholders"	collectively, PMH Investment B.V., Manids B.V., and Elbe B.V., all being the 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 Share Purchase Agreement and the transactions completed thereunder (including the allotment and issue of the Consideration Shares)
"Enlarged Group"	the Group as enlarged by the acquisition of 49% non-controlling interest of Ausnutria Hyproca upon the Completion
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Fareast LD"	Fareast Land Development Co., Ltd (遠東建設事業股份有限公司), a limited liability company incorporated in Taiwan, one of the Joint Offerors
"Group"	the Company and its subsidiaries
"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, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas
"Independent Shareholder(s)"	Shareholders other than DDI and its associates
"Joint Offerors"	collectively, Center Lab, Fareast LD, Babyland, Yuanta I Venture, Yuanta Asia, Yuanta Securities, Asean BMPI, BioEngine Technology Development Inc. and Power Pointer
"Latest Practicable Date"	26 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Acquisition"	the acquisition of the DDI Shareholder's Loans by the Purchaser from DDI on the Completion Date

"Long Stop Date"	the expiry date of the term of the Share Purchase Agreement, being 31 July 2015, which may be extended upon the mutual agreement of the Company, Ausnutria (Dutch) and DDI in writing
"Power Pointer"	Power Pointer Limited (傑溢有限公司), a limited liability company incorporated in Hong Kong, one of the Joint Offerors
"PRC"	the People's Republic of China. For the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser" or "Ausnutria (Dutch)"	Ausnutria Dairy (Dutch) Coöperatief U.A., an indirect wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands
"Relevant Periods"	three years ended 31 December 2014
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Sale Shares"	49% of the issued share capital of Ausnutria Hyproca
"Share(s)"	ordinary share(s) with par value of HK$0.10 each in the share capital of the Company
"Share Purchase Agreement"	the share purchase agreement dated 12 January 2015 (as supplemented by the Supplemental Agreement) and entered into among DDI, the DDI Shareholders, the Company and Ausnutria (Dutch) in relation to the Acquisition
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental share purchase agreement dated 28 May 2015 and entered into among DDI, the DDI Shareholders, the Company and Ausnutria (Dutch) to amend certain terms of the Share Purchase Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendor" or "DDI"	Dutch Dairy Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands

"Yuanta Asia"	Yuanta Asia Investment Limited (元大亞洲投資有限公司), a limited liability company incorporated in the British Virgin Islands, one of the Joint Offerors
"Yuanta I Venture"	Yuanta I Venture Capital Co., Ltd. (元大壹創業投資股份有限公司), a limited liability company incorporated in Taiwan, one of the Joint Offerors
"Yuanta Securities"	Yuanta Securities (Hong Kong) Company Limited (元大寶來證券(香港)有限公司), a limited liability company incorporated in Hong Kong, one of the Joint Offerors
"Euro"	Euro, the legal currency of the member states of the European Union
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

For the purpose of this circular, the exchange rates of Euro1.00 = RMB7.50 and RMB1.00 = HK$1.25 have been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK$, Euro and RMB have been, could have been or may be converted at such rate or any other exchange rate.

AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1717)

Executive Directors
Mr. Yan Weibin *(Chairman)*
Mr. Lin Jung-Chin
Mr. Bartle van der Meer *(Chief Executive Officer)*
Ms. Ng Siu Hung

Independent non-executive Directors
Mr. Qiu Weifa
Mr. Jason Wan
Mr. Lau Chun Fai Douglas

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

Principal Place of business
In the PRC
8th Floor, XinDaXin Building A
No. 168 Huangxing Middle Road
Changsha City, Hunan Province, the PRC

In Hong Kong
Room 2101, Beautiful Group Tower
77 Connaught Road Central
Central
Hong Kong

In the Netherlands
Burgemeester Falkenaweg 58-1 (8442LE),
Heerenveen, the Netherlands

30 June 2015

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
RELATING TO
THE ACQUISITION OF
49% EQUITY INTEREST IN AUSNUTRIA HYPROCA

INTRODUCTION

References are made to the announcements of the Company dated 12 January 2015 and 28 May 2015 in relation to the Share Purchase Agreement entered into among DDI (the Vendor), Ausnutria (Dutch) (the Purchaser), the Company and the DDI Shareholders, pursuant to which the Vendor agrees to sell and the Purchaser agrees to purchase the Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, an indirect 51%-owned subsidiary of the Company.

The purpose of this circular is to provide you with, among others, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Shareholders; and (iv) the notice of the EGM.

THE SHARE PURCHASE AGREEMENT

Date

12 January 2015 (after trading hours), as supplemented by the Supplemental Agreement dated 28 May 2015.

Parties

(i) DDI, being the Vendor

(ii) Ausnutria (Dutch), being the Purchaser

(iii) The Company

(iv) The DDI Shareholders

Assets to be acquired

The Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, an indirect 51%-owned subsidiary of the Company. Upon Completion, Ausnutria Hyproca will become an indirect wholly-owned subsidiary of the Company. The Purchaser, together with the Company, shall acquire the DDI Shareholder's Loans granted by DDI to Ausnutria Hyproca on the Completion Date.

Consideration

The consideration for the Acquisition amounts to HK$470,316,241, which comprises:

(i) the Cash Consideration, being HK$100,193,398; and

(ii) the Consideration Shares, being 147,459,300 new Shares, which are equivalent to HK$370,122,843 based on the issue price of HK$2.51 per new Share.

The Cash Consideration is agreed to be settled in the following manners:

(a) HK$20,125,000 has been paid by the Purchaser immediately upon the signing of the Supplemental Agreement; and

(b) HK$80,068,398 shall be paid within fourteen (14) days from the Completion Date.

The consideration for the DDI Shareholder's Loans to be acquired by the Purchaser, together with the Company, from DDI on the Completion Date will be the total amount outstanding (including accrued interest at the rate of 2% per annum) of the DDI Shareholder's Loans as at 28 May 2015 and will be settled in cash no later than 30 April 2016. As at 28 May 2015, the outstanding amount of the DDI Shareholder's Loans is Euro8.82 million (equivalent to approximately RMB66.15 million) and the accrued interest on the DDI Shareholder's Loans is Euro42,332 (equivalent to approximately RMB317,490).

The consideration for the Acquisition was determined after arm's length negotiations among the parties to the Share Purchase Agreement with reference to, among other things, the historical financial performance and the growth potential of the Ausnutria Hyproca Group. The Board has also taken into account of, among others, the price-to-earnings ratio of Ausnutria Hyproca (which was calculated based on the theoretical market capitalization of Ausnutria Hyproca and its net profits attributable to its shareholders for the year ended 31 December 2014) and compared with that of the Company and its industrial peers. By issuing the Consideration Shares as approximately 78.7% of the Consideration, the Company is able to further consolidate the business currently conducted by the Ausnutria Hyproca Group, achieves its goal to have full control over the Ausnutria Hyproca Group while reserving working capitals for further business expansion.

The Consideration Shares

147,459,300 Consideration Shares will be issued to DDI upon Completion.

The Consideration Shares represent:

(i) approximately 14.9% of the issued Shares as at the Latest Practicable Date; and

(ii) approximately 13.0% of the issued Shares as enlarged by the Consideration Shares.

The issue price of HK$2.51 per new Share was based on the average closing Share price for the five Business Days immediately preceding the date of the Share Purchase Agreement, it represents:

(i) a premium of approximately 2.03% to the closing price of HK$2.46 per Share as quoted on the Stock Exchange on 12 January 2015, being the date of the Share Purchase Agreement;

(ii) a discount of approximately 16.89% to the closing price of HK$3.02 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iii) a premium of approximately 62.99% over the audited net assets value per Share of approximately RMB1.23 (equivalent to approximately HK$1.54) as at 31 December 2014 based on the audited consolidated financial statements of the Company for the year ended 31 December 2014 and 986,843,000 Shares in issue as at the Latest Practicable Date.

Given the issue price of the Consideration Shares is based on the average closing Share price preceding to the date of the Share Purchase Agreement, the Board considers the issue price of HK$2.51 per Share is on normal commercial terms, and accordingly is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration Shares shall be entitled to dividends, interim dividends or other distribution from the date of allotment and issuance. The Vendor agrees that the Consideration Shares shall be subject to a lock-up period up to 31 December 2016, regardless of the Completion Date or the issue date of the Consideration Shares.

The Consideration Shares will be allotted and issued under the specific mandate to be sought from the Independent Shareholders at the forthcoming EGM, and when issued, will rank equally in all respects with the Shares in issue on the date of allotment and issuance. There is no change in control of the Company after the issuance of the Consideration Shares to the Vendors upon the Completion. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Conditions Precedent

Completion of the Acquisition is subject to the following conditions:

(a) the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at an extraordinary general meeting of resolution(s) approving the transactions contemplated under the Share Purchase Agreement;

(b) all approvals, consents and acts to be obtained or completed before Completion as required under the Listing Rules, the Takeovers Code or as otherwise required by the Stock Exchange or the SFC in connection with the Share Purchase Agreement and the transactions contemplated thereunder 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 SFC; and

(c) 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 Share Purchase Agreement have been obtained.

Pursuant to the Share Purchase Agreement, the Company has the right to waive item (c) of the above conditions precedent.

If any above condition precedent is not satisfied or waived on or before the Long Stop Date, the Share Purchase Agreement shall terminate and no party to the Share Purchase Agreement shall have any claim against the others.

Completion

Completion of the Share Purchase Agreement shall take place within fifteen (15) Business Days from the date of fulfilment of all the conditions precedent (unless the condition precedent referred to in paragraph (c) under the section headed "Conditions Precedent" above is otherwise waived) to the Share Purchase Agreement.

INFORMATION OF THE GROUP AND AUSNUTRIA (DUTCH)

The Group (excluding Ausnutria Hyproca Group) is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC. Ausnutria (Dutch) is an investment holding company indirectly wholly-owned by the Company and is interested in 51% equity interests in Ausnutria Hyproca as at the Latest Practicable Date.

INFORMATION OF DDI

DDI is an investment holding company with limited liability incorporated under the laws of the Netherlands and is interested in 49% equity interests in Ausnutria Hyproca as at the Latest Practicable Date.

INFORMATION OF AUSNUTRIA HYPROCA

Ausnutria Hyproca is an investment holding company with limited liability incorporated under the laws of the Netherlands and, together with its subsidiaries, is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands for its own brands as well as under contract manufacturing and private label arrangements. The Ausnutria Hyproca Group is one of the leading producers and distributors of goat milk products in the world.

Financial information of the Ausnutria Hyproca Group

Based on the accountants' report contained in the Appendix II of this circular, the audited total assets and net assets for the Ausnutria Hyproca Group as at 31 December 2014 were Euro146.9 million and Euro26.6 million, respectively, and the audited operating results of the Ausnutria Hyproca Group for the two years ended 31 December 2013 and 2014 are as follows:

	Year ended 31 December	
	2013	**2014**
	Euro'000	*Euro'000*
	(Audited)	*(Audited)*
Net profit before taxation	2,206	8,843
Net profit after taxation	2,089	7,781

FINANCIAL IMPACT OF THE ACQUISITION TO THE GROUP

As the financial results of the Ausnutria Hyproca Group are already consolidated in the Group's financial statements since the completion of the acquisition of the 51% equity interest in Ausnutria Hyproca by the Group in 2011, the Acquisition will enhance the Group's profits attributable to the Group's owners but does not have any impact to the Group's earnings as a whole. Further, as illustrated in the unaudited pro forma financial information of the Enlarged Group contained in the Appendix III of this circular, should the Acquisition complete on 31 December 2014, the Group's net assets would be decreased by RMB82.0 million, which is mainly due to the payment of the Cash Consideration and the transaction costs for the Acquisition. The settlement of the DDI Shareholder's Loans does not have any impact on the Group's net assets as it would reduce the Group's current assets and liabilities by the same amount of RMB55.4 million. The total liabilities of the Group would be decreased by RMB55.4 million because of the settlement of the DDI Shareholder's Loans.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Ausnutria Hyproca Group currently produces infant and toddler nutrition products for the Group under the brand name of the Group and also provides private label production and contract manufacturing services for infant and toddler nutrition products for its worldwide customers. The Ausnutria Hyproca Group also sells paediatric milk formula under its own brands (Kabrita for goat infant formula in the PRC, Russia and the Commonwealth of Independent States ("**CIS**"), the United States of America, Canada and the Middle East countries and Neolac for cow infant formula in the PRC). The Ausnutria Hyproca Group is one of the leading producers and distributors of goat milk products in the world. It has been the Group'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 supply sources to diversify the Group's risk in this aspect and to ensure a stable supply of milk powder to cope with its business growth. As part of the implementation of the aforesaid strategy, the Group acquired an aggregate 51% equity interest in Ausnutria Hyproca in 2011 at a total consideration of Euro19.7 million (equivalent to approximately HK$184.7 million).

In anticipation of an increase in demand and a growing market for such segment worldwide, the Company has intended to further consolidate the business currently conducted by the Ausnutria Hyproca Group into the Group by acquiring the residual 49% equity interests in Ausnutria Hyproca from DDI and to facilitate the future business expansion of the Ausnutria Hyproca Group, including the construction of new production facilities in the Netherlands.

For the year ended 31 December 2014, the Ausnutria Hyproca Group acquired a parcel of land in Heerenveen, the Netherlands, for the construction of a new factory, which is planned to commence its operation in 2016 and have a maximum blending and packaging capacity of approximately 90,000 tons per annum.

CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately following Completion (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than the issue of the Consideration Shares):

	As at the Latest Practicable Date		**Immediately upon the Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Center Lab	258,528,969	26.20	258,528,969	22.79
BioEngine Technology Development Inc. *(Note 1)*	15,587,689	1.58	15,587,689	1.37
Asean BMPI *(Note 2)*	3,947,372	0.40	3,947,372	0.35
BioEngine Capital Inc. *(Note 1)*	123,355,375	12.50	123,355,375	10.87
Ms. Lin O, Li-Chu *(Note 3)*	498,000	0.05	498,000	0.04
Joint Offerors (other than Center Lab, BioEngine Technology Development Inc. and Asean BMPI) *(Note 4)*	72,631,645	7.36	72,631,645	6.40
Ausnutria Holding Co Ltd *(Note 5)*	86,805,450	8.79	86,805,450	7.66
DDI	—	—	147,459,300	13.00
Public *(Note 6)*	425,488,500	43.12	425,488,500	37.52
Total	986,843,000	100.00	1,134,302,300	100.00

Notes:

1. Both BioEngine Capital Inc. and BioEngine Technology Development Inc. are non-wholly-owned subsidiaries of Center Lab.

2. Asean BMPI is owned as to 30% by Center Lab.

3. Ms. Lin O, Li-Chu is the spouse of Mr. Lin, an executive Director.

4. Includes Fareast LD, Babyland, Yuanta I Venture, Yuanta Asia, Yuanta Securities and Power Pointer.

5. Ausnutria Holding Co Ltd is wholly-owned by Mr. Yan Weibin, the executive Director and Chairman of the Company.

6. Public shareholding includes 260,000 shares held by Mr. Lin Wei-Hsuan, the son of Mr. Lin. Mr. Lin Wei-Hsuan is neither considered as the close associate (as defined under Rule 1.01 of the Listing Rules) of Mr. Lin nor considered as a core connected person of the Company. His acquisition of the Shares was not financed directly or indirectly by a core connected person, and he is not accustomed to taking instructions from a core connected person.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios are more than 25% but less than 100%, the Share Purchase Agreement and the transactions contemplated thereunder, including the Loan Acquisition, constitute a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, DDI is a 30%-controlled company (as defined in the Listing Rules) held by Mr. Bartle van der Meer ("**Mr. van der Meer**"), an executive Director, DDI is a connected person of the Company. Accordingly, the Share Purchase Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules. Further, Mr. van der Meer and his associates are required to abstain from voting on the resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder at the EGM. In addition, Mr. van der Meer has abstained from voting on the relevant resolutions at the Board meeting. As at the Latest Practicable Date, Mr. van der Meer and his associates do not have any equity interest in the Company.

TAKEOVERS CODE IMPLICATIONS

On 21 January 2015, the Company published an announcement stating that two of the Company's then substantial shareholders, namely Brave Leader Limited and Ausnutria Holding Co Ltd, entered into a letter of intent with Center Lab, which together with its subsidiaries, were interested in approximately 27% of the Company's total issued Shares. With the publication of the above announcement, an offer period in respect of the Company has commenced on 21 January 2015.

As the Acquisition takes place during the offer period, it constitutes a frustrating action under the Takeovers Code. As such, if no waiver is granted by the Executive under note 4 to Rule 4 of the Takeovers Code, the Acquisition should be subject to the Shareholders' approval in the general meeting as required under Rule 4 of the Takeovers Code.

The Company has made an application to seek, and the Executive has granted, a waiver of the shareholders' approval requirement under the Rule 4 of the Takeovers Code. As such, the Company will convene the Shareholders' meeting in accordance with the Listing Rules only.

EGM

The EGM will be convened and held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Monday, 20 July 2015 at 11:00 a.m., with a notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution in respect of the Share Purchase Agreement and the transactions contemplated thereunder and the issuance of Consideration Shares.

Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the EGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Somerley Capital Limited, is of the view that the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and, together with the terms of Consideration Shares, are fair and reasonable as the Shareholders are concerned, and are in the interest of the Company and its Shareholders as a whole. The Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Board considers that the terms of the Share Purchase Agreement and the transactions contemplated thereunder were agreed on normal commercial terms and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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

澳优·海普诺凯
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1717)

30 June 2015

Dear Independent Shareholders,

MAJOR AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF 49% EQUITY INTEREST IN AUSNUTRIA HYPROCA

We refer to the circular dated 30 June 2015 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the terms of the Share Purchase Agreement and the transactions contemplated thereunder and the issuance of Consideration Shares. Somerley Capital Limited has been appointed as the independent financial adviser to advise us and the Shareholders in this regard.

Having considered the terms of the Share Purchase Agreement and the transactions contemplated thereunder and the Consideration Shares, and having taken into account the principal factors and reasons considered by, and the opinion of Somerley Capital Limited as stated in its letter dated 30 June 2015, we consider that the terms of the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and, together with the terms of Consideration Shares, are fair and reasonable as the Shareholder are concerned, and are in the interest of the Company and its Shareholders as a whole. We therefore recommend the Shareholders to vote in favour of the ordinary resolutions proposed at the EGM approving the Share Purchase Agreement and the transactions contemplated thereunder and the issuance of Consideration Shares.

We also draw the attention of the Shareholders to (i) the letter from the Board; (ii) the letter from independent financial adviser; and (iii) the appendices to the Circular.

Yours faithfully,
Independent Board Committee
Mr. Jason Wan **Mr. Qiu Weifa** **Mr. Lau Chun Fai Douglas**
Independent non-executive Directors

The following is the full text of a letter of advice from Somerley Capital Limited to the Independent Board Committee in relation to the Acquisition, which has been prepared for the purpose of inclusion in the Circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 June 2015

To: The Independent Board Committee and the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
RELATING TO
THE ACQUISITION OF
49% EQUITY INTEREST IN AUSNUTRIA HYPROCA

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Acquisition, details of which are set out in the letter from the board contained in the circular to the Shareholders dated 30 June 2015 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 12 January 2015 (after trading hours) and 28 May 2015 (after trading hours), the Share Purchase Agreement was entered into among DDI (the Vendor), Ausnutria (Dutch) (the Purchaser), the Company and the DDI Shareholders, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, an indirect 51%-owned subsidiary of the Company. The Consideration for the Acquisition comprises: (i) the Cash Consideration, being HK$100,193,398; and (ii) the Consideration Shares, being 147,459,300 new Shares. Upon Completion, Ausnutria Hyproca will become an indirect wholly-owned subsidiary of the Company.

The Purchaser, together with the Company, shall also acquire the DDI Shareholder's Loans granted by DDI to Ausnutria Hyproca on the Completion Date. The consideration for the DDI Shareholder's Loans to be acquired by the Purchaser, together with the Company, from DDI on the Completion Date shall be the total amount outstanding (including accrued interest at the rate of 2% per annum) of the DDI Shareholder's Loans as at 28 May 2015 and will be settled in cash no later than 30 April 2016. As at 28 May 2015, the outstanding amount of the DDI Shareholder's Loans was Euro8.82 million (equivalent to approximately RMB66.15 million) and the accrued interest on the DDI Shareholder's Loans was Euro42,332 (equivalent to approximately RMB317,490).

As certain of the applicable percentage ratios are more than 25% but less than 100%, the Share Purchase Agreement and the transactions contemplated thereunder, including the Loan Acquisition, constitute a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, DDI is a 30%-controlled company (as defined in the Listing Rules) held by Mr. Bartle van der Meer, an executive Director. As such, DDI is a connected person of the Company. Accordingly, the Share Purchase Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas, has been established to advise the Shareholders, taking into account our recommendations, as to whether the terms of the Acquisition are fair and reasonable and whether the Acquisition are in the interests of the Company and the Shareholders as a whole. The advice of the Independent Board Committee as regards the Acquisition is contained in its letter included in the Circular. We, Somerley Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Shareholders on the Acquisition. Details of the Acquisition are set out in the Circular.

We are not associated or connected with the Company, DDI or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Acquisition. Apart from normal professional fees payable to us in connection with this appointment and our appointment by the Company to advise its independent board committee in relation to a mandatory conditional general offer (the "**Offer**") (details of which are set out in the announcement dated 10 June 2015 jointly issued by the Company and the Joint Offerors), no arrangement exists whereby we will receive any fees or benefits from the Company, DDI or their respective substantial shareholders or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the "**Management**"), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual reports of the Company for the years ended 31 December 2013 (the "**2013 Annual Report**") and 31 December 2014 (the "**2014 Annual Report**") and other information contained in the Circular. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular are true at the time they were made and at the date of the Circular and Shareholders will be notified of any material changes as soon as possible, if any.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Acquisition, we have taken into account the following principal factors and reasons:

1. Information on the Group

1.1 Background information of the Group

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The Shares have been listed on the Stock Exchange since 8 October 2009.

The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

The operations of the Group in the PRC are conducted mainly through Ausnutria Dairy (China) Co. Ltd. ("**Ausnutria China**"), a wholly-owned subsidiary of the Group, which is principally engaged in the production, marketing and distribution of imported paediatric cow milk formula in the PRC under a number of paediatric milk powder brands such as Allnutria, Puredo and the Hyproca 1897 series. The production of cow milk paediatric milk powder of Ausnutria China are out-sourced to overseas manufacturers including Ausnutria Hyproca Group as well as other independent third-party suppliers from France, Denmark, Australia and New Zealand. Ausnutria China also procures pre-manufactured bulk-bag or finished form milk powder which is manufactured from the Group's specified formula or which undergoes further processing at the production facility of Ausnutria China in Changsha, before it is sold to end customers.

The Group's operations in the Netherlands and other overseas countries are conducted through Ausnutria Hyproca, which is currently a non-wholly-owned subsidiary held as to 51% interests by the Group. The Company acquired the 51% equity interests in Ausnutria Hyproca in 2011. The Ausnutria Hyproca Group is principally engaged in the dairy industry through research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries, and it sells the dairy products under its own brands, namely Kabrita for goat infant formula, and Neolac for cow infant formula, as well as under private label and contract manufacturing arrangements. The Ausnutria Hyproca Group also supplies cow infant formula to Ausnutria China under the brand names namely the New Allnutria, Hyproca 1897 and Lacfor. As advised by the Management, supply from the Ausnutria Hyproca Group accounted for approximately 18.0% and 25.1% of Ausnutria China's total consumption of cow infant formula in the financial years ended 31 December 2013 ("**FY2013**") and 2014 ("**FY2014**") respectively. The Management also expects that supplies from Ausnutria Hyproca Group to Ausnutria China will continue to increase in the future. Please refer to the sub-sections headed "2.1 Background information of the Ausnutria Hyproca Group" for further details of the Ausnutria Hyproca Group.

The Group currently has four production facilities: one in the PRC and three in the Netherlands. The production facility in Changsha, the PRC is primarily engaged in the dry blending and packaging of imported paediatric milk formula for sale in the PRC. The production facilities in the Netherlands are primarily engaged in the production of milk powder and other dairy products, such as butter and cream, as well as the blending and packaging of milk powder (including paediatric milk formula) for sale to worldwide customers.

In view of the continuous increase in the demand for paediatric nutrition products from customers in the Netherlands and other overseas countries and the growing revenue contribution of the Netherlands operations conducted by the Ausnutria Hyproca Group, the Group has been strategically committed itself to the overseas expansion by a series of capital expenditure activities including the CAPEX Plan (as defined below), the Factory Investment Plan (as defined below) in the Netherlands. In the meantime, the Group, through the Ausnutria Hyproca Group, recently completed the Sanimel Acquisition (as defined below) and the Farmel Investment (as defined below) in order to ensure a stable future supply of quality cow and goat milk for the production of dairy products by the Ausnutria Hyproca Group to its customers. Please refer to the sub-sections headed "2.1 Background information of the Ausnutria Hyproca Group" for further details of the CAPEX Plan (as defined below), the Factory Investment Plan (as defined below), the Sanimel Acquisition (as defined below) and the Farmel Investment (as defined below).

1.2 Financial performance and position of the Group

Set out below are certain key financial information on the Group as extracted from the consolidated statement of profit or loss and other comprehensive income for the three years ended 31 December 2014 (the "**Period**"), details of which are set out in the 2013 Annual Report and the 2014 Annual Report:

	For the year ended 31 December		
	2014	**2013**	**2012**
	(audited)	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
— Ausnutria China Segment	575,560	586,602	486,677
— Ausnutria Hyproca Segment	1,390,487	1,101,179	864,319
	1,966,047	1,687,781	1,350,996
Cost of sales	(1,398,842)	(1,216,026)	(1,024,803)
Gross profit	567,205	471,755	326,193
Profit before tax	137,273	157,795	85,405
Income tax expense	(20,552)	(30,930)	(17,388)
Profit for the year	116,721	126,865	68,017
Profit for the year attributable to:			
— Owners of the Company	90,219	120,705	66,490
— Non-controlling interests	26,502	6,160	1,527

The Group has two reportable operating segments: the Ausnutria China segment (the "**Ausnutria China Segment**") representing the operation carried on by Ausnutria China which comprises the manufacture and sale of own-branded paediatric cow milk formula products in the PRC and Hong Kong; and (b) the Ausnutria Hyproca segment (the "**Ausnutria Hyproca Segment**") representing the operation carried on by Ausnutria Hyproca Group which comprises the manufacture of dairy products in the Netherlands for sale to its worldwide customers as well as its own-branded products in the PRC and other overseas countries.

The Group's revenue from the Ausnutria China Segment amounted to approximately RMB586.6 million in FY2013, which accounted for approximately 34.8% of total revenue for FY2013 and represented a growth of approximately 20.5% from that for the financial year ended 31 December 2012 ("**FY2012**") which was, as discussed in the 2013 Annual Report, in line with the continuous increase in demand of infant milk formula in the PRC, particularly those imported from the overseas. As disclosed in the 2014 Annual Report, the Group's revenue from the Ausnutria China Segment amounted to approximately RMB575.6 million, which accounted for approximately 29.3% of total revenue for FY2014 and represented a slight decrease of approximately 1.9% as compared with that for FY2013. Such decrease in revenue was mainly due to decrease in sales from the Allnutria division as a result of the suspension of the sale of old Allnutria series products before the launch of new Allnutria products in response to the implementation of the New Policies (as defined below) by the PRC government so as to maintain the industry's healthy growth and improve quality and safety standards in paediatric milk formula.

The Group's revenue from the Ausnutria Hyproca Segment amounted to approximately RMB1,101.2 million which accounted for around 65.2% of total revenue for FY2013 and represented an increase of approximately 27.4% as compared with that in FY2012. The Group's revenue from the Ausnutria Hyproca Segment further increased to approximately RMB1,390.5 million in FY2014, which accounted for around 70.7% of total revenue for FY2014 and represented an increase of approximately 26.3% as compared with that in FY2013. Such increase was mainly attributable to, among other things, (i) the continuous increase in the revenue of Kabrita, the Group's own brand, in the PRC; (ii) the increase in production volume due to the increase in production capacity after the CAPEX Plan (as defined below) was substantially completed in the first half of FY2014; and (iii) the continuous increase in the demand for paediatric nutrition products from the customers in the Netherlands and other overseas countries due to the increasing recognition of the good quality of milk supply in the Netherlands and the reputation of good quality products delivered by the Ausnutria Hyproca Group that was built up since the establishment in 1897.

The gross profit of the Group amounted to approximately RMB326.2 million in FY2012, which increased to approximately RMB471.8 million in FY2013 and further increased to RMB567.2 million in FY2014. The gross profit margin of the Group increase from approximately 24.1% in FY2012 and to approximately 28.0% in FY2013 and further increase to around 28.9% in FY2014 which was mainly attributable to the proportionate increase in sales contributed by its own branded business, mainly Kabrita, despite the increase in rebate granted to distributors and consumers for the digestion of old version Allnutria inventories prior to the launch of new Allnutria products.

The Group's net profit for FY2013 amounted to approximately RMB126.9 million, representing a substantial increase of approximately 86.5% when compared with the FY2012 which was mainly contributed by the growth in the operating performance of the Ausnutria China Segment as a result of the increasing in market demand of import infant milk powder from the PRC. Despite the improved revenue and gross profit, the profit for the year decreased from approximately RMB126.9 million in FY2013 to approximately RMB116.7 million in FY2014, represented a drop of approximately 8.0%, which was mainly attributable to (i) the significant increase in selling and distribution expenses for the setting up of the two sales divisions, namely the Puredo division and the 1897 division by Ausnutria China, for the launch of new series of cow milk infant formula, (ii) the additional marketing and promotion costs for the sponsoring of various TV programs in the PRC; and (iii) the increase in resources allocated to the marketing and promotion of Kabrita products.

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2013 and 2014 as extracted from the 2014 Annual Report:

	As at 31 December	
	2014	**2013**
	(audited)	*(audited)*
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	483,162	360,996
Goodwill	75,713	85,495
Investment in associates	30,101	—
Other non-current assets	94,047	65,449
	683,023	511,940
Current assets		
Inventories	515,559	315,653
Trade and bills receivables	163,562	175,647
Prepayments, deposits and other receivables	104,335	120,423
Tax recoverable	6,511	8,582
Pledged deposits	216,900	213,000
Time deposits	465,100	496,295
Cash and cash equivalents	278,277	161,161
	1,750,244	1,490,761
Total assets	2,433,267	2,002,701

	As at 31 December	
	2014	**2013**
	(audited)	*(audited)*
	RMB'000	*RMB'000*
Current liabilities		
Interest-bearing bank loans and other borrowings	517,197	259,986
Trade payables	184,215	167,951
Other payables and accruals	373,469	256,553
Other current liabilities	46,815	38,200
	1,121,696	722,690
Non-current liabilities		
Interest-bearing bank loans and other borrowings	51,864	36,852
Other non-current liabilities	44,779	48,693
	96,643	85,545
Total liabilities	1,218,339	808,235
Total equity		
Equity attributable to owners of the Company	1,107,760	1,109,810
Non-controlling interests	107,168	84,656
	1,214,928	1,194,466

As at 31 December 2014, total assets amounted to approximately RMB2,433.3 million and total liabilities amounted to approximately RMB1,218.3 million. Total assets and total liabilities of the Group as at 31 December 2014 went up by approximately 21.5% and 50.7% respectively as compared with those as at 31 December 2013. Among the non-current assets, the property, plant and equipment and inventories increased prominently during FY2014, mainly due to the CAPEX Plan (as defined below) in order to cope with the increasing demand of its products from the worldwide customers. Among the current assets, the balance of inventories increased significantly as a result of (i) the increase in brands and product series that were launched by the Group in recent years; and (ii) the slower than expected sales of the Allnutria division during FY2014 attributable to the launch of the New Policies (as defined below) by the PRC government. The Group had cash and cash equivalents of approximately RMB278.3 million as at 31 December 2014, representing a significant increase of approximately 72.7% from 31 December 2013.

The Group recorded net current assets of approximately RMB628.5 million as at 31 December 2014. Total interest-bearing bank loans and other borrowings increased from approximately RMB296.8 million as at 31 December 2013 dramatically by approximately 91.7% to approximately RMB569.1 million as at 31 December 2014, among which the current portion of interest-bearing bank loans and other borrowings increased by approximately 98.9% to approximately RMB517.2 million over the same period. The increase is attributable to the additions of (i) 3 secured floating-rate bank loans ranging from a term of 3 months to 12 months and (ii) the DDI Shareholders' Loans during FY2014. The current ratio of the Group decreased from approximately 2.06 times as at 31 December 2013 to approximately 1.56 times as at 31 December 2014, mainly attributable to the significant increase in current liabilities. As at 31 December 2014, total equity attributable to owners of the Company amounted to approximately RMB1,107.8 million, represented approximately HK$1.40 per Share based on 986,843,000 Shares in issue as at the Latest Practicable Date.

2. Information on Ausnutria Hyproca

2.1 Background information of the Ausnutria Hyproca Group

Ausnutria Hyproca is currently owned as to 51% by the Company (through Ausnutria (Dutch)) and as to 49% by DDI.

As stated in the letter from the Board in the Circular, Ausnutria Hyproca is an investment holding company with limited liability incorporated under the laws of the Netherlands and, together with its subsidiaries, is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands for its own brands as well as under contract manufacturing and private label arrangements. The contract manufacturing and private label arrangements are serving cow milk dairy products to customers in the Netherlands and other overseas countries, such as the PRC, Taiwan, other European and Middle East countries. The Ausnutria Hyproca Group also supplies cow infant formula to Ausnutria China under the brand names namely the New Allnutria, Hyproca 1897 and Lacfor. The Ausnutria Hyproca Group sells paediatric milk formula under its own brands (Kabrita for goat infant formula in the PRC, Russia, United States and the Middle East countries and Neolac for cow infant formula in the PRC).

The Ausnutria Hyproca Group is based in the Netherlands which has ample supply of quality cow and goat milk. Whilst demand for dairy products by the Ausnutria Hyproca Group has been increasing in recent years and in order to cater for this increasing demand and to facilitate the Group's long-term growth, a capital expenditure plan (the "**CAPEX Plan**") was approved in 2013 for upgrading two milk powder spray towers and purchasing new machinery to increase the Ausnutria Hyproca Group's blending and packaging capacity. The trial running and streamlining of the production facilities were substantially completed in the second half of 2014. As a result of the CAPEX Plan, the annualised milk powder and blending and packaging production capacity of the Ausnutria Hyproca Group (based on existing product mix) increased from approximately 15,000 tons and approximately 16,000 tons to approximately 30,000 tons and approximately 28,000 tons, respectively. The Management considers that the CAPEX Plan has not only increased production capacity but also improved the Group's dairy product quality standards.

As disclosed in the announcement of the Company dated 24 April 2013, the Ausnutria Hyproca Group has planned to further expand its production capacity through the construction of new production facilities (the "**New Factory**") in response to an anticipated increase in demand for infant and toddler nutrition product worldwide. In 2014, the Ausnutria Hyproca Group acquired a parcel of land in Heerenveen, the Netherlands, with a total area measuring approximately 140,000 square meters (the "**Land**") for the construction of the New Factory (the "**Factory Investment Plan**"). The New Factory, which has a maximum blending and packaging capacity of approximately 90,000 tons per annum, is expected to commence operation in 2016. As advised by the Management, the Factory Investment Plan is expected to achieve enhanced blending and packaging capacity, cost saving and quality improvement.

The Company considers the ability to secure quality milk source is one of the fundamental success factors in the industry.

During FY2014, Hyproca Goat Milk B.V. ("**HGM**"), a subsidiary within the Ausnutria Hyproca Group, acquired 100% equity interest in Sanimel B.V. ("**Sanimel**") from independent third parties (the "**Sanimel Acquisition**"). Sanimel is engaged in the collection and trading of goat milk. The Sanimel Acquisition was made as part of the Ausnutria Hyproca Group's strategy to expand its market share on the production and sale of goat milk based dairy products.

In addition, Ausnutria Hyproca Group also invested Euro3.55 million (equivalent to approximately RMB26.1 million) for the participation in 50% of the equity interest in Farmel Holding B.V. (the "**Farmel Investment**"), a company also incorporated in the Netherlands, during the FY2014. The Farmel Holding B.V. and two of its wholly-owned subsidiaries (the "**Farmel Group**") which was founded in 2007 are principally engaged in collection and trading of cow and goat milk.

The primary objective of the Sanimel Acquisition and the Farmel Investment is to ensure a stable future supply of quality cow and goat milk for the production of dairy products by the Ausnutria Hyproca Group to its customers. As disclosed in the 2014 Annual Report, upon the completion of the Sanimel Acquisition and the Farmel Investment, Ausnutria Hyproca Group now has access to approximately 20% of the total goat milk supply in the Netherlands.

2.2 Financial information of the Ausnutria Hyproca Group

Set out below are certain key financial information on the Ausnutria Hyproca Group as extracted from the consolidated statements of profit or loss and other comprehensive income for the three years ended 31 December 2014 (the "**Hyproca Review Period**"), details of which are set out in the Appendix II to the Circular:

	Year ended 31 December		
	2014	**2013**	**2012**
	(audited)	*(audited)*	*(audited)*
	Euro'000	*Euro'000*	*Euro'000*
Revenue			
— The PRC	74,553	41,134	19,273
— Non-PRC	109,038	98,234	86,555
	183,591	139,368	105,828
Cost of sales	(148,235)	(118,877)	(95,668)
Gross profit	35,356	20,491	10,160
Other income and gains	788	106	322
Selling and distribution expenses	(19,986)	(11,795)	(4,544)
Administrative expenses	(6,430)	(5,475)	(3,707)
Other expenses	(32)	(248)	(1,125)
Finance costs	(1,321)	(873)	(603)
Share of profits of associates	468	—	—
Profit before tax	8,843	2,206	503
Income tax expense	(1,062)	(117)	(216)
Profit for the year	7,781	2,089	287
Attributable to:			
Owners of Ausnutria Hyproca	7,678	2,128	(38)
Non-controlling interests	103	(39)	325
	7,781	2,089	287

The Ausnutria Hyproca Group sold the dairy products through (i) its own branded products, namely Katrita and Neolac and (ii) its private label and contract manufacturing for customer under the customers' own brands.

The Ausnutria Hyproca Group's revenue were approximately Euro105.8 million, Euro139.4 million and Euro183.6 million for FY2012, FY2013 and FY2014 respectively. Substantial portion of the increase in the Ausnutria Hyproca Group's revenue was derived from the growth of sale of its owned brand products. The Ausnutria Hyproca Group achieved sales of approximately Euro4.9 million, Euro18.0 million and Euro37.2 million from the sale of the Kabrita series products during FY2012, FY2013 and FY2014 respectively. Increasing demand from Ausnutria China, the Group's operating subsidiary in the PRC, has also contributed to the increase in the Ausnutria Hyproca Group's revenue. As mentioned in the Appendix II to the Circular, the Ausnutria Hyproca Group generated revenue of approximately Euro1.3 million, Euro5.6 million and Euro12.5 million for FY2012, FY2013 and FY2014 respectively from the sale of the cow infant formula to Ausnutria China.

The Ausnutria Hyproca Group's gross profit were approximately Euro10.2 million, Euro20.5 million and Euro35.4 million for FY2012, FY2013 and FY2014 respectively, and the gross profit margin of the Ausnutria Hyproca Group for the respective year were around 9.6%, 14.7% and 19.3% respectively. Both the gross profit and gross profit margin demonstrated improvement throughout the Hyproca Review Period which was attributable to the shift of focus by the Ausnutria Hyproca Group from the private label and contract manufacturing businesses of lower gross profit margin to its own branded business (mainly Kabrita) of higher gross profit margin and the increase in proportionate contribution of sale of its own branded products to the total revenue of the Ausnutria Hyproca Group.

During the Hyproca Review Period, there was a substantial increase in the Ausnutria Hyproca Group's selling and distribution expenses, which was generally the result of the Ausnutria Hyproca Group's marketing effort in enhancing its market awareness of its branded business in various markets (in particular the PRC) it entered into during the Hyproca Review Period. The increase in the Ausnutria Hyproca Group's administrative expenses during the Hyproca Review Period was also generally in line with that in its revenue.

The finance costs of the Ausnutria Hyproca Group were approximately Euro0.6 million, Euro0.9 million and Euro1.3 million for FY2012, FY2013 and FY2014 respectively. The increase in finance costs during the Hyproca Review Period was mainly attributable to the increase of the level of interest-bearing bank loans and other borrowings throughout the Hyproca Review Period.

The Ausnutria Hyproca Group recognised share of profit of associates of approximately Euro0.5 million for FY2014, which represented the attributable profits of the Ausnutria Hyproca Group's associate, being the Farmel Group.

Profit for FY2012, FY2013 and FY2014 of the Ausnutria Hyproca Group amounted to approximately Euro0.3 million, Euro2.1 million and Euro7.8 million respectively. The considerable improvement in profit over the Hyproca Review Period was mainly attributable to the increase in sale of Ausnutria Hyproca Group's own branded products (mainly Kabrita).

Set out below is the summary of the consolidated statements of financial position of the Ausnutria Hyproca Group as at 31 December 2013 and 2014 as extracted from the consolidated statements of financial position of the Ausnutria Hyproca Group as set out in the Appendix II of the Circular:

	As at 31 December	
	2014	**2013**
	(audited)	*(audited)*
	Euro'000	*Euro'000*
Non-current assets		
Property, plant and equipment	45,330	30,740
Goodwill	250	250
Other intangible assets	3,988	1,832
Investments in associates	4,018	—
Deferred tax assets	4,534	3,041
	58,120	35,863
Current assets		
Inventories	53,339	27,246
Trade and bills receivables	14,346	13,754
Prepayments, deposits and other receivables	15,309	8,317
Tax recoverable	187	90
Time deposits	—	748
Cash and cash equivalents	5,556	2,101
	88,737	52,256
Current liabilities		
Trade payables	23,281	18,228
Other payables and accruals	28,837	15,003
Derivative financial instruments	54	85
Interest-bearing bank loans and other borrowings	26,148	20,881
Tax payable	2,215	—
	80,535	54,197

	As at 31 December	
	2014	**2013**
	(audited)	*(audited)*
	Euro'000	*Euro'000*
Non-current liabilities		
Interest-bearing bank loans and other borrowings	36,406	14,277
Defined benefit plan	2,107	2,192
Deferred tax liabilities	1,223	877
	39,736	17,346
Equity		
Equity attributable to owners of Ausnutria Hyproca	24,984	16,154
Non-controlling interests	1,602	422
	26,586	16,576

As at 31 December 2014, total assets of the Ausnutria Hyproca Group amounted to approximately Euro146.9 million and total liabilities amounted to approximately Euro120.3 million. Total assets and total liabilities of the Group as at 31 December 2014 went up by approximately 66.7% and 68.1% respectively as compared with those as at 31 December 2013.

Among the non-current assets, the property, plant and equipment increased prominently during FY2014, mainly due to the CAPEX Plan in order to cope with the increasing demand of its products from the worldwide customers. Other intangible assets increased by around 122.2% from approximately Euro1.8 million as at 31 December 2013 to approximately Euro4.0 million as at 31 December 2014, which was mainly attributable to the recognition of milk collection rights in the amount of Euro1.9 million as a result of the Sanimel Acquisition.

Among the current assets, the balance of inventories increased significantly as a result of the increase in brands and product series that were launched by the Group in recent years. The Ausnutria Hyproca Group had cash and cash equivalents of approximately Euro5.6 million as at 31 December 2014, representing a dramatic increase of approximately 164.4% from 31 December 2013.

The Ausnutria Hyproca Group recorded net current assets of approximately Euro8.2 million as at 31 December 2014. Total interest-bearing bank loans and other borrowings increased from approximately Euro35.2 million as at 31 December 2013 significantly by approximately 77.8% to approximately Euro62.6 million as at 31 December 2014, among which the non-current portion of interest-bearing bank loans and other borrowings increased by approximately 155.0% to approximately Euro36.4 million over the same period. The increase was attributable to the additions of finance lease payables and the shareholders' loans (i.e. loans from Ausnutria (Dutch) and DDI) during FY2014 for financing the CAPEX Plan and the acquisition of the Land. The current ratio of the Group slightly increased from approximately 0.96 times as at 31 December 2013 to approximately 1.10 times as at 31 December 2014.

In light of the profit-making track records of Ausnutria Hyproca Group over the Hyproca Review Period, the total equity attributable to owners of Ausnutria Hyproca increased significantly from approximately Euro16.2 million as at 31 December 2013 to approximately Euro25.0 million as at 31 December 2014.

3. Reasons for and benefits of the Acquisition

As disclosed in the letter from the Board in the Circular, in anticipation of an increase in demand and a growing market for dairy industry products worldwide, the Company has intended to further consolidate the business currently conducted by the Ausnutria Hyproca Group into the Group by acquiring the residual 49% equity interests in Ausnutria Hyproca from DDI and to facilitate the future business expansion of the Ausnutria Hyproca Group, including the execution of the Factory Investment Plan.

We are given to understand that, in order to maintain the industry's healthy growth and improve quality and safety standards in paediatric milk formula, the PRC government launched a series of new policies (the "**New Policies**"), including (i) raising standards on granting/renewing production licenses for paediatric milk powder manufacturers in the PRC; (ii) requiring that paediatric milk powder manufacturers establish comprehensive tracking systems from production to distribution in the PRC; and (iii) requiring that foreign enterprises obtain registration of their dairy products, now regulated by a more stringent set of new rules and regulations, before their products can be imported into the PRC. In light of the tightened administration and the implementation of more stringent policies and standards on the industry, the milk powder industry in the PRC has been facing challenges and disturbances.

In accordance with various announcements by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局), in order to strengthen the inspection and quarantine of dairy products for import and export, unregistered foreign enterprises that produce dairy products were prohibited from importing their products into the PRC from 8 May 2014 onwards.

In this regard, the PRC government announced in May 2014 the first batch of 115 imported brands that were granted approval to import paediatric milk formula into the PRC. They include all of the Group's brands: Allnutria, Augood, Hyproca 1897, Kabrita, Puredo, Mygood, Eurolate and Neolac. Furthermore, three of the Company's subsidiaries incorporated in the Netherlands that are principal operating wholly-owned subsidiaries of Ausnutria Hyproca — namely, (i) Lypack Leeuwarden B.V.; (ii) Hyproca Dairy B.V.; and (iii) Lyempf Kampen B.V. — were listed in the first batch of registered overseas dairy products producers as approved producers for importing their products into the PRC.

Having considered the above factors, in particular, (i) the increasing contribution of revenue to the Group and the profit-making track records of the Ausnutria Hyproca Group in the recent years; (ii) the granting of the import approval of the brands owned by Ausnutria Hyproca Group and the successful registrations of the overseas factories of Ausnutria Hyproca Group as approved overseas dairy products producers under the New Policies, are expected to create more opportunities and increase the Group's overall competitiveness for its future business growth; and (iii) the further consolidation of the 49% residual interest in Ausnutria Hyproca which has an established presence in various overseas markets and the strengthened capability to secure quality milk source following, in particular, the Sanimel Acquisition and the Farmel Investment, is considered in line with the Group's overall business strategy, we concur with the view of Directors that the entering into of the Acquisition is in the interests of the Company.

4. Principal terms of the Share Purchase Agreement

4.1 Assets to be acquired

Pursuant to the Share Purchase Agreement, Ausnutria (Dutch) (a wholly owned subsidiary of the Company which is currently interested in 51% of the equity interest in Ausnutria Hyproca) has agreed to acquire, and DDI has agreed to sell, the Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, a 51%-owned subsidiary of the Company.

Pursuant to the Share Purchase Agreement, the Purchaser, together with the Company, shall also acquire the DDI Shareholder's Loans granted by DDI to Ausnutrua Hyproca on the Completion Date.

4.2 Consideration

The Consideration for the Acquisition amounts to HK$470,316,241, which comprises:—

(i) the Cash Consideration, being HK$100,193,398; and

(ii) the Consideration Shares, being 147,459,300 new Shares, which are equivalent to HK$370,122,843 based on the issue price of HK$2.51 (the "**Issue Price**").

The Cash Consideration is agreed to be settled in the following manners:

(i) HK$20,125,000 has been paid by the Purchaser immediately upon the signing of the Supplemental Agreement; and

(ii) HK$80,068,398 shall be paid within fourteen (14) days from the Completion Date.

As disclosed in the letter from the Board in the Circular, the Consideration was determined after arm's length negotiations among the parties to the Share Purchase Agreement with reference to, among other things, the historical financial performance and the growth potential of the Ausnutria Hyproca Group. The Board has also taken into account of, among others, the price-to-earnings ratio of Ausnutria Hyproca (which was calculated based on the theoretical market capitalization of Ausnutria Hyproca and its net profits attributable to its shareholders for the year ended 31 December 2014) and compared with that of the Company and its industrial peers.

The consideration for the DDI Shareholder's Loans to be acquired by the Purchaser, together with the Company, from DDI on the Complete Date will be the total amount outstanding (including accrued interest at the rate of 2% per annum) of the DDI Shareholder's Loans as at 28 May 2015 and will be settled in cash no later than 30 April 2016. As at 28 May 2015, the outstanding amount of the DDI Shareholder's Loans was Euro8.82 million (equivalent to approximately RMB66.15 million) and the accrued interest on the DDI Shareholder's Loans was Euro42,332 (equivalent to approximately RMB317,490).

4.3 The Consideration Shares

147,459,300 Consideration Shares will be issued to DDI upon Completion.

The Consideration Shares represent:—

1) approximately 14.9% of the issued Shares as at the Latest Practicable Date; and

2) approximately 13.0% of the issued Shares as enlarged by the Consideration Shares.

The Consideration Shares shall be entitled to dividends, interim dividends or other distribution from the date of allotment and issuance. The Vendor agrees that the Consideration Shares shall be subject to a lock-up period up to 31 December 2016, regardless of the Completion Date or the issue date of the Consideration Shares.

As advised by the Management, both the Company and the shareholders of DDI are optimistic about the prospects of the dairy industry which both of them believe the Ausnutria Hyproca Group is well-positioned. Whilst the Company intends to further consolidate the business currently conducted by the Ausnutria Hyproca Group into the Group so as to facilitate the future business expansion, DDI also intends to retain his investment in Ausnutria Hyproca. The issue of the Consideration Shares, which represented approximately 78.7% of the Consideration, as part of the Consideration for the Acquisition was considered the most appropriate way to proceed with the Acquisition such that the Company can achieve its goal to (i) have full control over the Ausnutria Hyproca Group's operations and strategic development upon Completion and (ii) reserve working capital for future business expansion, whilst DDI, being a Shareholder immediately upon Completion, can still retain its investment in Ausnutria Hyproca Group through its shareholdings in the Company.

4.4 Conditions precedent to completion of the Acquisition

Completion of the Acquisition is subject to, among others, the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at the EGM.

Further details of the conditions precedent to completion of the Acquisition are set out the section headed "Conditions precedent" in the letter from the Board in the Circular.

5. Evaluation of the Consideration

Ausnutria Hyproca is an investment holding company with limited liability incorporated under the laws of the Netherlands and, together with its subsidiaries, is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands for its own brands as well as under contract manufacturing and private label arrangements. Ausnutria Hyproca is a non-wholly-owned subsidiary currently owned as to 51% (through Ausnutria (Dutch)) by the Company.

For comparison purposes, we have, on best effort basis, identified four companies listed on the Stock Exchange which (i) are principally engaged in the production and sales of paediatric milk formula products; and (ii) at least 50% of their respective revenue was generated from the production and sales of paediatric milk formula products, which are namely Daqing Dairy Holdings Limited ("**Daqing**", stock code: 1007), Biostime International Holdings Limited ("**Biostime**", stock code: 1112), Yashili International Holdings Limited ("**Yashili**", stock code: 1230) and the Company (stock code: 1717). We consider the aforesaid comparable companies an exhaustive list of relevant comparable companies based on the said criteria above. However, the shares of Daqing has been suspended from trading since March 2012 and the financial information of Daqing has not been available since 30 June 2011. Accordingly, we have excluded Daqing for our comparison purposes. Though Biostime and Yashili (collectively, the "**Comparable Companies**") are not the same in all aspects as the Ausnutria Hyproca Group, we consider that the analysis on these two Comparable Companies can still provide a meaningful reference to the Shareholders given that the Comparable Companies are all involved in the the production and sales of paediatric milk formula products that are considered having similar characteristics in terms of industry background and outlook as the Ausnutria Hyproca Group, and therefore can provide a general overview on their market valuation with respect to their corresponding earnings for comparison purposes. For companies which are principally engaged in the production and sales of paediatric milk formula products but listed on other stock exchanges, we consider that they may not be appropriate for comparison purposes as rating and valuation on the same business sector/industry on different stock exchanges could vary widely due to the variations in the mix of institutional and retail investors, the difference in maturity of the regional stock markets, the economic structure and stage of economic development of the country or region where the stock exchanges are situated.

The table below illustrates the price-to-sales ratio ("**P/S Ratio(s)**") and price-to-earnings ratio ("**P/E Ratio(s)**") of each of Biostime, Yashili, the Company and Ausnutria Hyproca.

Company name	Average closing price	Market capitalisation	Turnover	Latest earnings	P/S Ratios	P/E Ratios
	HK$	*HK$'million*	*HK$'million*	*HK$'million*	*times*	*times*
	(note 1)	*(note 1)*	*(note 1)*	*(note 1)*	*(note 2)*	*(note 3)*
Biostime	25.26	15,332.1	5,914.5	1,008.5	2.6	15.2
Yashili	2.59	12,267.7	3,520.5	311.0	3.5	39.4
The Company	2.61	2,572.8	2,457.6	112.8	1.0	22.8
					(note 7)	*(note 9)*
				Average	**2.4**	**25.8**
				Maximum	**3.5**	**39.4**
				Minimum	**1.0**	**15.2**
Ausnutria Hyproca	**N/A**	**959.8**	**1,721.2**	**72.9**	**0.6**	**13.2**
		(note 4)	*(note 5)*	*(note 6)*	*(note 8)*	*(note 10)*

Notes:

1) The share price and market capitalisation of the Comparable Companies and the Company are sourced from the website of the Stock Exchange. The market capitalisation of the Comparable Companies and the Company are calculated based on their average share price from 4 August 2014, being the date of the Resumption, up to the Latest Practicable Date and number of issued shares as at the Latest Practicable Date. The consolidated turnovers and consolidated earnings attributable to owners are extracted from the respective latest annual reports of the Comparable Companies and the Company. The average closing prices of the respective shares for a longer period (i.e. 4 August 2014 to the Latest Practicable Date) have been used in order to minimise any possible distortion as a result of any particular event(s), for comparison purposes.

2) The historical P/S Ratio of the Comparable Companies is calculated based on their latest consolidated turnover and their market capitalisations based on the average closing price of their respective shares from 4 August 2014 up to the Latest Practicable Date and the number of their respective shares in issue as at the Latest Practicable Date.

3) The historical P/E Ratio of the Comparable Companies is calculated based on their latest audited consolidated earnings attributable to owners and their market capitalisations based on the average closing price of their respective shares from 4 August 2014 up to the Latest Practicable Date and the number of their respective shares in issue as at the Latest Practicable Date.

4) The theoretical market capitalisation of Ausnutria Hyproca is calculated based on the Consideration of approximately HK$470.3 million for the 49% equity interest in Ausnutria Hyproca, and the Consideration comprised of the Cash Consideration as well as the Consideration Shares.

5) Being the consolidated turnover of Ausnutria Hyproca of Euro183,591,000 for FY2014 as extracted from Appendix II to the Circular.

6) Being the audited consolidated net profit attributable to the shareholders of Ausnutria Hyproca of Euro7,781,000 for FY2014 as extracted from Appendix II to the Circular.

7) The P/S Ratio of the Company is calculated based on (i) its market capitalisation based on the average Share closing price from 4 August 2014 up to the Latest Practicable Date and the number of Shares in issue as at the Latest Practicable Date; and (ii) consolidated turnover of the Company for FY2014.

8) The P/S Ratio of Ausnutria Hyproca is calculated based on (i) its theoretical market capitalisation as illustrated in note 4 above; and (ii) consolidated turnover of Ausnutria Hyproca for FY2014.

9) The P/E Ratio of the Company is calculated based on (i) its market capitalisation based on the average Share closing price from 4 August 2014 up to the Latest Practicable Date and the number of Shares in issue as at the Latest Practicable Date; and (ii) consolidated net profits attributable to owners of the Company for FY2014.

10) The P/E Ratio of Ausnutria Hyproca is calculated based on (i) its theoretical market capitalisation as illustrated in note 4 above; and (ii) consolidated net profits attributable to owners of Ausnutria Hyproca for FY2014.

11) For the purpose of this table, the translation of Euro into HK$ is based on the average exchange rate of Euro1.00 to HK$9.375 for the purpose of illustration only.

12) For the purpose of this table, the translation of RMB into HK$ is based on the average exchange rate of RMB1.00 to HK$1.25 for the purpose of illustration only.

As shown in the table above, we note that the P/S Ratio of Ausnutria Hyproca of around 0.6 times represented by the Consideration of approximately HK$470.3 million is lower than (i) the P/S Ratio of the Company of around 1.0 times; and (ii) the average of the P/S Ratios of the Comparable Companies and the Company of around 2.4 times, which is considered favourable. In addition, the P/E Ratio of Ausnutria Hyproca of around 13.2 times represented by the Consideration of HK$470.3 million is lower than (i) the P/E Ratio of the Company of around 22.8 times; and (ii) the average of the P/E Ratios of the Comparable Companies and the Company of around 25.8 times, which is also considered favourable.

We have also reviewed the price-to-book ratios ("**P/B Ratio(s)**") of the Comparable Companies and the Company. They are ranged from 3.1 times to 4.2 times and the P/B Ratio of Ausnutria Hyproca of around 4.1 times represented by the Consideration of approximately HK$470.3 million is higher than that of the Comparable Companies and the Company. Nevertheless, we consider the valuation basis for companies engaged in the production and sales of paediatric milk formula products which are profit-making should be largely based on their annual sale volume and earning capability rather than their net asset backing. We therefore place less reliance on the analysis relating to P/B Ratios.

We have also considered the Company's acquisition cost for the 51% equity interests in Ausnutria Hyproca in 2011 (the "**Previous Acquisition**") in assessing the fairness and reasonableness of the Consideration. We noted from the Company's announcement dated 4 July 2011 and 20 July 2011, the circular dated 23 September 2011 and Appendix II to the Circular that the aggregate consideration for the Previous Acquisition of Euro19,651,500 represented a P/E Ratio of approximately 21.4 times based on the audited net profit of the then Ausnutria Hyproca Group of approximately Euro1.8 million (around Euro0.9 million attributable to 51% equity interest) for the year ended 31 December 2010. The P/E Ratio of Ausnutria Hyproca of around 13.2 times represented by the Consideration is lower than that for the Previous Acquisition, which are considered favourable given the fact that both the operation scale and profitability of the Ausnutria Hyproca Group have substantially improved when compared to that for 2010.

Other alternative approach such as a business valuation of the Ausnutria Hyproca Group based on future earnings and/or cash flow projections was also considered. However, the preparation of projections of future earnings and/or cash flow of the Ausnutria Hyproca Group shall involve large amount of business assumptions, which could be subject to even greater uncertainties and subjectivity. Whilst the above comparison methods such as the P/E Ratios and historical costs analyses are considered commonly used approaches under market practices to assess the fairness and reasonableness of the Consideration, we consider the above comparison methods appropriate for providing the Shareholders a general overview on the valuation on companies conducting similar business as that of the Ausnutria Hyproca Group and a reasonable reference and basis for the Shareholders to assess the fairness and reasonableness of the Consideration.

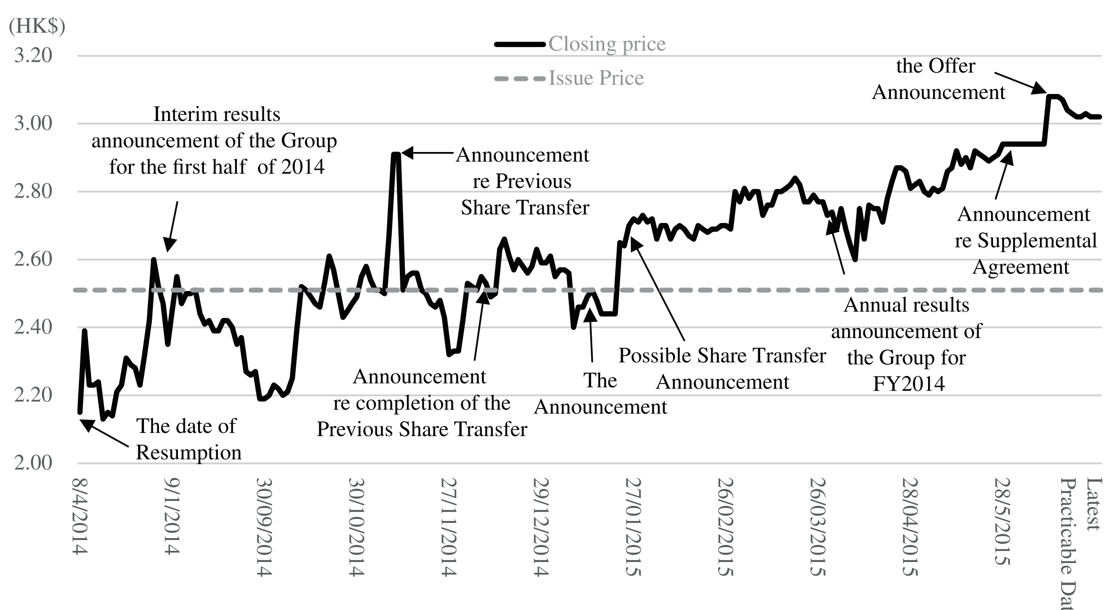
Having considered the above, we consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

6. Evaluation of the Issue Price

6.1 Historical price performance of the Shares

We note that trading in the Shares had been suspended during the period from 29 March 2012 to 1 August 2014 due to, among other things, a delay in publication of the annual results of the Group and despatch of the relevant annual report for the financial year ended 31 December 2011. On 26 June 2012, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated a number of resumption conditions. As announced by the Company dated 1 August 2014, all the resumption conditions have been fulfilled and resumption of trading in the Shares (the "**Resumption**") took place on 4 August 2014. Details on the reasons for the suspension of trading in the Shares and the Resumption were set out in the announcements of the Company dated 29 March 2012, 4 October 2012 and 1 August 2014. Given the suspension of the Shares between March 2012 and early August 2014, we believe that the share price movement of the Shares after the Resumption would provide a more meaningful picture of the trading performance of the Shares taken into account the most up-to-date development of the Group.

Set out below is a chart reflecting movements in the closing prices of the Shares from 4 August 2014 (being the day of on which trading in the Shares resumed pursuant to the Resumption) to the Latest Practicable Date (the "**Review Period**"):



Source: Website of the Stock Exchange

From the chart above, the closing prices of the Shares were ranged from HK$2.13 to HK$2.91 per Share during the period from 4 August 2014 to 12 January 2015 (being the last trading day (the "**Last Trading Day**") prior to the publication of the announcement in relation to the Acquisition (the "**Announcement**")) (both dates inclusive, the "**Pre-Announcement Period**"), with an average of approximately HK$2.44 per Share.

The Share price closed at HK$2.15 on 4 August 2014, being the first day of trading in the Shares after the Resumption. The Share price gradually went up and reached its peak of HK$2.91 on 11 November 2014, being the last trading day prior to the release of the Company's announcement on 12 November 2014 in relation the possible disposal of Shares by the substantial Shareholders (the "**Previous Share Transfer**"). The Shares resumed trading on 13 November 2014 and the Share price closed at HK$2.51 on the same day. The Company announced the completion of the Previous Share Transfer on 12 December 2014. On 15 December 2014, being the trading day immediately following the publication of the announcement regarding the completion of the Previous Share Transfer, the Share price closed at HK$2.66. Since then and up to the Last Trading Day, the Share price closed in the range between HK$2.40 and HK$2.66. The Share price closed at HK$2.46 on the Last Trading Day. Following the publication of the Announcement and before the temporary suspension in trading of Shares from 19 to 21 January 2015, the Shares closed in the range between HK$2.44 and HK$2.51 with an average of approximately HK$2.48.

On 21 January 2015, the Company announced after trading hours that two substantial Shareholders had entered into a letter of intent with a potential purchaser for the possible disposal of their Shares at a price of HK$3.00 or above (the "**Possible Share Transfer**"). On 22 January 2015, trading in Shares resumed and the Share price surged to HK$2.65. The Share price continued to increase and closed at HK$2.94 on 28 May 2015, and the trading in the Shares was suspended from 29 May 2015 to 10 June 2015 pending the release of the announcement in relation to the Offer (the "**Offer Announcement**"). Following the release of the Offer Announcement and the resumption of trading in the Shares on 11 June 2015, the Share price surged to HK$3.08 on 11 June 2015. The Share price maintained at levels above HK$3.0 each and closed at HK$3.02 on the Latest Practicable Date. We believe that the recent upswing of the closing price of the Shares is likely to be attributable to the market reaction to the publication of the announcement in relation to the Possible Share Transfer (the "**Possible Share Transfer Announcement**") and the Offer Announcement.

The Issue Price of HK$2.51 per Consideration Share represents a premium of approximately 2.0% and 2.9% over the closing price of the Share of HK$2.46 on the Last Trading Day and the average closing price of the Share of approximately HK$2.44 during the Pre-Announcement Period respectively.

The Issue Price of HK$2.51 per Consideration Share represented a discount of approximately 16.9% to the closing price of the Shares of HK$3.02 on the Latest Practicable Date.

6.2 Peers comparables to the Company

The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry through the Ausnutria Hyproca Group with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries. As such, we consider the Comparable Companies selected based on the said criteria in the section headed "5. Evaluation of the Consideration" above appropriate for comparison purposes.

Set out below are the the P/S Ratio and P/E Ratio of the Company represented by the Issue Price and the P/S Ratios and the P/E Ratios of the Comparable Companies.

Company name	**Closing price**	**Market capitalisation**	**Turnover**	**Latest earnings**	**P/S Ratios**	**P/E Ratios**
	HK$	*HK$'million*	*HK$'million*	*HK$'million*	*times*	*times*
	(note 1)	*(note 1)*	*(note 1)*	*(note 1)*	*(note 2)*	*(note 3)*
Biostime	22.90	13,899.4	5,914.5	1,008.5	2.4	13.8
Yashili	2.41	11,436.8	3,520.5	311.0	3.2	36.8
				Average	**2.8**	**25.3**
				Maximum	**3.2**	**36.8**
				Minimum	**2.4**	**13.8**
The Company	**2.51**	**2,477.0**	**2,457.6**	**112.8**	**1.0**	**22.0**
	(note 4)	*(note 5)*	*(note 6)*	*(note 7)*	*(note 8)*	*(note 9)*

Notes:

1) The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Comparable Companies are calculated based on their closing share price and number of issued shares as at the Latest Practicable Date. The consolidated turnovers and consolidated earnings attributable to owners are extracted from the latest annual reports of the Comparable Companies.

2) The historical P/S Ratio of the Comparable Companies is calculated based on their latest audited consolidated turnovers attributable to owners and their market capitalisations as at the Latest Practicable Date.

3) The historical P/E Ratio of the Comparable Companies is calculated based on their latest audited consolidated earnings attributable to owners and their market capitalisations as at the Latest Practicable Date.

4) Being the Issue Price of HK$2.51 per Consideration Share.

5) Theoretical market capitalisation of the Company being the Issue Price times 986,843,000 Shares in issue as at the Latest Practicable Date.

6) Being the consolidated turnovers of the Company for FY2014 which is extracted from 2014 Annual Report.

7) Being the consolidated net profits attributable to owners of the Company for FY2014 which is extracted from 2014 Annual Report.

8) The P/S Ratio of the Company is calculated based on (i) its theoretical market capitalisation; and (ii) consolidated turnover of the Company for FY2014.

9) The P/E Ratio of the Company is calculated based on (i) its theoretical market capitalisation; and (ii) consolidated net profits attributable to owners of the Company for FY2014.

10) For the purpose of this table, the translation of RMB into HK$ is based on the average exchange rate of RMB1.00 to HK$1.25 for the purpose of illustration only.

As shown in the table above, the P/S Ratio of the Company based on the Issue Price of around 1.0 times is lower than those of the Comparable Companies. We also note that the P/E Ratio of the Company based on the Issue Price of around 22.0 times is lower than the average of approximately 25.3 times but within the range of the P/E Ratios of the Comparable Companies and therefore, is considered in line with the market. In addition, we further note that both the P/S Ratio and the P/E Ratio of the Company based on the Issue Price are indeed higher than the P/S Ratio and the P/E Ratio of Ausnutria Hyproca of around 0.6 times and 13.2 times respectively represented by the Consideration.

Having considered the factors, in particular, that (i) as discussed in the section headed "3. Reasons for and benefits of the Acquisition" above, in particular, the granting of the import approval of the brands owned by Ausnutria Hyproca Group and the successful registrations of the overseas factories of Ausnutria Hyproca Group as approved overseas dairy products producers under the New Policies, are expected to create more opportunities and increase the Group's overall competitiveness for its future business growth, and the further consolidation of the 49% residual interest in Ausnutria Hyproca which has an established presence in various overseas markets with its strengthened capability to secure quality milk source following, in particular, the Sanimel Acquisition and the Farmel Investment, is considered in line with the Group's overall business strategy and is expected to further strengthen the position of the Group as one of the leading producers and distributors of milk products in the world and enable the Group to capture the growing demand for milk products worldwide; (ii) the Issue Price of HK$2.51 per Consideration Share represents a premium over each of the closing price of the Share of HK$2.46 on the Last Trading Day and the average closing price of the Share of approximately HK$2.44 during the Pre-Announcement Period; and (iii) the P/S Ratio and the P/E ratio of the Company represented by the Issue Price are indeed higher than the P/S Ratio and the P/E Ratio of Ausnutria Hyproca represented by the Consideration, we consider that the issue of the Consideration Shares at the Issue Price is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

7. Effect on the shareholding structure of the Company

The Consideration has been/will be satisfied by (i) HK$20,125,000 in cash upon signing of the Supplemental Agreement; (ii) HK$80,068,398 in cash within fourteen (14) days from the Completion Date; and (iii) the issue and allotment of 147,459,300 Consideration Shares to DDI upon completion of the Acquisition. As shown in the letter from the Board in the Circular, the shareholding in the Company held by existing public Shareholders was diluted from 43.12% immediately before completion of the Acquisition to approximately 37.52% upon completion of the issue of the Consideration Shares.

However, taking into account that (i) as discussed in the section headed "3. Reasons for and benefits of the Acquisition" above, in particular, the granting of the import approval of the brands owned by Ausnutria Hyproca Group and the successful registrations of the overseas factories of Ausnutria Hyproca Group as approved overseas dairy products producers under the New Policies, are expected to create more opportunities and increase the Group's overall competitiveness for its future business growth, and the further consolidation of the 49% residual interest in Ausnutria Hyproca which has an established presence in various overseas markets with its strengthened capability to secure quality milk source following, in particular, the Sanimel Acquisition and the Farmel Investment, is considered in line with the Group's overall business strategy and is expected to further strengthen the position of the Group as one of the leading producers and distributors of milk products in the world and enable the Group to capture the growing demand for milk products worldwide; and (ii) the terms of the Share Purchase Agreement, including the Consideration and the Issue Price, are fair and reasonable so far as the Shareholders are concerned, we are of the view that dilution effect to the shareholding interests of the existing Shareholders as a result of the Acquisition is acceptable.

8. Financial effects of the Acquisition on the Group

8.1 Earnings

Following completion of the Acquisition, the financial results of Ausnutria Hyproca Group will be fully consolidated into the financial statements of the Company. Given the profitability of Ausnutria Hyproca Group for FY2014, we concur with the view of the Directors that the Acquisition is expected to contribute to earnings base of the Group but the extent of such contribution will depend on the future performance of Ausnutria Hyproca Group.

The Management advised us that no significant effect on the Group's consolidated statement of profit or loss is expected to be resulted from the Acquisition immediately upon completion of the Acquisition.

8.2 Net asset value

The assets and liabilities of Ausnutria Hyproca Group will be fully consolidated into the financial statements of the Company upon completion of the Acquisition. Accordingly, as set out in the unaudited pro forma financial information of the Enlarged Group in the Appendix III to the Circular, the net asset value of the Enlarged Group would decrease by around 6.8% from approximately RMB1,214.9 million as at 31 December 2014 to RMB1,132.9 million as a result of the Acquisition, which is mainly due to the payment of the Cash Consideration and the transaction costs for the Acquisition. The net asset value per Share of the Enlarged Group would also decrease from approximately RMB1.23 as at 31 December 2014 to approximately RMB1.00 upon completion of the Acquisition.

Having considered that, in particular, (i) the reasons for and benefits of the Acquisition as discussed in the section headed "3. Reasons for and benefits of the Acquisition" above; and (ii) the terms of the Share Purchase Agreement, including the Consideration and the Issue Price, being fair and reasonable so far as the Shareholders are concerned, we are of the view that dilution effect to the net asset value per Share as a result of the Acquisition is acceptable.

8.3 Cash flow

Since the Consideration will be satisfied by cash of HK$100,193,398 and the allotment and issue of the Consideration Shares by the Company, the cash level of the Group will decrease immediately upon completion of the Acquisition. Given the cash and cash equivalents (including the time deposits) of approximately RMB743.4 million as at 31 December 2014, it is expected that there would not be material adverse effect on the cash flow of the Group as a result of the Acquisition.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon completion of and the issuance of the Consideration Shares pursuant to the Acquisition.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out above, we are of the view that that the terms of the Share Purchase Agreement, including the Consideration and the issue of the Consideration Shares at the Issue Price, are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned. Although the entering into of the Share Purchase Agreement is not in the ordinary and usual course of business of the Company, we consider that it is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend that the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the Acquisition in the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 as extracted from the annual reports of the Company.

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB' 000	*RMB' 000*	*RMB' 000*
	(Audited)	*(Audited)*	*(Audited)*
REVENUE	1,350,996	1,687,781	1,966,047
Cost of sales	(1,024,803)	(1,216,026)	(1,398,842)
Gross profit	326,193	471,755	567,205
Other income and gains	22,222	25,884	29,325
Selling and distribution expenses	(156,355)	(227,757)	(336,000)
Administrative expenses	(74,533)	(84,742)	(105,285)
Other expenses	(27,807)	(20,939)	(11,621)
Finance costs	(4,315)	(6,406)	(10,310)
Share of profits of associates	—	—	3,959
PROFIT BEFORE TAX	85,405	157,795	137,273
Income tax expense	(17,388)	(30,930)	(20,552)
PROFIT FOR THE YEAR	68,017	126,865	116,721

	Year ended 31 December		
	2012	2013	2014
	RMB' 000	*RMB' 000*	*RMB' 000*
	(Audited)	*(Audited)*	*(Audited)*
PROFIT FOR THE YEAR	68,017	126,865	116,721
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	5,153	2,889	(31,617)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	5,153	2,889	(31,617)
Other comprehensive loss not to be reclassified to profit or less in subsequent periods:			
Remeasurement losses on the defined benefit plan	—	(173)	(3,047)
Income tax effect	—	42	731
	—	(131)	(2,316)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	5,153	2,758	(33,933)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	73,170	129,623	82,788
ASSETS AND LIABILITIES			
TOTAL ASSETS	1,588,363	2,002,701	2,433,267
TOTAL LIABILITIES	524,536	808,235	1,218,339
NET ASSETS	1,063,827	1,194,466	1,214,928

- annual report of the Company for the year ended 31 December 2014 published on 29 April 2015 (pages 65 to 154);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429253.pdf

- annual report of the Company for the year ended 31 December 2013 published on 17 July 2014 (pages 60 to 148);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0717/LTN20140717286.pdf

- annual report of the Company for the year ended 31 December 2012 published on 17 July 2014 (pages 66 to 154);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0717/LTN20140717222.pdf

Ernst & Young, being the auditors of the Company, issued a disclaimer of opinion on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2012. Ernst & Young did not issue any qualifications in respect of the Group's financial statements for the years ended 31 December 2013 and 31 December 2014.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2015, being the latest practicable date for inclusion of information in this paragraph headed "Statement of indebtedness" prior to the publication of this circular, the Enlarged Group had outstanding interest-bearing bank and other borrowings of approximately RMB665,033,000 as follows:

	As at 30 April 2015 *RMB'000*
Secured bank borrowings	412,456
Secured bank overdrafts	168,918
Finance leases	20,111
Shareholder's loans	63,548
Total	665,033

As at 30 April 2015, the Enlarged Group had total available banking facilities of approximately RMB616,388,000 of which approximately RMB601,485,000 had been utilized as at 30 April 2015.

Collateral

As at 30 April 2015, the Enlarged Group's bank loans, bank overdrafts and finance leases were secured by the pledge of the followings:

	As at 30 April 2015 *RMB'000*
Land and buildings	102,758
Property, plant and equipment	137,237
Inventories	387,126
Trade and other receivables	89,767
Total	716,888

Contingent liabilities

As at the close of business on 30 April 2015, the Enlarged Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 30 April 2015, 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 there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2015 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 30 April 2015.

FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries. In recent years, the Group has been undergoing significant changes which lay solid foundation for the Group's long-term future growth.

As set out in the joint announcement issued by the Company and the Joint Offerors dated 11 June 2015, Center Lab, together with the Joint Offerors and parties acting in concert with them, has obtained the Company's controlling stake. The Company believes that it can leverage on Center Lab's management expertise in enhancing its production, quality controls and research capabilities.

In respect of the expansion of the global distribution networks for its infant formula, in particular, the goat milk-based Kabrita series products, the Group, after launching the Kabrita series products in the PRC, Russia and the CIS, the Middle East countries, the United States and Canada, is in the process of exploring the market potential of launching the Kabrita series products in other major parts of the world, including but not limited to Taiwan and South America.

In future, the Group will, apart from the Acquisition, continue to explore investment opportunities in upstream milk powder-related assets and operations to broaden the Group's milk powder supply sources. The Group will also focus on increasing its production capacity in the Netherlands and expanding its global distribution network for its dairy products.

As set out in the section headed "Reasons for and benefits of the Acquisition" in the "Letter from the Board" contained in this circular, the Company has intended to facilitate the future business expansion of the Ausnutria Hyproca Group, including the construction of new production facilities. Under the current plan, the total investment cost is estimated to approximately Euro83.0 million, which will be financed by approved new banking facilities granted to the Ausnutria Hyproca Group as well as to the Group's internal working capital.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, other internal resources and banking facilities available and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

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 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

A. ACCOUNTANTS' REPORT ON THE AUSNUTRIA HYPROCA GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the auditors and reporting accountants of Ausnutria Hyproca, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永会计师事务所
香港中环添美道1号
中信大厦22楼

Tel 电话: +852 2846 9888
Fax 传真: +852 2868 4432
ey.com

30 June 2015

The Board of Directors
Ausnutria Dairy Corporation Ltd

Dear Sirs,

We set out below our report on the financial information of Ausnutria Hyproca B.V. ("**Ausnutria Hyproca**") and its subsidiaries (hereinafter collectively referred to as the "**Ausnutria Hyproca Group**") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Ausnutria Hyproca Group for each of the years ended 31 December 2012, 2013 and 2014 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Ausnutria Hyproca Group as at 31 December 2012, 2013 and 2014 and the statements of financial position of Ausnutria Hyproca as at 31 December 2012, 2013 and 2014, together with the notes thereto (the "**Financial Information**"), for inclusion in the circular of Ausnutria Dairy Corporation Ltd (the "**Company**") dated 30 June 2015 (the "**Circular**") in connection with the proposed acquisition of 49% equity interest of Ausnutria Hyproca.

Ausnutria Hyproca is a limited liability company incorporated in the Netherlands on 16 October 1989. Ausnutria Hyproca is principally engaged as investment holding. As at the date of this report, Ausnutria Hyproca has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below.

All companies comprising the Ausnutria Hyproca Group during the Relevant Periods have adopted 31 December as their financial year end date and their statutory financial statements were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated. The statutory financial statements of Ausnutria Hyproca for the years ended 31 December 2012, 2013 and 2014 prepared in accordance with Dutch Generally Accepted Accounting Principles (the "**Dutch GAAP**") were audited by Ernst & Young Accountants LLP, certified public accountants registered in the Netherlands. Details of the statutory auditors of subsidiaries of Ausnutria Hyproca during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Ausnutria Hyproca have prepared the consolidated financial statements of the Ausnutria Hyproca Group for the Relevant Periods (the "**Underlying Financial Information**") in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board.

The Financial Information set out in this report has been prepared from the Underlying Financial Information with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The directors of Ausnutria Hyproca are responsible for the preparation of the Underlying Financial Information and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the directors of Ausnutria Hyproca determine is necessary to enable the preparation of the Underlying Financial Information and the Financial Information that are free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the Hong Kong Institute of Certified Public Accountants.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Ausnutria Hyproca Group and Ausnutria Hyproca as at 31 December 2012, 2013 and 2014, and of the consolidated results and cash flows of the Ausnutria Hyproca Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2012 *Euro'000*	2013 *Euro'000*	2014 *Euro'000*
REVENUE	5	105,828	139,368	183,591
Cost of sales		(95,668)	(118,877)	(148,235)
Gross profit		10,160	20,491	35,356
Other income and gains	5	322	106	788
Selling and distribution expenses		(4,544)	(11,795)	(19,986)
Administrative expenses		(3,707)	(5,475)	(6,430)
Other expenses		(1,125)	(248)	(32)
Finance costs	7	(603)	(873)	(1,321)
Share of profits of associates		—	—	468
Profit before tax	6	503	2,206	8,843
Income tax expense	10	(216)	(117)	(1,062)
PROFIT FOR THE YEAR		287	2,089	7,781
Attributable to:				
Owners of Ausnutria Hyproca	11	(38)	2,128	7,678
Non-controlling interests		325	(39)	103
		287	2,089	7,781

	Notes	2012 *Euro'000*	2013 *Euro'000*	2014 *Euro'000*
PROFIT FOR THE YEAR		287	2,089	7,781
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		(2)	(201)	711
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(2)	(201)	711
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:				
Remeasurement losses on the defined benefit plan		—	(21)	(375)
Income tax effect		—	5	94
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		—	(16)	(281)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(2)	(217)	430
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		285	1,872	8,211
Attributable to:				
Owners of Ausnutria Hyproca	11	(43)	1,959	8,011
Non-controlling interests		328	(87)	200
		285	1,872	8,211

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	2012 Euro'000	2013 Euro'000	2014 Euro'000
NON-CURRENT ASSETS				
Property, plant and equipment	12	19,074	30,740	45,330
Goodwill	13	250	250	250
Other intangible assets	14	1,079	1,832	3,988
Investments in associates	16	—	—	4,018
Deferred tax assets	26	2,704	3,041	4,534
Total non-current assets		23,107	35,863	58,120
CURRENT ASSETS				
Inventories	17	18,800	27,246	53,339
Trade and bills receivables	18	9,538	13,754	14,346
Prepayments, deposits and other receivables	19	2,338	8,317	15,309
Tax recoverable		258	90	187
Time deposits	20	—	748	—
Cash and cash equivalents	20	3,483	2,101	5,556
Total current assets		34,417	52,256	88,737
CURRENT LIABILITIES				
Trade payables	21	11,478	18,228	23,281
Other payables and accruals	22	11,753	15,003	28,837
Derivative financial instruments	23	136	85	54
Interest-bearing bank loans and other borrowings	24	11,488	20,881	26,148
Tax payable		383	—	2,215
Total current liabilities		35,238	54,197	80,535
NET CURRENT ASSETS/ (LIABILITIES)		(821)	(1,941)	8,202
TOTAL ASSETS LESS CURRENT LIABILITIES		22,286	33,922	66,322

	Notes	2012 *Euro'000*	2013 *Euro'000*	2014 *Euro'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		22,286	33,922	66,322
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	24	4,690	14,277	36,406
Defined benefit plan	25	2,094	2,192	2,107
Deferred tax liabilities	26	921	877	1,223
Total non-current liabilities		7,705	17,346	39,736
Net assets		14,581	16,576	26,586
EQUITY				
Equity attributable to owners of Ausnutria Hyproca				
Issued capital	28	4,086	4,086	4,086
Reserves	29(a)	10,109	12,068	20,898
		14,195	16,154	24,984
Non-controlling interests		386	422	1,602
Total equity		14,581	16,576	26,586

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Ausnutria Hyproca									
	Issued capital *Euro'000* *(note 28)*	**Share premium account** *Euro'000*	**Capital reserve** *Euro'000*	**Statutory surplus reserve** *Euro'000* *(note 29(a))*	**Asset revaluation reserves** *Euro'000*	**Exchange fluctuation reserve** *Euro'000*	**Retained profits** *Euro'000*	**Subtotal** *Euro'000*	**Non-controlling interests** *Euro'000*	**Total equity** *Euro'000*
At 1 January 2012	4,086	6,192	—	9	463	(10)	2,688	13,428	291	13,719
Profit/(loss) for the year	—	—	—	—	—	—	(38)	(38)	325	287
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(5)	—	(5)	3	(2)
Total comprehensive income/(loss) for the year	—	—	—	—	—	(5)	(38)	(43)	328	285
Acquisition of non-controlling interest in a subsidiary *(note 1)*	—	—	(2,190)	—	—	—	—	(2,190)	(610)	(2,800)
Contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	377	377
Contribution from immediate holding company#	—	3,000	—	—	—	—	—	3,000	—	3,000
Transfer from retained profits	—	—	—	64	—	—	(64)	—	—	—
At 31 December 2012	4,086	9,192*	(2,190)*	73*	463*	(15)*	2,586*	14,195	386	14,581

On 13 April 2012, Ausnutria Dairy (Dutch) Coöpertief U.A. ("Ausnutria (Dutch)"), the immediate holding company of Ausnutria Hyproca, paid an additional consideration of Euro3,000,000 to Ausnutria Hyproca in relation to the acquisition of the 51% equity interest in Ausnutria Hyproca in 2011 as the performance of the Ausnutria Hyproca Group has met certain performance indicators as set out in the share purchase agreements dated 30 June 2011 and 19 July 2011. Details regarding the adjustment on the consideration are set out in the circular of the Company dated 23 September 2011.

	Attributable to owners of Ausnutria Hyproca									
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Asset revaluation reserves	Exchange fluctuation reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
	(note 28)			*(note 29(a))*						
At 1 January 2013	4,086	9,192	(2,190)	73	463	(15)	2,586	14,195	386	14,581
Profit/(loss) for the year	—	—	—	—	—	—	2,128	2,128	(39)	2,089
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(153)	—	(153)	(48)	(201)
Remeasurement losses on the defined benefit plan, net of tax	—	—	—	—	—	—	(16)	(16)	—	(16)
Total comprehensive income for the year	—	—	—	—	—	(153)	2,112	1,959	(87)	1,872
Contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	123	123
Transfer from retained profits	—	—	—	462	—	—	(462)	—	—	—
At 31 December 2013	4,086	9,192*	(2,190)*	535*	463*	(168)*	4,236*	16,154	422	16,576

	Attributable to owners of Ausnutria Hyproca									
	Issued capital	**Share premium account**	**Capital reserve**	**Statutory surplus reserve**	**Asset revaluation reserves**	**Exchange fluctuation reserve**	**Retained profits**	**Subtotal**	**Non-controlling interests**	**Total equity**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
	(note 28)			*(note 29(a))*						
At 1 January 2014	4,086	9,192	(2,190)	535	463	(168)	4,236	16,154	422	16,576
Profit for the year	—	—	—	—	—	—	7,678	7,678	103	7,781
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	614	—	614	97	711
Remeasurement losses on the defined benefit plan, net of tax	—	—	—	—	—	—	(281)	(281)	—	(281)
Total comprehensive income for the year	—	—	—	—	—	614	7,397	8,011	200	8,211
Acquisition of a subsidiary (note 30)	—	—	819	—	—	—	—	819	905	1,724
Contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	75	75
Transfer from retained profits	—	—	—	154	—	—	(154)	—	—	—
At 31 December 2014	4,086	9,192*	(1,371)*	689*	463*	446*	11,479*	24,984	1,602	26,586

* These components of equity comprise the consolidated reserves of Euro10,109,000, Euro12,068,000 and Euro20,898,000 as at 31 December 2012, 2013 and 2014, respectively, in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2012 Euro'000	2013 Euro'000	2014 Euro'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		503	2,206	8,843
Adjustments for:				
Finance costs	7	603	873	1,321
Share of profits of associates		—	—	(468)
Interest income	5	(110)	(41)	(108)
Depreciation	6	2,095	2,367	3,252
Amortisation of other intangible assets	6	303	287	598
Impairment of property, plant and equipment	6	—	224	32
Loss on disposal of items of other intangible assets	6	16	24	—
Write-down of inventories to net realisable value	6	986	124	155
		4,396	6,064	13,625
Increase in inventories		(7,972)	(8,570)	(26,163)
Decrease/(increase) in trade and bills receivables		3,383	(4,437)	(987)
Increase in prepayments, deposits and other receivables		(170)	(5,758)	(6,991)
Increase in trade payables		2,844	6,751	5,053
Increase in other payables and accruals		5,931	3,228	13,755
Cash generated from/(used in) operations		8,412	(2,722)	(1,708)
Interest received		110	41	108
Interest paid		(595)	(854)	(1,277)
Corporate income tax paid		(1,796)	(710)	(464)
Net cash flows from/(used in) operating activities		6,131	(4,245)	(3,341)

	Notes	2012 *Euro'000*	2013 *Euro'000*	2014 *Euro'000*
Net cash flows from/(used in) operating activities		6,131	(4,245)	(3,341)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(3,837)	(14,267)	(17,874)
Purchases of intangible assets		(155)	(1,064)	(829)
Proceeds from disposal of items of property, plant and equipment		—	10	—
Acquisition of non-controlling interest in a subsidiary		(2,800)	—	—
Decrease/(increase) in time deposits		—	(748)	748
Investments in associates		—	—	(3,550)
Net cash flows used in investing activities		(6,792)	(16,069)	(21,505)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans and other borrowings		431	19,628	28,357
Repayment of bank loans		(578)	(549)	(769)
Contributions from non-controlling shareholders of subsidiaries		377	123	75
Contribution from immediate holding company		3,000	—	—
Interest element of finance lease rental payments		(16)	(70)	(75)
Net cash flows from financing activities		3,214	19,132	27,588
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,553	(1,182)	2,742
Cash and cash equivalents at beginning of year		931	3,483	2,101
Effect of foreign exchange rate changes, net		(1)	(200)	713
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,483	2,101	5,556
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	20	3,483	2,101	5,556

STATEMENTS OF FINANCIAL POSITION

	Notes	2012 Euro'000	2013 Euro'000	2014 Euro'000
NON-CURRENT ASSETS				
Property, plant and equipment	12	2,605	8,564	17,145
Other intangible assets	14	7	427	883
Deferred tax assets	26	34	21	14
Investments in subsidiaries	15	5,700	12,269	12,269
Total non-current assets		8,346	21,281	30,311
CURRENT ASSETS				
Tax recoverable		171	12	187
Prepayments, deposits and other receivables	19	11,004	10,690	20,877
Total current assets		11,175	10,702	21,064
CURRENT LIABILITIES				
Other payables and accruals	22	4,617	5,722	5,065
Derivative financial instruments	23	136	85	54
Interest-bearing bank loans and other borrowings	24	1,762	450	450
Total current liabilities		6,515	6,257	5,569
NET CURRENT ASSETS		4,660	4,445	15,495
TOTAL ASSETS LESS CURRENT LIABILITIES		13,006	25,726	45,806
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	24	1,000	14,050	33,150
Deferred tax liabilities	26	367	333	299
Total non-current liabilities		1,367	14,383	33,449
Net assets		11,639	11,343	12,357
EQUITY				
Issued capital	28	4,086	4,086	4,086
Reserves	29(b)	7,553	7,257	8,271
Total equity		11,639	11,343	12,357

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Ausnutria Hyproca was incorporated as a private company with limited liability in the Netherlands on 16 October 1989. The registered office of Ausnutria Hyproca is located at Burgemeester Falkenaweg 58-1 (8442LE), Heerenveen, the Netherlands.

Ausnutria Hyproca acts as an investment holding company of the Ausnutria Hyproca Group. The Ausnutria Hyproca Group is principally engaged in the research and development, milk collection, processing, production, packaging, marketing and sales of dairy products.

In the opinion of the directors of Ausnutria Hyproca, throughout the Relevant Periods and up to the date of this report, Ausnutria Dairy (Dutch) Coöperatief U.A. and Ausnutria Dairy Corporation Ltd, companies incorporated in the Netherlands and the Cayman Islands, are the immediate and ultimate holding company of Ausnutria Hyproca, respectively.

As at 31 December 2012, 2013, 2014, Ausnutria Hyproca had direct and indirect interests in the following principal subsidiaries, all of which are private companies with limited liabilities, the particulars of which are set out below:

Name	Notes	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered capital	Percentage of equity interest attributable to Ausnutria Hyproca 2012	2013	2014	Principal activities
Hyproca Dairy B.V. (“Hyproca Dairy”)	(i)	The Netherlands	Euro18,200	100	100	100	Manufacture of nutrition products
Lyempf Kampen B.V. (formerly Hyproca Lyempf B.V. (“Lyempf”))	(i)	The Netherlands	Euro21,500	91.6#	100	100	Manufacture of nutrition products
Lypack Leeuwarden B.V.	(i)	The Netherlands	Euro18,151	100	100	100	Processing and packaging of nutrition products
Hyproca Nutrition B.V.	(i)	The Netherlands	Euro18,000	100	100	100	Marketing and distribution of goat milk based nutrition products
Hyproca Nutrition Co., Ltd. (“HNC”) *	(ii)	The PRC/ Mainland China	RMB10,000,000	85	85	85	Marketing and distribution of goat milk based nutrition products in Mainland China
Neolac (Shanghai) Nutrition Co. Ltd.*	(iii)	The PRC/ Mainland China	RMB10,000,000	100	100	100	Trading of nutrition products in Mainland China

Name	Notes	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered capital	Percentage of equity interest attributable to Ausnutria Hyproca 2012	2013	2014	Principal activities
Hyproca Nutrition Middle East FZCO	(iv)	Dubai	AED1,500,000	N/A	60	60	Trading of nutrition products in Middle East countries
Hyproca Nutrition USA Inc.	(i)	United States	USD1	N/A	75	75	Trading of nutrition products in the United States
Hyproca Nutrition Canada Inc.	(i)	Canada	CAD100	N/A	75	75	Trading of nutrition products in Canada

Except for Hyproca Dairy, all the above subsidiaries are indirectly held by Ausnutria Hyproca.

Notes:

(i) No audited financial statements have been prepared for these entities as these entities are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(ii) The statutory financial statements of this entity for the year ended 31 December 2012 prepared under PRC GAAP were audited by Hunan Hengsheng Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC, which is not an Ernst & Young member firm.

The statutory financial statements of this entity for the years ended 31 December 2013 and 2014 prepared under PRC GAAP were audited by Changsha Xiangan Unies Certified Public Accountant Firm, certified public accountants registered in the PRC, which is not an Ernst & Young member firm.

(iii) The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014 prepared under PRC GAAP were audited by Shanghai Ruiyang Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC, which is not an Ernst & Young member firm.

(iv) The statutory financial statements of this entity for the year ended 31 December 2013 prepared under IFRSs were audited by Ernst & Young, Dubai, certified public accountants registered in United Arab Emirates.

\# The remaining 8.4% equity interest in Lyempf was acquired by the Ausnutria Hyproca Group on 19 October 2012 at a consideration of Euro2.8 million.

* The English names of Hyproca Nutrition Co. Ltd. and Neolac (Shanghai) Nutrition Co. Ltd. are direct transliterations of their registered Chinese names.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. The Financial Information is presented in Euro and all values are rounded to the nearest thousand (Euro'000) except when otherwise indicated.

Basis of consolidation

The Financial Information includes the Financial Information of Ausnutria Hyproca and its subsidiaries (collectively referred to as the "**Ausnutria Hyproca Group**") for the Relevant Periods. The Financial Information of the subsidiaries are prepared for the same reporting period as Ausnutria Hyproca, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Ausnutria Hyproca Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Ausnutria Hyproca Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Ausnutria Hyproca Group are eliminated in full on consolidation.

The Ausnutria Hyproca Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Ausnutria Hyproca Group losses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Ausnutria Hyproca Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Ausnutria Hyproca Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT EFFECTIVE IFRSs

The Ausnutria Hyproca Group has not applied the following new and revised IFRSs that have been issued but are not yet effective in the Financial Information.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Ausnutria Hyproca Group

The Ausnutria Hyproca Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Ausnutria Hyproca Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Ausnutria Hyproca Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Ausnutria Hyproca. Control is achieved when the Ausnutria Hyproca Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Ausnutria Hyproca Group the current ability to direct the relevant activities of the investee).

When Ausnutria Hyproca has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Ausnutria Hyproca Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Ausnutria Hyproca Group's voting rights and potential voting rights.

The results of subsidiaries are included in Ausnutria Hyproca's profit or loss to the extent of dividends received and receivable. Ausnutria Hyproca's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 Non-current Asset held for Sale and Discontinued Operations are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Ausnutria Hyproca Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Ausnutria Hyproca Group's investments in associates are stated in the consolidated statements of financial position at the Ausnutria Hyproca Group's share of net assets under the equity method of accounting, less any impairment losses.

The Ausnutria Hyproca Group's share of the post-acquisition results and other comprehensive income of associates is included in the statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Ausnutria Hyproca Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Ausnutria Hyproca Group and its associates are eliminated to the extent of the Ausnutria Hyproca Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Ausnutria Hyproca Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Ausnutria Hyproca Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Ausnutria Hyproca Group, liabilities assumed by the Ausnutria Hyproca Group to the former owners of the acquiree and the equity interests issued by the Ausnutria Hyproca Group in exchange for control of the acquiree. For each business combination, the Ausnutria Hyproca Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Ausnutria Hyproca Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Ausnutria Hyproca Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Ausnutria Hyproca Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Ausnutria Hyproca Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Ausnutria Hyproca Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Ausnutria Hyproca Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Ausnutria Hyproca Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Ausnutria Hyproca Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Ausnutria Hyproca Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Ausnutria Hyproca Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Ausnutria Hyproca Group;

(ii) has significant influence over the Ausnutria Hyproca Group; or

(iii) is a member of the key management personnel of the Ausnutria Hyproca Group or of a parent of the Ausnutria Hyproca Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Ausnutria Hyproca Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Ausnutria Hyproca Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Ausnutria Hyproca Group or an entity related to the Ausnutria Hyproca Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Ausnutria Hyproca Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Freehold land	Not depreciated
Land and buildings	25 years
Machinery	5-10 years
Motor vehicles	5-10 years
Office equipment	5-10 years
Leasehold improvements	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building and plant and machineries under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Non-patent technology

Acquired non-patent technology is capitalised on a basis of the costs incurred to acquire and bring to use the specific technology. Non-patent technology is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five to ten years.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

Software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five to ten years.

Milk collection right

Milk collection right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of ten years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Ausnutria Hyproca Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Ausnutria Hyproca Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Ausnutria Hyproca Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Ausnutria Hyproca Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Ausnutria Hyproca Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Ausnutria Hyproca Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Ausnutria Hyproca Group has transferred substantially all the risks and rewards of the asset, or (b) the Ausnutria Hyproca Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Ausnutria Hyproca Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Ausnutria Hyproca Group continues to recognise the transferred asset to the extent of the Ausnutria Hyproca Group's continuing involvement. In that case, the Ausnutria Hyproca Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Ausnutria Hyproca Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Ausnutria Hyproca Group could be required to repay.

Impairment of financial assets

The Ausnutria Hyproca Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Ausnutria Hyproca Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Ausnutria Hyproca Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Ausnutria Hyproca Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, or loans and other borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Ausnutria Hyproca Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

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 repurchasing in the near term. This category includes derivative financial instruments entered into by the Ausnutria Hyproca Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated 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. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Ausnutria Hyproca Group's derivative financial instruments include interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of interest rate swaps are determined using the rates quoted by the Ausnutria Hyproca Group's bankers to terminate the contracts and the valuation performed by the valuer at the end of the reporting periods.

In case derivative financial instruments are used for hedging, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Ausnutria Hyproca Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Ausnutria Hyproca Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Ausnutria Hyproca Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Ausnutria Hyproca Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Defined contribution plan

The Ausnutria Hyproca Group operates the defined contribution pension plan for certain of its employees. Contribution are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the pension plan. The assets of the defined contribution pension plan are held separately from those of the Ausnutria Hyproca Group in an independently administered fund. The Ausnutria Hyproca Group's employer contribution rests fully with the employees when contributed into the defined contribution pension plan.

The employees of the Ausnutria Hyproca Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of its payroll cost to the central pension scheme. The contribution are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Defined benefit plan

One of the Ausnutria Hyproca Group's subsidiaries operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statements of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Ausnutria Hyproca Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. the Ausnutria Hyproca Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in profit or loss by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Customer loyalty program

The Ausnutria Hyproca Group operates a customer loyalty program which allows customers to earn points when they purchase products of the Ausnutria Hyproca Group. The points can then be redeemed for free products, subject to a minimum number of points being obtained. The consideration received or receivable from the products sold is allocated between the points earned by the customer loyalty program members and the other components of the sales transactions. The amount allocated to the points earned by the customer loyalty program members is deferred until the points are redeemed when the Ausnutria Hyproca Group fulfils its obligations to supply products or when the points expire.

Foreign currencies

The Financial Information is presented in Euro, which is the Ausnutria Hyproca's functional and presentation currency. Each entity in the Ausnutria Hyproca Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Ausnutria Hyproca Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on the settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Euro. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of Ausnutria Hyproca at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Euro at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Euro at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Euro at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Ausnutria Hyproca Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Ausnutria Hyproca Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Finance lease — Ausnutria Hyproca Group as lessee

The Ausnutria Hyproca Group has entered into certain lease agreements on production machinery. The Ausnutria Hyproca Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it transfers substantially all the rewards and risks of ownership of assets to the Ausnutria Hyproca Group which are leased out on finance leases.

Estimation uncertainly

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Ausnutria Hyproca Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Ausnutria Hyproca Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13.

Impairment of non-financial assets (other than goodwill)

The Ausnutria Hyproca Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management judgements and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying value of the trade receivables and impairment loss in the periods in which such estimates have been changed. Further details are contained in note 18.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 26.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Ausnutria Hyproca Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Ausnutria Hyproca Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances. Further details are contained in note 12.

Defined benefit plan

The Ausnutria Hyproca Group operates a defined benefit plan. Pension costs for defined benefit plan 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 plan. 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 the reporting period based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. In calculating the Ausnutria Hyproca Group's obligations in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% 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 the pension plan 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 plan 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.

4. OPERATING SEGMENT INFORMATION

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

Segment revenue and results

The Financial Information presented to the chief operating decision makers is consistent with the consolidated statement of profit or loss and other comprehensive income.

The chief operating decision makers consider the Ausnutria Hyproca Group's profit for the Relevant Periods as the measurement of segment's results.

Geographical information

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

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
The PRC	19,273	41,134	74,553
European Union	62,510	68,890	66,048
Middle East	8,630	6,817	12,157
North and South America	5,291	8,984	12,799
Others	10,124	13,543	18,034
	105,828	139,368	183,591

The Ausnutria Hyproca Group's operations are principally carried out in the Netherlands and the PRC, and over 90% of non-current assets of the Ausnutria Hyproca Group are located in the Netherlands.

Information about major customers

During the Relevant Periods, there was no revenue from a single external customer accounted for 10% or more of the Ausnutria Hyproca Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after deduction of allowances for returns and trade discounts.

An analysis of the Ausnutria Hyproca Group's revenue, other income and gains is as follows:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Revenue			
Sale of goods	105,828	139,368	183,591
Other income and gains			
Interest income	110	41	108
Insurance claim for business interruption	—	—	324
Management fees income from the associates	—	—	112
Others	212	65	244
Total other income and gains	322	106	788

6. PROFIT BEFORE TAX

The Ausnutria Hyproca Group's profit before tax is arrived at after charging:

	Notes	2012 Euro'000	2013 Euro'000	2014 Euro'000
Cost of inventories sold		94,682	118,753	148,080
Write-down of inventories to net realisable value		986	124	155
Cost of sales		95,668	118,877	148,235
Depreciation	12	2,095	2,367	3,252
Amortisation of other intangible assets	14	303	287	598
Research and development costs		946	1,228	934
Minimum lease payments under operating leases for buildings		75	159	159
Provision for claims from customers*		1,109	—	—
Impairment of property, plant and equipment*	12	—	224	32
Loss on disposal of items of other intangible assets*		16	24	—
Auditors' remuneration		75	77	80
Advertising and promotion expenses		892	4,148	7,701
Employee benefit expenses (including directors' remuneration) *(note 8)*:				
Wages, salaries and staff welfare		9,505	12,169	18,731
Pension scheme contributions**		1,130	1,116	1,299
		10,635	13,285	20,030

* Included in other expenses in the consolidated statements of profit or loss and other comprehensive income.

** At 31 December 2012, 2013 and 2014, the Ausnutria Hyproca Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

An analysis of the Ausnutria Hyproca Group's finance costs is as follows:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Interest on bank loans, overdrafts and other loans	595	854	1,866
Interest on finance leases	16	70	75
Total interest expense on financial liabilities not at fair value through profit or loss	611	924	1,941
Less: Interest capitalized	—	—	(589)
	611	924	1,352
Other finance costs:			
Unrealised gain on an interest rate swap *(note 23)*	(8)	(51)	(31)
	603	873	1,321

8. DIRECTOR REMUNERATION

The remuneration of the directors of Ausnutria Hyproca for the Relevant Periods is as follows:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	416	336	444
Pension scheme contributions	14	37	55
	430	373	499
Mr. Jorna, Ignatius Petrus (resigned on 1 January 2013)			
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	220	—	—
Pension scheme contributions	—	—	—
	220	—	—
Mr. Bartle van der Meer (appointed on 1 March 2012 and resigned on 20 April 2015)			
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	140	168	168
Pension scheme contributions	—	—	—
	140	168	168

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Mr. Evert Schilstra (appointed on 1 September 2012 and resigned on 20 April 2015)			
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	56	168	168
Pension scheme contributions	14	37	43
	70	205	211
Mr. Gerrit Bijlsma (appointed on 2 April 2014 and resigned on 8 April 2015)			
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	—	—	108
Pension scheme contributions	—	—	12
	—	—	120
	430	373	499

Subsequent to 31 December 2014, Mr. Ben Busser was appointed as the director of Ausnutria Hyproca on 1 January 2015, and Mr. Denis Opitz and Mr. Koert Liekelema were appointed as the directors of Ausnutria Hyproca on 20 April 2015.

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the headcounts of the five highest paid employees within the Ausnutria Hyproca Group for the Relevant Periods is as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
Director	3	2	3
Non-director	2	3	2
	5	5	5

Details of the directors remuneration are set out in note 8 above.

Details of the remuneration of the above non-directors, highest paid employees are as follows:

	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Salaries, allowances and benefits in kind	257	396	284
Pension scheme contributions	39	79	39
Total	296	475	323

The number of non-director, highest paid employees whose remuneration fell with the following bands is as follows:

	Number of employees		
	2012	**2013**	**2014**
HK$1,000,001 to HK$1,500,000	1	1	—
HK$1,500,001 to HK$2,000,000	1	2	2
Total	2	3	2

10. INCOME TAX

Hong Kong profits tax has not been provided as the Ausnutria Hyproca Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Ausnutria Hyproca Group operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. Under the Netherlands income tax laws, enterprises are subject to the Netherlands corporate income tax rate of 20% for the first Euro200,000 taxable profits and 25% for taxable profits exceeding Euro200,000. Under the USA tax laws, enterprises are subject to the USA corporate income tax rate of 34%. Under the Canada tax laws, enterprises are subject to the Canada corporate income tax rate of 38%.

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Current charge for the year — The Netherlands			
Charge for the year	1,020	—	10
Underprovision/(overprovision) in prior years	171	(8)	—
Current charge for the year — Mainland China			
Charge for the year	169	503	2,566
Underprovision in prior years	—	—	6
Deferred income tax *(note 26)*	(1,144)	(378)	(1,520)
Total tax charge for the year	216	117	1,062

A reconciliation of tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Ausnutria Hyproca Group and the majority of its subsidiaries are domiciled to tax expense at the effective tax rates, and a reconciliation of the statutory rates to the effective tax rates, are as follows:

Ausnutria Hyproca Group — 2012

	Hong Kong		The Netherlands		Mainland China		Total	
	Euro'000	%	*Euro'000*	%	*Euro'000*	%	*Euro'000*	%
Profit/(loss) before tax	(7)		622		(112)		503	
Income tax at the statutory income tax rate	(1)	16.5	144	23.1	(28)	25.0	115	22.9
Non-deductible items and others, net	—	—	140	22.5	26	(23.2)	166	32.9
Additional deduction of expenses	—	—	(237)	(38.1)	—	—	(237)	(47.1)
Tax losses not recognised	1	(16.5)	—	—	—	—	1	0.2
Adjustments in respect of current tax in previous periods	—	—	171	27.5	—	—	171	34.0
Tax charge at the Ausnutria Hyproca Group's effective rate	—	—	218	35.0	(2)	1.8	216	42.9

Ausnutria Hyproca Group — 2013

	Hong Kong		The Netherlands		Mainland China		Total	
	Euro'000	%	*Euro'000*	%	*Euro'000*	%	*Euro'000*	%
Profit/(loss) before tax	(2)		928		1,280		2,206	
Income tax at the statutory income tax rate	—	—	226	24.4	320	25.0	546	24.8
Non-deductible items and others, net	—	—	55	5.9	9	0.7	64	2.9
Additional deduction of expenses	—	—	(274)	(29.5)	—	—	(274)	(12.4)
Tax losses utilised from previous periods	—	—	—	—	(211)	(16.5)	(211)	(9.6)
Adjustments in respect of current tax in previous periods	—	—	(8)	(0.9)	—	—	(8)	(0.4)
Tax charge at the Ausnutria Hyproca Group's effective rate	—	—	(1)	(0.1)	118	9.2	117	5.3

Ausnutria Hyproca Group — 2014

	Hong Kong		The Netherlands		Mainland China		Canada		USA		Others		Total	
	Euro'000	%	*Euro'000*	%	*Euro'000*	%	*Euro'000*	%	*Euro'000*	%	*Euro'000*	%	*Euro'000*	%
Profit/(loss) before tax	(57)		5,810		4,678		(543)		(805)		(240)		8,843	
Income tax at the statutory income tax rate	(9)	16.5	1,409	24.3	1,169	25.0	(206)	38.0	(274)	34.0	—	—	2,089	23.6
Non-deductible items and others, net	—	—	156	2.7	37	0.8	—	—	—	—	—	—	193	2.2
Effect of withholding tax at 10% on the distributable profits of the Ausnutria Hyproca Group's PRC subsidiary	—	—	—	—	63	1.4	—	—	—	—	—	—	63	0.7
Profits attributable to associates	—	—	(114)	(2.0)	—	—	—	—	—	—	—	—	(114)	(1.3)
Additional deduction of expenses	—	—	(1,184)	(20.4)	—	—	—	—	—	—	—	—	(1,184)	(13.4)
Tax losses not recognised	9	(16.5)	—	—	—	—	—	—	—	—	—	—	9	0.1
Adjustments in respect of current tax in previous periods	—	—	—	—	6	0.1	—	—	—	—	—	—	6	0.1
Tax charge at the Ausnutria Hyproca Group's effective rate	—	—	267	4.6	1,275	27.3	(206)	38.0	(274)	34.0	—	—	1,062	12.0

The share of tax attributable to associates amounting to Euro114,000 for the year ended 31 December 2014, is included in "Share of profits of associates" in the consolidated statement of profit or loss and other comprehensive income.

11. PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The consolidated profit attributable to owners of Ausnutria Hyproca for each of the years ended 31 December 2012, 2013 and 2014 includes a loss of Euro783,000, a loss of Euro296,000 and a profit of Euro1,014,000, respectively, which has been dealt with in the Financial Information of Ausnutria Hyproca (note 29(b)).

Information on earnings per share is not presented as such information is not meaningful, given that this report is for inclusion in the Circular in connection with the proposed acquisition of Ausnutria Hyproca.

12. PROPERTY, PLANT AND EQUIPMENT

Ausnutria Hyproca Group	Land and buildings	Machinery	Leasehold improvements	Office equipment	Construction in progress	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2012						
At 31 December 2011 and 1 January 2012:						
Cost	10,445	14,086	—	1,291	677	26,499
Accumulated depreciation and impairment	(1,971)	(6,440)	—	(756)	—	(9,167)
Net carrying amount	8,474	7,646	—	535	677	17,332
At 1 January 2012, net of accumulated depreciation and impairment	8,474	7,646	—	535	677	17,332
Additions	319	2,681	—	350	487	3,837
Transfers	—	(68)	68	—	—	—
Depreciation provided during the year	(356)	(1,523)	—	(216)	—	(2,095)
At 31 December 2012, net of accumulated depreciation and impairment	8,437	8,736	68	669	1,164	19,074
At 31 December 2012						
Cost	10,764	16,699	68	1,641	1,164	30,336
Accumulated depreciation and impairment	(2,327)	(7,963)	—	(972)	—	(11,262)
Net carrying amount	8,437	8,736	68	669	1,164	19,074

Ausnutria Hyproca Group	Land and buildings	Machinery	Leasehold improvements	Motor vehicles	Office equipment	Construction in progress	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2013							
At 31 December 2012 and 1 January 2013							
Cost	10,764	16,699	68	—	1,641	1,164	30,336
Accumulated depreciation and impairment	(2,327)	(7,963)	—	—	(972)	—	(11,262)
Net carrying amount	8,437	8,736	68	—	669	1,164	19,074
At 1 January 2013, net of accumulated depreciation and impairment	8,437	8,736	68	—	669	1,164	19,074
Additions	442	5,816	—	23	375	7,611	14,267
Disposals	—	(4)	—	—	(6)	—	(10)
Depreciation provided during the year	(395)	(1,724)	—	—	(248)	—	(2,367)
Impairment provided during the year	—	(188)	(36)	—	—	—	(224)
At 31 December 2013, net of accumulated depreciation and impairment	8,484	12,636	32	23	790	8,775	30,740
At 31 December 2013							
Cost	11,206	22,511	68	23	2,010	8,775	44,593
Accumulated depreciation and impairment	(2,722)	(9,875)	(36)	—	(1,220)	—	(13,853)
Net carrying amount	8,484	12,636	32	23	790	8,775	30,740

Ausnutria Hyproca Group	Land and buildings	Machinery	Leasehold improvements	Motor vehicles	Office equipment	Construction in progress	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2014							
At 31 December 2013 and 1 January 2014							
Cost	11,206	22,511	68	23	2,010	8,775	44,593
Accumulated depreciation and impairment	(2,722)	(9,875)	(36)	—	(1,220)	—	(13,853)
Net carrying amount	8,484	12,636	32	23	790	8,775	30,740
At 1 January 2014, net of accumulated depreciation and impairment	8,484	12,636	32	23	790	8,775	30,740
Additions	383	8,199	—	8	367	8,917	17,874
Depreciation provided during the year	(545)	(2,428)	—	(11)	(268)	—	(3,252)
Impairment provided during the year	—	—	(32)	—	—	—	(32)
Transfers	6,037	—	—	—	—	(6,037)	—
At 31 December 2014, net of accumulated depreciation and impairment	14,359	18,407	—	20	889	11,655	45,330
At 31 December 2014							
Cost	17,626	30,710	68	31	2,377	11,655	62,467
Accumulated depreciation and impairment	(3,267)	(12,303)	(68)	(11)	(1,488)	—	(17,137)
Net carrying amount	14,359	18,407	—	20	889	11,655	45,330

Ausnutria Hyproca	Land and buildings	Machinery	Leasehold improvements	Office equipment	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2012					
At 31 December 2011 and 1 January 2012					
Cost	4,513	804	—	1	5,318
Accumulated depreciation and impairment	(1,903)	(736)	—	(1)	(2,640)
Net carrying amount	2,610	68	—	—	2,678
At 1 January 2012, net of accumulated depreciation and impairment	2,610	68	—	—	2,678
Additions	—	—	—	78	78
Transfer	—	(68)	68	—	—
Depreciation provided during the year	(146)	—	—	(5)	(151)
At 31 December 2012, net of accumulated depreciation and impairment	2,464	—	68	73	2,605
At 31 December 2012					
Cost	4,513	736	68	79	5,396
Accumulated depreciation and impairment	(2,049)	(736)	—	(6)	(2,791)
Net carrying amount	2,464	—	68	73	2,605

Ausnutria Hyproca	Land and buildings *Euro'000*	Machinery *Euro'000*	Leasehold improvements *Euro'000*	Office equipment *Euro'000*	Construction in progress *Euro'000*	Total *Euro'000*
31 December 2013						
At 31 December 2012 and 1 January 2013						
Cost	4,513	736	68	79	—	5,396
Accumulated depreciation and impairment	(2,049)	(736)	—	(6)	—	(2,791)
Net carrying amount	2,464	—	68	73	—	2,605
At 1 January 2013, net of accumulated depreciation and impairment	2,464	—	68	73	—	2,605
Additions	—	—	—	19	790	809
Transfer from a subsidiary	5,509	—	—	—	—	5,509
Disposals	—	—	—	(4)	—	(4)
Depreciation provided during the year	(302)	—	—	(17)	—	(319)
Impairment provided during the year	—	—	(36)	—	—	(36)
At 31 December 2013, net of accumulated depreciation and impairment	7,671	—	32	71	790	8,564
At 31 December 2013						
Cost	10,022	736	68	94	790	11,710
Accumulated depreciation and impairment	(2,351)	(736)	(36)	(23)	—	(3,146)
Net carrying amount	7,671	—	32	71	790	8,564

Ausnutria Hyproca	**Land and buildings** *Euro'000*	**Machinery** *Euro'000*	**Leasehold improvements** *Euro'000*	**Office equipment** *Euro'000*	**Construction in progress** *Euro'000*	**Total** *Euro'000*
31 December 2014						
At 31 December 2013 and 1 January 2014						
Cost	10,022	736	68	94	790	11,710
Accumulated depreciation and impairment	(2,351)	(736)	(36)	(23)	—	(3,146)
Net carrying amount	7,671	—	32	71	790	8,564
At 1 January 2014, net of accumulated depreciation and impairment	7,671	—	32	71	790	8,564
Additions	—	—	—	18	8,917	8,935
Disposals	—	—	—	—	—	—
Depreciation provided during the year	(301)	—	—	(21)	—	(322)
Impairment provided during the year	—	—	(32)	—	—	(32)
Transfers	6,037	—	—	—	(6,037)	—
At 31 December 2014 net of accumulated depreciation and impairment	13,407	—	—	68	3,670	17,145
At 31 December 2014						
Cost	16,059	736	68	112	3,670	20,645
Accumulated depreciation and impairment	(2,652)	(736)	(68)	(44)	—	(3,500)
Net carrying amount	13,407	—	—	68	3,670	17,145

The net carrying amount of the Ausnutria Hyproca Group's fixed assets held under finance leases included in the total amount of machinery at 31 December 2012, 2013 and 2014 amounted to Euro240,000, Euro125,000 and Euro3,315,000, respectively.

At 31 December 2012, 2013 and 2014, all the Ausnutria Hyproca Group's land and buildings, machinery were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group (note 24(b)).

The Ausnutria Hyproca Group's land included in property, plant and equipment with a net carrying amount of Euro2,157,000, Euro2,157,000 and Euro7,354,000 as at 31 December 2012, 2013 and 2014, respectively, is situated in the Netherlands and is held as freehold land.

13. GOODWILL

Ausnutria Hyproca Group

	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Cost and net carrying amount as at 1 January and 31 December	250	250	250

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the product cash-generating unit for impairment testing.

Product cash-generating unit

The recoverable amount of the product cash-generating unit has been determined based on a fair value less costs to sell calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10%. The growth rate used to extrapolate the cash flows of the product cash-generating unit beyond the five-year period is from 3% to 5%.

Assumptions were used in the fair value less costs to sell calculation of the product cash-generating unit for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

14. OTHER INTANGIBLE ASSETS

Ausnutria Hyproca Group

	Non-patent technology	Trademarks	Software	Milk collection right	Others	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2012						
At 1 January 2012						
Cost	10	101	771	1,225	11	2,118
Accumulated depreciation	(2)	(3)	(345)	(525)	—	(875)
Net carrying amount	8	98	426	700	11	1,243
Cost at 1 January 2012, net of accumulated amortisation	8	98	426	700	11	1,243
Additions	30	23	36	—	66	155
Disposals	—	(16)	—	—	—	(16)
Amortisation provided during the year	(5)	(28)	(128)	(140)	(2)	(303)
At 31 December 2012	33	77	334	560	75	1,079
At 31 December 2012						
Cost	40	108	807	1,225	77	2,257
Accumulated amortisation	(7)	(31)	(473)	(665)	(2)	(1,178)
Net carrying amount	33	77	334	560	75	1,079

Ausnutria Hyproca Group

	Non-patent technology	Trademarks	Software	Milk collection right	Others	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2013						
Cost at 1 January 2013, net of accumulated amortisation	33	77	334	560	75	1,079
Additions	435	44	378	—	207	1,064
Disposals	—	—	—	—	(24)	(24)
Amortisation provided during the year	(8)	(16)	(117)	(140)	(6)	(287)
At 31 December 2013	460	105	595	420	252	1,832
At 31 December 2013						
Cost	475	152	1,185	1,225	260	3,297
Accumulated amortisation	(15)	(47)	(590)	(805)	(8)	(1,465)
Net carrying amount	460	105	595	420	252	1,832

Ausnutria Hyproca Group

	Non-patent technology	Trademarks	Software	Milk collection right	Others	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2014						
Cost at 1 January 2014, net of accumulated amortisation	460	105	595	420	252	1,832
Additions	275	56	380	—	118	829
Acquisition of a subsidiary *(note 30)*	—	—	—	1,925	—	1,925
Amortisation provided during the year	(51)	(23)	(133)	(332)	(59)	(598)
At 31 December 2014	684	138	842	2,013	311	3,988
At 31 December 2014						
Cost	750	208	1,565	3,150	378	6,051
Accumulated amortisation	(66)	(70)	(723)	(1,137)	(67)	(2,063)
Net carrying amount	684	138	842	2,013	311	3,988

Ausnutria Hyproca

	Software
	Euro'000
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	9
Amortisation provided during the year	(2)
At 31 December 2012	7
At 31 December 2012	
Cost	10
Accumulated amortisation	(3)
Net carrying amount	7

Ausnutria Hyproca

	Non-patent technology	**Trademarks**	**Software**	**Others**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2013					
Cost at 1 January 2013, net of accumulated amortisation	—	—	7	—	7
Additions	102	44	228	50	424
Amortisation provided during the year	—	(2)	(2)	—	(4)
At 31 December 2013	102	42	233	50	427
At 31 December 2013					
Cost	102	44	238	50	434
Accumulated amortisation	—	(2)	(5)	—	(7)
Net carrying amount	102	42	233	50	427

Ausnutria Hyproca

	Non-patent technology	Trademarks	Software	Others	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2014					
Cost at 1 January 2014, net of accumulated amortisation	102	42	233	50	427
Additions	165	56	266	—	487
Amortisation provided during the year	—	(8)	(15)	(8)	(31)
At 31 December 2014	267	90	484	42	883
At 31 December 2014					
Cost	267	100	504	50	921
Accumulated amortisation	—	(10)	(20)	(8)	(38)
Net carrying amount	267	90	484	42	883

15. INVESTMENTS IN SUBSIDIARIES

	Ausnutria Hyproca		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Unlisted shares, at cost	5,700	12,269	12,269

The amounts due from and to subsidiaries included in Ausnutria Hyproca's current assets of Euro10,744,000, Euro9,573,000 and Euro19,841,000 and current liabilities of Euro3,804,000, Euro3,737,000 and Euro1,123,000 as at 31 December 2012, 2013 and 2014, respectively, are unsecured, bear interest at 5% per annum and have no fixed terms of repayment.

Particulars of the principal subsidiaries of Ausnutria Hyproca are set out in note 1 of this section.

Details of Ausnutria Hyproca's subsidiary that has material non-controlling interest are set out below:

	2012	2013	2014
Percentage of equity interest held by non-controlling interests:			
HNC	15%	15%	15%

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Profit/(loss) for the year allocated to non-controlling interests:			
HNC	(7)	192	550
Accumulated balances of non-controlling interests at the end of respective Relevant Periods:			
HNC	174	360	1,006

The following tables illustrate the summarised financial information of HNC. The amounts disclosed are before any inter-company eliminations:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Revenue	4,441	16,710	31,921
Total expenses	(4,488)	(15,431)	(28,252)
Profit/(loss) for the year	(47)	1,279	3,669
Total comprehensive income/(loss) for the year	(47)	1,279	3,669
Current assets	3,924	5,421	16,546
Non-current assets	303	513	1,848
Current liabilities	(3,067)	(3,536)	(11,620)
Non-current liabilities	—	—	(68)
Net cash flows from/(used in) operating activities	1,980	(543)	1,783
Net cash flows used in investing activities	(46)	(18)	(8)
Net increase/(decrease) in cash and cash equivalents	1,934	(561)	1,775

16. INVESTMENTS IN ASSOCIATES

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Share of net assets	—	—	3,498
Goodwill on acquisition	—	—	520
	—	—	4,018

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Ausnutria Hyproca Group	Principal activities
Farmel Holding B.V.	Ordinary shares of Euro1 each	The Netherlands	50	Investment holding
Farmel Dairy B.V.	Ordinary shares of Euro1 each	The Netherlands	50	Collection and trading of cow and goat milk
Farmel Dairy Products B.V.	Ordinary shares of Euro1 each	The Netherlands	50	Collection and trading of cow and goat milk

The financial years of the above associates are coterminous with that of the Ausnutria Hyproca Group. The above associates are principally engaged in the trading of cow and goat milk and are accounted for using the equity method.

The following table illustrates the aggregate financial information of the Ausnutria Hyproca Group's associates that are not individually material:

	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Share of the associates' profit for the period	—	—	468
Share of the associates' total comprehensive income	—	—	468
Aggregate carrying amounts of the Ausnutria Hyproca Group's investments in the associates (including goodwill on acquisition)	—	—	4,018

17. INVENTORIES

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Raw materials	6,344	10,776	13,820
Finished goods	12,448	16,405	39,443
Others	8	65	76
Total	18,800	27,246	53,339

At 31 December 2012, 2013 and 2014, all the inventories that were attributable to the subsidiaries incorporated in the Netherlands of Ausnutria Hyproca with a net carrying amount of Euro16,567,000, Euro24,142,000 and Euro40,879,000, respectively, were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group (note 24(b)).

18. TRADE AND BILLS RECEIVABLES

The Ausnutria Hyproca Group normally allows a credit period of no more than 3 months to certain customers. The Ausnutria Hyproca Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Ausnutria Hyproca Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Trade receivables	9,494	13,362	13,354
Bills receivable	44	392	992
Total	9,538	13,754	14,346

Included in the Ausnutria Hyproca Group's trade receivables, amounts due from associates of Euro602,000 as at 31 December 2014 which are unsecured, interest-free and repayable on similar credit terms to those offered to the major customers of the Ausnutria Hyproca Group.

An aged analysis of the trade receivables of the Ausnutria Hyproca Group as at the end of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Within 3 months	9,267	12,886	11,753
3 to 6 months	139	439	1,382
6 months to 1 year	16	37	165
Over 1 year	72	—	54
Total	9,494	13,362	13,354

There was no provision for impairment as at 31 December 2012, 2013 and 2014. The carrying amounts of the trade and bills receivables approximate to their fair values.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Neither past due nor impaired	8,302	12,926	11,240
Within 3 months past due	969	158	1,449
3 months to 1 year past due	223	278	665
Total	9,494	13,362	13,354

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Ausnutria Hyproca Group. Based on past experience, the directors of Ausnutria Hyproca are of the opinion that no provision for impairment is necessary in respect of these balances at this stage because there has not been a significant change in the credit quality of the individual debtors and the balances are considered fully recoverable.

At 31 December 2012, 2013 and 2014, all the trade receivables (including intra-group trade balances) attributable to the subsidiaries that were incorporated in the Netherlands of Ausnutria Hyproca with a net carrying amount of Euro7,388,000, Euro13,260,000 and Euro14,786,000, respectively, were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group (note 24(b)).

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Ausnutria Hyproca Group			Ausnutria Hyproca		
		2012	2013	2014	2012	2013	2014
	Note	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Prepayments to suppliers		799	2,554	1,092	—	—	—
Due from subsidiaries	15	—	—	—	10,744	9,573	19,841
Due from fellow subsidiaries		—	652	6,931	—	—	—
Insurance claims		196	2,153	3,580	—	—	
Other tax recoverable		982	1,379	2,066	228	305	544
Others		361	1,579	1,640	32	812	492
		2,338	8,317	15,309	11,004	10,690	20,877

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to entities which have no recent history of default.

The balances due from fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment.

20. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	Ausnutria Hyproca Group		
	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Cash and bank balances	3,483	2,101	5,556
Time deposits	—	748	—
Cash and cash equivalents in the consolidated statements of financial position	3,483	2,849	5,556

At 31 December 2012, 2013 and 2014, the Ausnutria Hyproca Group's cash and bank balances denominated in RMB amounted to RMB26,392,000, RMB15,341,000 and RMB37,712,000, respectively. In addition, all the time deposits of the Ausnutria Hyproca Group were denominated in RMB. The RMB is not freely convertible in the international market. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Ausnutria Hyproca Group is permitted to convert RMB into other currencies through banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on published daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An aged analysis of the trade payables of the Ausnutria Hyproca Group as at the end of the Relevant Periods, based on the invoice date, is as follows:

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Within 12 months	11,478	18,228	23,279
Over 12 months	—	—	2
	11,478	18,228	23,281

Included in the trade payables, amounts due to associates of Euro4,215,000 as at 31 December 2014 are unsecured, interest-free and repayable within 45 days.

Trade payables are interest-free and are normally settled within 12 months.

22. OTHER PAYABLES AND ACCRUALS

		Ausnutria Hyproca Group			Ausnutria Hyproca		
		2012	**2013**	**2014**	**2012**	**2013**	**2014**
	Note	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Advances from customers		3,354	3,824	11,638	—	—	—
Deferred income		647	1,506	3,451	—	—	—
Deposits		74	109	184	—	—	—
Due to immediate holding company		—	—	974	—	—	941
Due to subsidiaries	15	—	—	—	3,804	3,737	1,123
Due to fellow subsidiaries		196	295	—	—	—	—
Accrued salaries and welfare		1,227	1,005	1,416	17	106	149
Other tax payables		315	951	1,333	—	—	—
Provision for claims from customers		1,085	1,059	1,600	—	—	—
Sales commission		1,163	1,603	1,902	—	—	—
Other payables		2,628	2,828	3,168	789	1,847	2,740
Accruals		1,064	1,823	3,171	7	32	112
		11,753	15,003	28,837	4,617	5,722	5,065

Other payables are unsecured, non-interest-bearing and have no fixed terms of repayment.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Ausnutria Hyproca Group			Ausnutria Hyproca		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Interest rate swaps	136	85	54	136	85	54

The Ausnutria Hyproca Group has entered into various interest rate swap contracts to manage its interest rate exposures. These interest rate swaps are measured at fair value through profit or loss. A net fair value gain on these interest rate swaps amounting to Euro8,000, Euro51,000 and Euro31,000, were recognised in profit or loss for the year ended 31 December 2012, 2013 and 2014, respectively.

24. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2012			2013		
Ausnutria Hyproca Group	**Annual effective interest rate (%)**	**Maturity**	**Euro'000**	**Annual effective interest rate (%)**	**Maturity**	**Euro'000**
Current						
Finance lease payables *(note 27)*	3.0	2013	92	3.0	2014	51
Bank overdrafts — secured	1 month EURIBOR+2.0	2013	10,946	1 month EURIBOR+2.0	2014	20,380
Current portion of long-term bank loans — secured	4.45*	2013	250	4.45*	2014	250
Current portion of long-term bank loans — secured	1 month EURIBOR+2.0	2013	200	1 month EURIBOR+2.0	2014	200
			11,488			20,881
Non-current						
Finance lease payables *(note 27)*	3.0	2014-2015	90	3.0	2015	31
Bank loans — secured	4.45*	2014-2017	1,000	4.45*	2015-2017	750
Bank loans — secured	1 month EURIBOR+2.0	2014-2017	3,600	1 month EURIBOR+2.0	2015-2017	3,400
Other loans — unsecured **	—	—	—	3 month EURIBOR+3.0	2017	196
Other loans — unsecured ***	—	—	—	5.0	2015	9,900
			4,690			14,277
			16,178			35,158

	2014		
Ausnutria Hyproca Group	Annual effective interest rate (%)	Maturity	Euro'000
Current			
Finance lease payables *(note 27)*	3.0 — 4.56	2015	573
Bank overdrafts — secured	1 month EURIBOR+2.0	2015	25,125
Current portion of long-term bank loans — secured	4.45*	2015	250
Current portion of long-term bank loans — secured	1 month EURIBOR+2.0	2015	200
			26,148
Non-current			
Finance lease payables *(note 27)*	3.0 — 4.56	2016 - 2020	2,742
Bank loans — secured	4.45*	2016 - 2017	500
Bank loans — secured	1 month EURIBOR+2.0	2016 - 2017	3,200
Other loans — unsecured **	6.0	2018	73
Other loans — unsecured **	3 month EURIBOR+3.0	2017	441
Other loans — unsecured ***	2.0	2016	5,100
Other loans — unsecured ***	5.0	2016	17,000
Other loans — unsecured ****	2.0	2016	7,350
			36,406
			62,554

Ausnutria Hyproca	2012 Annual effective interest rate (%)	2012 Maturity	2012 Euro'000	2013 Annual effective interest rate (%)	2013 Maturity	2013 Euro'000
Current						
Bank overdrafts — secured	1 month EURIBOR+2.0	2013	1,512	—	—	—
Current portion of long-term bank loans — secured	4.45*	2013	250	4.45*	2014	250
Current portion of long-term bank loans — secured	—	—	—	1 month EURIBOR+2.0	2014	200
			1,762			450
Non-current						
Bank loans — secured	4.45*	2014-2017	1,000	4.45*	2015-2017	750
Bank loans — secured	—	—	—	1 month EURIBOR+2.0	2015-2017	3,400
Other loans — unsecured ***	—	—	—	5.0	2015	9,900
			1,000			14,050
			2,762			14,500

	2014		
Ausnutria Hyproca	**Annual effective interest rate (%)**	**Maturity**	**Euro'000**
Current			
Current portion of long-term bank loans — secured	4.45*	2015	250
Current portion of long-term bank loans — secured	1 month EURIBOR+2.0	2015	200
			450
Non-current			
Bank loans — secured	4.45*	2016 - 2017	500
Bank loans — secured	1 month EURIBOR+2.0	2016 - 2017	3,200
Other loans — unsecured ***	2.0	2016	5,100
Other loans — unsecured ***	5.0	2016	17,000
Other loans — unsecured ****	2.0	2016	7,350
			33,150
			33,600

* Include the effects of related interest rate swaps as further detailed in note 23 to the Financial Information

** Loans from non-controlling shareholders of subsidiaries

*** Loans from immediate holding company (note 35(b))

**** Loans from DDI.

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand	11,396	20,830	25,575
In the second year	450	450	450
In the third to fifth years, inclusive	1,350	3,700	3,250
After five years	2,800	—	—
	15,996	24,980	29,275
Other borrowings repayable:			
Within one year or on demand	92	51	573
In the second year	90	9,931	30,057
In the third to fifth years, inclusive	—	196	2,222
After five years	—	—	427
	182	10,178	33,279
	16,178	35,158	62,554

	Ausnutria Hyproca		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand	1,762	450	450
In the second year	250	450	450
In the third to fifth years, inclusive	750	3,700	3,250
	2,762	4,600	4,150
Other borrowings repayable:			
In the second year	—	9,900	29,450
	—	9,900	29,450
	2,762	14,500	33,600

Notes:

(a) The Ausnutria Hyproca Group's bank overdraft facilities amounting to Euro12,975,000, Euro21,000,000 and Euro27,000,000, of which Euro10,946,000, Euro20,380,000 and Euro25,125,000 had been utilised as at 31 December 2012, 2013 and 2014, respectively.

(b) The Ausnutria Hyproca Group's bank loans and overdraft facilities are secured by:

(i) mortgages over all the Ausnutria Hyproca Group's land and buildings situated in the Netherlands;

(ii) pledges of all the Ausnutria Hyproca Group's machinery in the Netherlands;

(iii) pledges of the Ausnutria Hyproca Group's inventories, which had an aggregate carrying value of Euro16,567,000, Euro24,142,000 and Euro40,879,000 as at 31 December 2012, 2013 and 2014, respectively; and

(iv) pledges of the Ausnutria Hyproca Group's trade receivables, which had an aggregate carrying value of Euro7,388,000, Euro13,260,000 and Euro14,786,000 as at 31 December 2012, 2013 and 2014, respectively.

25. DEFINED BENEFIT PLAN

Hyproca Dairy operates an unfunded defined benefit plan for all its qualifying employees. Under the plan, the employees are entitled to retirement benefits at rates varying from 0% to 70% of their final salaries on attainment of a retirement age of 67 (2013: age of 65, 2012: age of 65).

The employees who participate in this defined benefit plan will move to another pension plan which will be treated as defined contribution plan as from 1 January 2015. All rights from previous years will remain the old defined benefit plan. Sensitivity on future salary and pension costs is not applicable for the Ausnutria Hyproca Group's defined benefit plan.

Hyproca Dairy's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Ausnutria Hyproca Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting periods. Such a review includes the asset-liability matching strategy and investment risk management policy. The trustees decide the amount of contribution based on the results of the annual review.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out by the appraiser at the end of each Relevant Periods, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of each reporting periods are as follows:

	2012	2013	2014
Discount rate *(%)*	2.70	3.00	1.90
Expected rate of future pension cost increases *(%)*	1.50	1.50	0.00
Expected rate of salary increases *(%)*	2.50	2.50	2.50

The actuarial valuation showed that the market value of plan assets was Euro2,084,000, Euro2,365,000 and Euro4,026,000 and that the actuarial value of these assets represented 49.9%, 51.9% and 65.6% of the benefits that had accrued to qualifying employees as at 31 December 2012, 2013 and 2014, respectively. The deficiency as at 31 December 2012, 2013 and 2014 of Euro2,094,000, Euro2,192,000 and Euro2,107,000, respectively, is expected to be cleared over the remaining life expectancy (based on unconditional future indexations for active and post-active participants).

A quantitative sensitivity analysis for significant assumptions as at the end of each reporting periods is shown below:

	Increase in rate *%*	**Increase/ (decrease) in defined benefit obligations** *Euro'000*	**Decrease in rate** *%*	**Increase/ (decrease) in defined benefit obligations** *Euro'000*
2012				
Discount rate	0.5	(460)	0.5	543
Future salary increase	0.5	117	0.5	(109)
Future pension cost increase	0.5	458	0.5	(458)
2013				
Discount rate	0.5	(478)	0.5	560
Future salary increase	0.5	112	0.5	(105)
Future pension cost increase	0.5	(59)	0.5	65
2014				
Discount rate	0.25	(419)	0.25	389

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each reporting periods.

The total expenses recognised in the consolidated statements of profit or loss in respect of the plan is as follows:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Current service cost	150	196	(347)
Interest cost	82	86	75
Net benefit expenses	232	282	(272)
Recognised in cost of sales	(244)	167	(272)
Recognised in administrative expenses	476	115	—
	232	282	(272)

The movements in the present value of the defined benefit obligations are as follows:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
At 1 January	3,568	4,178	4,557
Current service cost	150	196	(347)
Interest cost	554	264	1,999
Benefit paid	(94)	(81)	(76)
At 31 December	4,178	4,557	6,133

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income						
	1 January	Service cost	Net interest expense	Sub-total included in profit or loss	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contribution by employer	31 December
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
2012												
Defined benefit obligations	(3,568)	(150)	(554)	(704)	94	—	—	—	—	—	—	(4,178)
Fair value of plan assets	1,950	—	82	82	(94)	—	—	—	—	—	146	2,084
Benefit liability	(1,618)	(150)	(472)	(622)	—	—	—	—	—	—	146	(2,094)
2013												
Defined benefit obligations	(4,178)	(196)	(114)	(310)	81	—	(150)	—	—	(150)	—	(4,557)
Fair value of plan assets	2,084	—	28	28	(81)	—	129	—	—	129	205	2,365
Benefit liability	(2,094)	(196)	(86)	(282)	—	—	(21)	—	—	(21)	205	(2,192)
2014												
Defined benefit obligations	(4,557)	347	(136)	211	76	—	21	(1,532)	(352)	(1,863)	—	(6,133)
Fair value of plan assets	2,365	—	61	61	(76)	1,488	—	—	—	1,488	188	4,026
Benefit liability	(2,192)	347	(75)	272	—	1,488	21	(1,532)	(352)	(375)	188	(2,107)

The fair value of the total plan assets at 31 December 2012, 2013 and 2014 was Euro2,084,000, Euro2,365,000 and Euro4,026,000, respectively.

Expected contributions to the defined benefit plan in future years are as follows:

	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Within the next 12 months	146	188	80
Between 2 and 5 years	803	820	276
Between 5 and 10 years	410	205	676
Total expected contributions	1,359	1,213	1,032

The average duration of the defined benefit obligations at 31 December 2012, 2013 and 2014 was 22.8 years, 22.8 years and 25.3 years, respectively.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

Ausnutria Hyproca Group

	Depreciation allowance in excess of related depreciation *Euro'000*	Fair value adjustment arising from acquisition of subsidiaries *Euro'000*	Milk collection rights *Euro'000*	Total *Euro'000*
31 December 2012				
At 1 January 2012	797	63	168	1,028
Deferred tax credited to profit or loss during the year *(note 10)*	(74)	—	(33)	(107)
Gross deferred tax liabilities at 31 December 2012	723	63	135	921

	Depreciation allowance in excess of related depreciation *Euro'000*	Fair value adjustment arising from acquisition of subsidiaries *Euro'000*	Milk collection rights *Euro'000*	Total *Euro'000*
31 December 2013				
At 1 January 2013	723	63	135	921
Deferred tax credited to profit or loss during the year *(note 10)*	(10)	—	(34)	(44)
Gross deferred tax liabilities at 31 December 2013	713	63	101	877

	Depreciation allowance in excess of related depreciation *Euro'000*	Fair value adjustment arising from acquisition of subsidiaries *Euro'000*	Milk collection rights *Euro'000*	Withholding taxes *Euro'000*	Total *Euro'000*
31 December 2014					
At 1 January 2014	713	63	101	—	877
Deferred tax charged/ (credited) to profit or loss during the year *(note 10)*	(104)	—	(80)	63	(121)
Arising on acquisition of a subsidiary *(note 30)*	—	—	462	—	462
Exchange differences	—	—	—	5	5
Gross deferred tax liabilities at 31 December 2014	609	63	483	68	1,223

Ausnutria Hyproca

	Depreciation allowance in excess of related depreciation *Euro'000*
31 December 2012	
At 1 January 2012	402
Deferred tax credited to profit or loss during the year	(35)
Gross deferred tax liabilities at 31 December 2012	367

	Depreciation allowance in excess of related depreciation
	Euro'000
31 December 2013	
At 1 January 2013	367
Deferred tax credited to profit or loss during the year	(34)
Gross deferred tax liabilities at 31 December 2013	333

	Depreciation allowance in excess of related depreciation
	Euro'000
31 December 2014	
At 1 January 2014	333
Deferred tax credited to profit or loss during the year	(34)
Gross deferred tax liabilities at 31 December 2014	299

Deferred tax assets

Ausnutria Hyproca Group

	Defined benefit plan	Losses available for offsetting against future taxable income	Deductible temporary differences	Deferred income	Others	Total
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
31 December 2012						
At 1 January 2012	405	1,086	116	21	38	1,666
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	119	(369)	1,040	143	104	1,037
Exchange differences	—	—	—	1	—	1
Gross deferred tax assets at 31 December 2012	524	717	1,156	165	142	2,704

	Defined benefit plan *Euro'000*	Losses available for offsetting against future taxable income *Euro'000*	Deductible temporary differences *Euro'000*	Deferred income *Euro'000*	Others *Euro'000*	Total *Euro'000*
31 December 2013						
At 1 January 2013	524	717	1,156	165	142	2,704
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	19	327	(116)	222	(118)	334
Deferred tax charged to equity during the year	5	—	—	—	—	5
Exchange difference	—	—	7	(9)	—	(2)
Gross deferred tax assets at 31 December 2013	548	1,044	1,047	378	24	3,041

	Defined benefit plan *Euro'000*	Losses available for offsetting against future taxable income *Euro'000*	Deductible temporary differences *Euro'000*	Deferred income *Euro'000*	Others *Euro'000*	Total *Euro'000*
31 December 2014						
At 1 January 2014	548	1,044	1,047	378	24	3,041
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	(115)	463	432	564	55	1,399
Deferred tax charged to equity during the year	94	—	—	—	—	94
Exchange difference	—	12	64	(78)	2	—
Gross deferred tax assets at 31 December 2014	527	1,519	1,543	864	81	4,534

Ausnutria Hyproca

	Others
	Euro'000
31 December 2012	
At 1 January 2012	38
Deferred tax charged to profit or loss during the year	(4)
Gross deferred tax assets at 31 December 2012	34

	Others
	Euro'000
31 December 2013	
At 1 January 2013	34
Deferred tax charged to profit or loss during the year	(13)
Gross deferred tax assets at 31 December 2013	21

	Others
	Euro'000
31 December 2014	
At 1 January 2014	21
Deferred tax charged to profit or loss during the year	(7)
Gross deferred tax assets at 31 December 2014	14

Management expects it is probable that taxable profits will be available against which the above tax losses and deducible temporary differences can be utilised in the coming years.

The Ausnutria Hyproca Group has tax losses arising in Hong Kong of Euro6,000, Euro8,000 and Euro63,000 as at 31 December 2012, 2013 and 2014, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Ausnutria Hyproca Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from January 2008. The applicable rate for the Ausnutria Hyproca Group is 10% for the Relevant Periods.

As at 31 December 2012, 2013 and 2014, the Ausnutria Hyproca Group has not recognised deferred tax liabilities of nil, Euro126,000 and Euro356,000, respectively, in respect of temporary differences relating to the unremitted earnings of subsidiaries, amounting to nil, Euro1,257,000 and Euro3,561,000, respectively, that would be payable on the distribution of these retained profits as Ausnutria Hyproca controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by Ausnutria Hyproca to its shareholders.

27. FINANCE LEASE PAYABLES

The Ausnutria Hyproca Group leases certain of its plant and machinery for its production business. These leases are classified as finance leases and have remaining lease terms ranging from one to six years.

At 31 December 2012, 2013 and 2014, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments			Present value of minimum lease payments		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Amounts payable:						
Within one year	98	55	697	92	51	573
In the second year	96	32	665	90	31	607
In the third to fifth years, inclusive	—	—	1,872	—	—	1,708
After five years	—	—	468	—	—	427
Total minimum finance lease payments	194	87	3,702	182	82	3,315
Future finance charges	(12)	(5)	(387)			
Total net finance lease payables	182	82	3,315			
Portion classified as current liabilities *(note 24)*	(92)	(51)	(573)			
Non-current portion *(note 24)*	90	31	2,742			

28. SHARE CAPITAL

Shares

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Authorised:			
3,600,000 (2013: 3,600,000, 2012: 3,600,000) ordinary shares of Euro4.54 each	16,344	16,344	16,344
Issued and fully paid:			
900,000 (2013: 900,000, 2012: 900,000) ordinary shares	4,086	4,086	4,086

During the Relevant Periods, there was no movement in share capital.

29. RESERVES

(a) Ausnutria Hyproca Group

The amounts of the Ausnutria Hyproca Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages II-7 to II-9 of the Financial Information.

According to the PRC Company Law, each of the PRC subsidiaries of the Ausnutria Hyproca Group is required to transfer 10% of its after tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the PRC subsidiaries, provided that such fund is maintained at a minimum level of 25% of the registered capital.

(b) Ausnutria Hyproca

	Share premium *Euro'000*	Statutory surplus reserves *Euro'000*	Asset revaluation reserves *Euro'000*	Retained profits/ (accumulated losses) *Euro'000*	Total *Euro'000*
At 1 January 2012	6,192	—	463	(1,319)	5,336
Total comprehensive loss for the year	—	—	—	(783)	(783)
Contribution from immediate holding company	3,000	—	—	—	3,000
At 31 December 2012 and 1 January 2013	9,192	—	463	(2,102)	7,553
Total comprehensive loss for the year	—	—	—	(296)	(296)
Transfer from retained profits	—	102	—	(102)	—
At 31 December 2013 and 1 January 2014	9,192	102	463	(2,500)	7,257
Total comprehensive income for the year	—	—	—	1,014	1,014
Transfer from retained profits	—	165	—	(165)	—
At 31 December 2014	9,192	267	463	(1,651)	8,271

30. BUSINESS COMBINATION

During 2014, Hyproca Goat Milk B.V. ("**HGM**"), a subsidiary within the Ausnutria Hyproca Group, acquired 100% equity interest in Sanimel B.V. ("**Sanimel**") from independent third parties ("**Sanimel Acquisition**"). Sanimel is engaged in the collection and trading of goat milk. The Sanimel Acquisition was made as part of the Ausnutria Hyproca Group's strategy to expand its market share on the production and sale of goat milk based dairy products. The consideration for the Sanimel Acquisition was settled by the issuance of new shares of HGM to the two former shareholders of Sanimel. Upon completion of the Sanimel Acquisition, the equity interest of Ausnutria Hyproca Group in HGM was diluted from 100% to 56%.

The fair values of the identifiable assets and liabilities of Sanimel as at the date of acquisition were as follows:

		2014
		Fair value recognised on acquisition
	Notes	*Euro'000*
Other intangible assets	14	1,925
Trade and bills receivables		400
Deferred tax liabilities	26	(462)
Tax payable		(2)
Other liabilities		(137)
Total identifiable net assets at fair value		1,724
Satisfied by fair values of shares of HGM		1,724

The fair values of the trade receivables as at the date of acquisition amounted to Euro400,000. None of the receivables is expected to be uncollectible.

The transaction costs incurred in respect of the Sanimel Acquisition is considered to be insignificant.

31. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, neither the Ausnutria Hyproca Group nor Ausnutria Hyproca had any significant contingent liabilities.

32. PLEDGE OF ASSETS

Details of the Ausnutria Hyproca Group's bank loans and overdrafts, which are secured by the assets of the Ausnutria Hyproca Group, are included in notes 12,17,18 and 24, respectively, to the Financial Information.

33. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of each of the Relevant Periods, the Ausnutria Hyproca Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Within one year	147	218	378
In the second to fifth years, inclusive	310	487	582
After five years	—	—	16
	457	705	976

As at the end of each of the Relevant Periods, Ausnutria Hyproca did not have future minimum lease payments under non-cancellable operating leases.

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Ausnutria Hyproca Group had the following capital commitments at the end of each of the Relevant Periods:

	Ausnutria Hyproca Group		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Contracted, but not provided for:			
Plant and machinery	1,272	2,771	311

At the end of each of the Relevant Periods, Ausnutria Hyproca did not have any significant commitments.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Ausnutria Hyproca Group had the following material transactions with related parties during the year:

		Ausnutria Hyproca Group		
		2012	**2013**	**2014**
	Notes	*Euro'000*	*Euro'000*	*Euro'000*
Purchases of products from the associates	(i)	—	—	15,113
Sales of products to the associates	(i)	—	—	2,226
Sales of products to a fellow subsidiary	(i)	1,296	5,611	12,464
Management fees received from the associates	(ii)	—	—	112
Interest expense to DDI	(b)(i)	—	—	34
Interest expense to immediate holding company	(b)(ii)	—	195	903

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The management fee was charged based on the management time incurred by the management of the Ausnutria Hyproca Group in the associates.

(b) Outstanding balances with related parties:

(i) As detailed in note 24, the Ausnutria Hyproca Group has shareholders' loans due to DDI, the 49% non-controlling shareholder of Ausnutria Hyproca, of a total of nil, nil and Euro7,350,000 as at 31 December 2012, 2013 and 2014, respectively. The balances are unsecured and bear interest at 2.0% per annum.

(ii) The shareholder's loans due to Ausnutria (Dutch), the immediate holding company, of a total amount of nil, Euro9,900,000 and Euro22,100,000 as at 31 December 2012, 2013 and 2014, respectively, are unsecured and bear interest at 2% to 5% per annum and are repayable in 2016.

(iii) Details of the trade balances with the associates as at the end of each Relevant Periods are disclosed in notes 18 and 21 to the Financial Information.

(c) Compensation of key management personnel of the Ausnutria Hyproca Group

	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Salaries, allowances and benefits in kind	972	957	1,057
Retirement benefit contributions	98	147	144
Total compensation paid to key management personnel	1,070	1,104	1,201

Further details of directors' emoluments are included in note 8 to the Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Periods are as follows:

2012 **Ausnutria Hyproca Group**

Financial assets

	Loans and receivables
	Euro'000
Trade and bills receivables	9,538
Financial assets included in prepayments, deposits and other receivables	235
Cash and cash equivalents	3,483
	13,256

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Trade payables	—	11,478	11,478
Financial liabilities included in other payables and accruals	—	5,146	5,146
Derivative financial instruments	136	—	136
Interest-bearing bank loans and other borrowings	—	16,178	16,178
	136	32,802	32,938

2013 **Ausnutria Hyproca Group**

Financial assets

	Loans and receivables
	Euro'000
Trade and bills receivables	13,754
Financial assets included in prepayments, deposits and other receivables	2,342
Time deposits	748
Cash and cash equivalents	2,101
	18,945

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Trade payables	—	18,228	18,228
Financial liabilities included in other payables and accruals	—	5,894	5,894
Derivative financial instruments	85	—	85
Interest-bearing bank loans and other borrowings	—	35,158	35,158
	85	59,280	59,365

2014 **Ausnutria Hyproca Group**

Financial assets

	Loans and receivables
	Euro'000
Trade and bills receivables	14,346
Financial assets included in prepayments, deposits and other receivables	10,511
Cash and cash equivalents	5,556
	30,413

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Trade payables	—	23,281	23,281
Financial liabilities included in other payables and accruals	—	7,828	7,828
Derivative financial instruments	54	—	54
Interest-bearing bank loans and other borrowings	—	62,554	62,554
	54	93,663	93,717

2012 **Ausnutria Hyproca**

Financial assets

	Loans and receivables
	Euro'000
Due from subsidiaries	10,744
Financial assets included in prepayments, deposits and other receivables	32
	10,776

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Due to subsidiaries	—	3,804	3,804
Financial liabilities included in other payables and accruals	—	789	789
Derivative financial instruments	136	—	136
Interest-bearing bank loans and other borrowings	—	2,762	2,762
	136	7,355	7,491

2013 **Ausnutria Hyproca**

Financial assets

	Loans and receivables
	Euro'000
Due from subsidiaries	9,573
Financial assets included in prepayments, deposits and other receivables	812
	10,385

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Due to subsidiaries	—	3,737	3,737
Financial liabilities included in other payables and accruals	—	1,847	1,847
Derivative financial instruments	85	—	85
Interest-bearing bank loans and other borrowings	—	14,500	14,500
	85	20,084	20,169

2014 **Ausnutria Hyproca**

Financial assets

	Loans and receivables
	Euro'000
Due from subsidiaries	19,841
Financial assets included in prepayments, deposits and other receivables	492
	20,333

Financial liabilities

	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**
	Euro'000	*Euro'000*	*Euro'000*
Due to subsidiaries	—	1,123	1,123
Financial liabilities included in other payables and accruals	—	3,681	3,681
Derivative financial instruments	54	—	54
Interest-bearing bank loans and other borrowings	—	33,600	33,600
	54	38,404	38,458

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, trade and bill receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, due to associates, and amounts due from/ to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amounts and fair values of the Ausnutria Hyproca Group's and Ausnutria Hyproca's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Ausnutria Hyproca Group

	Carrying amount			Fair value		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Financial liabilities						
Derivative financial instruments	136	85	54	136	85	54
Interest-bearing bank loans and other borrowings	16,178	35,158	62,554	14,987	34,472	61,392
	16,314	35,243	62,608	15,123	34,557	61,446

The Ausnutria Hyproca Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Ausnutria Hyproca Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2012, 2013 and 2014 was assessed to be insignificant.

The Ausnutria Hyproca Group enters into derivative financial instruments with various counterparties, principally financial institutions with ABN-AMRO Bank N.V. Derivative financial instruments, including interest rate swaps measured using valuation techniques similar to forward pricing and swap models measured, using present value calculation. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

As at 31 December 2012, 2013 and 2014, the marked to market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Ausnutria Hyproca Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Derivative financial instruments	—	136	—	136

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Derivative financial instruments	—	85	—	85

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*
Derivative financial instruments	—	54	—	54

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Ausnutria Hyproca Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans, finance leases and other borrowings, amounts due from/to related parties, and cash and bank balances and time deposits. The main purpose of these financial instruments is to raise finance for the Ausnutria Hyproca Group's operations. The Ausnutria Hyproca Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The Ausnutria Hyproca Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Ausnutria Hyproca Group's operations and its sources of finance.

The main risks arising from the Ausnutria Hyproca Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors of Ausnutria Hyproca reviews and agrees policies for managing each of these risks and they are summarised below. The Ausnutria Hyproca Group's accounting policies in relation to derivatives are set out in note 2.3 to the Financial Information.

Interest rate risk

The Ausnutria Hyproca Group's exposure to the risk of changes in market interest rates relates primarily to the Ausnutria Hyproca Group's interest-bearing bank loans with a floating interest rate. In order to minimise the impact of interest rate exposure, the Ausnutria Hyproca Group has entered into interest rate swap contracts with creditworthy banks to manage its interest rate swaps.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Ausnutria Hyproca Group's profit before tax (through the impact on floating rate borrowings) and the Ausnutria Hyproca Group's equity.

Ausnutria Hyproca Group

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		Euro'000
2014		
Euro	100	(619)
Euro	(100)	619
2013		
Euro	100	(633)
Euro	(100)	633
2012		
Euro	100	(358)
Euro	(100)	358

Foreign currency risk

The Ausnutria Hyproca Group has transactional currency exposures. These exposures mainly arise from sales or purchases by the Ausnutria Hyproca Group's operating units in PRC and Hong Kong in currencies other than the Ausnutria Hyproca Group's functional currency (i.e.Euro). In addition, the Ausnutria Hyproca Group's certain bank balances are denominated in HK$ and RMB, and certain revenue and expenses of subsidiaries of the Ausnutria Hyproca Group are denominated in HK$ and RMB.

Credit risk

The Ausnutria Hyproca Group trades only with recognised and creditworthy third parties. It is the Ausnutria Hyproca Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Ausnutria Hyproca Group's exposure to bad debts is not significant.

The credit risk of the Ausnutria Hyproca Group's other financial assets, which comprise cash and cash equivalents, time deposits, trade and bills receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Ausnutria Hyproca Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Ausnutria Hyproca Group as the customer bases of the Ausnutria Hyproca Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Ausnutria Hyproca Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Financial Information.

Liquidity risk

The Ausnutria Hyproca Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Ausnutria Hyproca Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, interest-bearing bank loans, finance leases and other borrowings.

The maturity profile of the Ausnutria Hyproca Group's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Ausnutria Hyproca Group

	2012					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Trade payables	11,207	203	68	—	—	11,478
Finance lease payables	—	—	98	96	—	194
Financial liabilities included in other payables and accruals	3,188	1,958	—	—	—	5,146
Derivative financial instruments	—	136	—	—	—	136
Interest-bearing bank loans and other borrowings	—	—	12,094	1,979	5,684	19,757
Total	14,395	2,297	12,260	2,075	5,684	36,711

Ausnutria Hyproca Group

	2013					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Trade payables	17,465	746	17	—	—	18,228
Finance lease payables	—	—	55	32	—	87
Financial liabilities included in other payables and accruals	3,405	2,489	—	—	—	5,894
Derivative financial instruments	—	85	—	—	—	85
Interest-bearing bank loans and other borrowings	—	—	21,941	14,875	—	36,816
Total	20,870	3,320	22,013	14,907	—	61,110

Ausnutria Hyproca Group

	2014					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Trade payables	20,755	2,458	68	—	—	23,281
Finance lease payables	—	—	697	2,537	468	3,702
Financial liabilities included in other payables and accruals	5,884	1,944	—	—	—	7,828
Derivative financial instruments	—	54	—	—	—	54
Interest-bearing bank loans and other borrowings	—	—	25,677	34,786	—	60,463
Total	26,639	4,456	26,442	37,323	468	95,328

The maturity profile of the Ausnutria Hyproca's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Ausnutria Hyproca

	2012					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Due to subsidiary	3,804	—	—	—	—	3,804
Financial liabilities included in other payables and accruals	—	789	—	—	—	789
Derivative financial instruments	—	136	—	—	—	136
Interest-bearing bank loans and other borrowings	—	—	1,877	1,178	—	3,055
Total	3,804	925	1,877	1,178	—	7,784

Ausnutria Hyproca

	2013					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Due to subsidiary	3,737	—	—	—	—	3,737
Financial liabilities included in other payables and accruals	—	1,847	—	—	—	1,847
Derivative financial instruments	—	85	—	—	—	85
Interest-bearing bank loans and other borrowings	—	—	1,149	14,657	—	15,806
Total	3,737	1,932	1,149	14,657	—	21,475

Ausnutria Hyproca

	2014					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
Due to subsidiary	1,123	—	—	—	—	1,123
Financial liabilities included in other payables and accruals	—	3,681	—	—	—	3,681
Derivative financial instruments	—	54	—	—	—	54
Interest-bearing bank loans and other borrowings	—	—	465	34,112	—	34,577
Total	1,123	3,735	465	34,112	—	39,435

Capital management

The primary objectives of the Ausnutria Hyproca Group's capital management are to safeguard the Ausnutria Hyproca Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Ausnutria Hyproca Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Ausnutria Hyproca Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Ausnutria Hyproca Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Ausnutria Hyproca Group monitors capital using a gearing ratio, which is net debt divided by total assets. Net debt is calculated as the sum of interest-bearing bank loans and other borrowings, less time deposits and cash and cash equivalents. The gearing ratio as at the end of the Relevant Periods is as follows:

	2012	2013	2014
	Euro'000	*Euro'000*	*Euro'000*
Interest-bearing bank loans and other borrowings	16,178	35,158	62,554
Less: Time deposits	—	(748)	—
Cash and cash equivalents	(3,483)	(2,101)	(5,556)
Net debt	12,695	32,309	56,998
Total assets	57,524	88,119	146,857
Gearing ratio	22%	37%	39%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Ausnutria Hyproca or any of its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE AUSNUTRIA HYPROCA GROUP

Set out below is the management discussion and analysis of the Ausnutria Hyproca Group for the three years ended 31 December 2012, 2013 and 2014.

BUSINESS OVERVIEW

The Ausnutria Hyproca Group is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands and customers based in most of the major countries of the world. It specialises in a complete chain of production from collecting fresh Dutch cow and goat milk from farms to supplying finished goods and is one of the leading producers of goat milk products in the world.

Sales and distribution

During the Relevant Periods, the Ausnutria Hyproca Group sells its dairy products through the following channels:

(i) Branded Business — includes the sale of the Ausnutria Hyproca Group's own branded products, i.e. under the name of Kabrita for its goat infant formula in the PRC, Russia and CIS, the United States and the Middle East and Neolac for cow infant formula in the PRC; and

(ii) Private Label and Contract Manufacturing Businesses — include (i) the production of cow infant formula under the customers' own brands in the Netherlands and other overseas countries; (ii) the production of semi-finished and finished milk powder to the customers worldwide; (iii) the processing and sub-contracting of the blending and packaging services provided to other industry participants; and (iv) other dairy products such as butter and cream.

The Ausnutria Hyproca Group introduced its goat milk based infant formula under the name of the Kabrita series in the PRC from the fourth quarter of 2011. Since then, the Ausnutria Hyproca Group launched Kabrita series products in other markets including Russia, the Middle East and the United States through the establishment of subsidiaries with local business partners.

Production capacity

The Ausnutria Hyproca Group owns three factories in Ommen, Leeuwarden and Kampen, the Netherlands. In late 2013, the Ausnutria Hyproca Group commenced the upgrading of one of the two milk powder production towers. In early 2014, the upgrading of the other milk powder production tower commenced shortly after the completion of the first tower and the upgrading of the second tower and the installation of new machineries for blending and packaging have been substantially completed in 2014. The upgrading of the two production towers have caused a temporary interruption in the production of the Ausnutria Hyproca Group as the two towers have been temporarily suspended for production for a few months in the first half of year 2014.

Apart from its existing production capacity, the Ausnutria Hyproca Group is in the process of expanding its production capacity through the construction of new production facilities. For the year ended 31 December 2014, the Ausnutria Hyproca Group acquired a parcel of land in Heerenveen, the Netherlands, for the construction of the new factory, which is planned to commence its operation in 2016 and have a maximum blending and packaging capacity of approximately 90,000 tons per annum.

FINANCIAL OVERVIEW

The table below sets out the consolidated financial statements of profit or loss of the Ausnutria Hyproca Group.

	Year ended 31 December		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
	(Audited)	*(Audited)*	*(Audited)*
REVENUE	105,828	139,368	183,591
Cost of sales	(95,668)	(118,877)	(148,235)
Gross profit	10,160	20,491	35,356
Other income and gains	322	106	788
Selling and distribution expenses	(4,544)	(11,795)	(19,986)
Administrative expenses	(3,707)	(5,475)	(6,430)
Other expenses	(1,125)	(248)	(32)
Finance costs	(603)	(873)	(1,321)
Share of profits of associates	—	—	468
PROFIT BEFORE TAX	503	2,206	8,843
Income tax expense	(216)	(117)	(1,062)
PROFIT FOR THE YEAR	287	2,089	7,781
Attributable to:			
Owners of Ausnutria Hyproca	(38)	2,128	7,678
Non-controlling interests	325	(39)	103
	287	2,089	7,781

Revenue

The Ausnutria Hyproca Group's revenue mainly represents the net invoiced value of goods sold, after deduction of allowances for returns and trade discounts. Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Ausnutria Hyporca Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. As set out in section "Business Overview" above, the Ausnutria Hyproca Group sells its dairy products through (i) its Branded Business and (ii) its Private Label and Contract Manufacturing Businesses.

The Ausnutria Hyproca Group's revenue were Euro105.8 million, Euro139.4 million and Euro183.6 million for the three years ended 31 December 2012, 2013 and 2014 respectively. Substantial portion of the increase in the Ausnutria Hyproca Group's revenue derived from the growth of its Branded Business. The Ausnutria Hyproca Group achieved sales of Euro4.9 million, Euro18.0 million and Euro37.2 million from the sale of the Kabrita series products, one of the Ausnutria Hyproca Group's own branded products, during the three years ended 31 December 2012, 2013 and 2014 respectively.

Increasing demand from Ausnutria China, the Group's operating subsidiary in the PRC, also contributes to the increase in the Ausnutria Hyproca Group's revenue. The Ausnutria Hyproca Group generated revenue of Euro1.3 million, Euro5.7 million and Euro12.5 million for the three years ended 31 December 2012, 2013 and 2014 respectively from the sale of the cow infant formula to Ausnutria China.

Gross profit and gross margin

The Ausnutria Hyproca Group's gross profits were Euro10.2 million, Euro20.5 million and Euro35.4 million for the three years ended 31 December 2012, 2013 and 2014 respectively, and the gross profit margin of the Ausnutria Hyproca Group for the respective year are 9.6%, 14.7% and 19.3% respectively.

The Ausnutria Hyproca Group's gross profit, and also the gross profit margin, for the year ended 31 December 2012 is comparatively lower than those for the years ended 31 December 2013 and 2014. This is due to (i) a temporary interruption of its production in July 2012 caused by a possible contamination of the raw materials delivered by a supplement supplier; and (ii) write-off of inventories in 2012. The increase in the Ausnutria Hyproca Group's gross profit and gross profit margin for the year ended 31 December 2014 when compared to those for the year ended 31 December 2013 was mainly attributable to the proportionate increase in sales contributed by the own branded business (mainly Kabrita), which generated higher gross profit margin to the Ausnutria Hyproca Group when compared with the private label and contract manufacturing businesses.

Other income and gains

Other income and gains of the Ausnutria Hyproca Group during the Relevant Periods represents interest income and compensation income from insurance companies. The Ausnutria Hyproca Group recognised other income and gains of Euro0.3 million, Euro0.1 million and Euro0.8 million for the three years ended 31 December 2012, 2013 and 2014 respectively.

The increase of the other income and gains for the year ended 31 December 2014 when compared with the year ended 31 December 2013 was mainly due to the non-recurring insurance claim for business interruption of approximately Euro0.3 million.

Selling and distribution expenses

Selling and distribution expenses mainly comprised advertising and promotion expenses, salaries and travelling costs of the sales and marketing staff and delivery costs. The Ausnutria Hyproca Group incurred selling and distribution expenses of Euro4.5 million, Euro11.8 million and Euro20.0 million for the three years ended 31 December 2012, 2013 and 2014 respectively.

During the Relevant Periods, there was a substantial increase in the Ausnutria Hyproca Group's selling and distribution expenses when compared with its revenue; the Ausnutria Hyproca Group's selling and distribution expenses represents 4.3%, 8.5% and 10.9% of its revenue for the three years ended 31 December 2012, 2013 and 2014 respectively. The increase is generally the result of the Ausnutria Hyproca Group's marketing effort in enhancing its market awareness of its branded business in various markets (in particular the PRC) it entered into during the Relevant Periods. Further, during the year ended 31 December 2014, as a result of the production interruption, the Ausnutria Hyproca Group incurred additional air freight charges for the delivery of its products in order to meet the schedule of its customers. Selling and distribution expenses of the Ausnutria Hyproca Group increased during the year ended 31 December 2014.

Administrative expenses

Administrative expenses mainly comprised staff costs, travelling expenses, auditors' remuneration, professional fees, depreciation and research and development costs. The Ausnutria Hyproca Group incurred administrative expenses of Euro3.7 million, Euro5.5 million and Euro6.4 million for the three years ended 31 December 2012, 2013 and 2014 respectively.

During the Relevant Periods, the increase in the Ausnutria Hyproca Group's administrative expenses is generally in line with that in its revenue; the Ausnutria Hyproca Group's administrative expenses represents 3.5%, 3.9% and 3.5% of its revenue for the three years ended 31 December 2012, 2013 and 2014 respectively. The increase in the administrative expenses of the Ausnutria Hyproca Group was primarily attributable to the increase in the scale of its operations and the Ausnutria Hyproca Group employed more employees on both the managerial and administrative level.

Finance costs

The finance costs of the Ausnutria Hyproca Group were Euro0.6 million, Euro0.9 million and Euro1.3 million for the three years ended 31 December 2012, 2013 and 2014 respectively. The increase in finance costs during the Relevant Periods is mainly attributable to the increase of the level of debts to finance its increase in scale of operations, details of which is set out in section "Liquidity, financial resources and capital structure" in this appendix.

Share of profit of associates

The Ausnutria Hyproca Group recognised share of profit of associates of Euro0.5 million for the year ended 31 December 2014, which represents the attributable profits of the Ausnutria Hyproca Group's associates, being Farmel Holding B.V. ("**Farmel**") and two of its wholly-owned subsidiaries, namely Farmel Dairy B.V. and Farmel Dairy Products B.V..

Income tax expenses

The Ausnutria Hyproca Group recognised income tax expenses of Euro0.2 million, Euro0.1 million and Euro1.1 million for the three years ended 31 December 2012, 2013 and 2014 respectively, and the effective tax rates of the Ausnutria Hyproca Group for the respective year are 42.9%, 5.3% and 12.0%. Much of the increase in the income tax expenses for the year ended 31 December 2014 is attributable to the income tax incurred in the Mainland China which is subject to a corporate income tax rate at 25%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Ausnutria Hyproca Group funded its operations mainly by a combination of internal resources, financing from bank in the Netherlands and its shareholders. The table below sets out the details of the interest-bearing bank and shareholders' loans of the Ausnutria Hyproca Group as at 31 December 2012, 2013 and 2014 respectively:-

	As at 31 December		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Bank overdrafts — secured	10,946	20,380	25,125
Bank loans — secured	5,050	4,600	4,150
Finance lease payables	182	82	3,315
Shareholders' loans — unsecured	—	10,096	29,964
Total interest-bearing bank and shareholders' loans	16,178	35,158	62,554

The increase in the level of the interest-bearing bank and shareholders' loans is mainly attributable to the new loans and borrowings the Ausnutria Hyproca Group raised. The Ausnutria Hyproca Group obtained new bank loans and other borrowings of Euro0.4 million, Euro19.6 million and Euro28.4 million for the three years ended 31 December 2012, 2013 and 2014 respectively. The shareholders' loans set out above are mainly for financing its capital expenditure plans, including but not limited to the acquisition of approximately 140,000 square meters of lands in the Netherlands for the construction of a new factory in Heerenveen, the Netherlands and the upgrade of the milk powder production towers and the purchases of new machineries for the increase in its packaging capacity.

The Ausnutria Hyproca Group computed its gearing ratio by dividing its net debt by its total assets. Net debt is calculated as the sum of interest-bearing bank loans and other borrowings, less time deposits and cash and cash equivalents. The gearing ratios of the Ausnutria Hyproca Group as at 31 December 2012, 2013 and 2014 are as follows:-

	As at 31 December		
	2012	**2013**	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Interest-bearing bank loans and other borrowings	16,178	35,158	62,554
Less: Time deposits	—	(748)	—
Cash and cash equivalents	(3,483)	(2,101)	(5,556)
Net debt	12,695	32,309	56,998
Total assets	57,524	88,119	146,857
Gearing ratio	22%	37%	39%

EMPLOYEES

The Ausnutria Hyproca Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Ausnutria Hyproca Group and current market conditions.

The Ausnutria Hyproca Group incurred staff costs of Euro10.6 million, Euro13.3 million and Euro20.0 million for the three years ended 31 December 2012, 2013 and 2014, respectively. As at 31 December 2012, 2013 and 2014, the Ausnutria Hyproca Group employed 395, 542 and 850 employees. The table below sets out the number of employees of the Ausnutria Hyproca Group in the periods shown:-

	As at 31 December		
	2012	**2013**	**2014**
Mainland China	203	267	444
The Netherlands	192	249	356
Others	—	26	50
Total number of employees	395	542	850

PLEDGE OF ASSETS

The Ausnutria Hyproca Group's bank loans and overdrafts are secured by the assets of the subsidiaries of Ausnutria Hyproca established in the Netherlands, including its land and buildings, plant and equipment, inventories and trade receivables as at 31 December 2012, 2013 and 2014.

MATERIAL INVESTMENTS, CAPITAL ASSETS, ACQUISITION AND DISPOSAL

During 2012, the Ausnutria Hyproca Group acquired the remaining 8.4% equity interest in Lyempf Kampen B.V. (formerly Hyproca Lyempf B.V.), a then 91.6% owned subsidiary, at a consideration of Euro2.8 million. Upon the completion of the said acquisition, Lyempf Kampen B.V. became a wholly-owned subsidiary of the Ausnutria Hyproca Group.

During 2014, the Ausnutria Hyproca Group invested Euro3.55 million for the participation of the 50% equity interest in Farmel; and acquired 100% equity interest in Sanimel B.V. ("**Sanimel**") by the issuance of new shares of a subsidiary in exchange thereof.

Farmel and two of its wholly-owned subsidiaries are engaged in the collection and trading of cow and goat milk and Sanimel is engaged in the collection and trading of goat milk. The acquisitions were made as part of the Ausnutria Hyproca Group's strategy to expand its market share on the production and sale of cow and goat milk based dairy products.

Save as disclosed above, there were no material investments and acquisitions and disposals of subsidiaries and associated companies during the Relevant Periods.

FOREIGN CURRENCY EXPOSURE

The operations of the Ausnutria Hyproca Group are mainly carried out in the PRC and the Netherlands. During the Relevant Periods, revenue, cost of sales and operating expenses of the Ausnutria Hyproca Group are mainly denominated in RMB, United States dollars ("**US$**") or Euro and Euro is the Ausnutria Hyproca Group's presentation currency. The Ausnutria Hyproca Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB and US$ against Euro. The Ausnutria Hyproca Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the Relevant Periods.

CONTINGENT LIABILITIES

The Ausnutria Hyproca Group did not have any significant contingent liabilities as at 31 December 2012, 2013 and 2014 respectively.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The accompanying unaudited pro forma statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") of the Enlarged Group (as defined in this circular) has been prepared by the Directors (as defined in this circular) in accordance with Rule 14.69 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purposes only, to provide information about how the proposed Acquisition (as defined in this circular) as detailed in the "Letter from the Board" included in this circular might have affected the financial position of the Group as if the Acquisition had been completed on 31 December 2014 in respect of the Unaudited Pro Forma Financial Information of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2014, which was extracted from the published annual report of the Company for the year ended 31 December 2014, and adjusted on a pro forma basis to reflect the effect of the Acquisition as explained in the accompanying notes that are directly attributable to the Acquisition and not relating to future events or decisions, and are factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates, uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein. Furthermore, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2014, the Company's announcements dated 30 March 2015 and 28 May 2015 and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 December 2014	Pro forma adjustments	*Notes*	Pro forma: The Enlarged Group as at 31 December 2014
	RMB'000	*RMB'000*		*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	483,162			483,162
Prepaid land lease payments	2,028			2,028
Goodwill	75,713			75,713
Other intangible assets	44,497			44,497
Investments in associates	30,101			30,101
Deferred tax assets	47,522			47,522
Total non-current assets	683,023			683,023
CURRENT ASSETS				
Inventories	515,559			515,559
Trade and bills receivables	163,562			163,562
Prepayments, deposits and other receivables	104,335			104,335
Tax recoverable	6,511			6,511
Pledged deposits	216,900			216,900
Time deposits	465,100			465,100
Cash and cash equivalents	278,277	(79,042)	1(i)	140,828
		(55,407)	2	
		(3,000)	3	
Total current assets	1,750,244			1,612,795

	The Group as at 31 December 2014	Pro forma adjustments	*Notes*	Pro forma: The Enlarged Group as at 31 December 2014
	RMB'000	*RMB'000*		*RMB'000*
CURRENT LIABILITIES				
Trade payables	184,215			184,215
Other payables and accruals	373,469			373,469
Derivative financial instruments	404			404
Interest-bearing bank loans and other borrowings	517,197	(55,407)	2	461,790
Tax payable	46,411			46,411
Total current liabilities	1,121,696			1,066,289
NET CURRENT ASSETS	628,548			546,506
TOTAL ASSETS LESS CURRENT LIABILITIES	1,311,571			1,229,529
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	51,864			51,864
Defined benefit plan	15,709			15,709
Deferred tax liabilities	29,070			29,070
Total non-current liabilities	96,643			96,643
Net assets	1,214,928			1,132,886

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

1. The consideration for the Acquisition amounts to HK$470,316,241, which comprises:

   (i) the Cash Consideration, being HK$100,193,398 (equivalent to approximately RMB79.04 million); and

   (ii) the Consideration Shares, being 147,459,300 new Shares to be issued at issue price of approximately HK$2.51.

2. The consideration for the DDI Shareholder's Loans to be acquired by the Company from DDI on the Completion Date will be the total amount outstanding (including accrued interest at the rate of 2% per annum) of the DDI Shareholder's Loans as at 28 May 2015, being Euro8.86 million (equivalent to RMB66.46 million) and will be settled in cash no later than 30 April 2016. As at 31 December 2014, the outstanding amount of the DDI Shareholder's Loans was Euro7.35 million (equivalent to approximately RMB55.13 million) and the accrued interest on the DDI Shareholder's Loans was Euro36,970 (equivalent to approximately RMB277,275).

3. The transaction costs for the Acquisition are estimated to be RMB3,000,000 which consist mainly of the professional fees directly attributable to the Acquisition and are assumed to be settled by cash. The Group will follow the requirements under IFRS 3 to expense off the legal and professional fee when the transaction is completed.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Section A of Appendix III to this Circular.

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永会计师事务所
香港中环添美道1号
中信大厦22楼

Tel 电话: +852 2846 9888
Fax 传真: +852 2868 4432
ey.com

30 June 2015

The Board of Directors
Ausnutria Dairy Corporation Ltd

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ausnutria Dairy Corporation Ltd (the "**Company**") and its subsidiaries (hereinafter collectively referred to the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities and related notes as set out on pages III-2 to III-4 of the circular dated 30 June 2015 (the "**Circular**") issued by the Company (the "**Pro Forma Financial Information**") in connection with the proposed acquisition (the "**Proposed Acquisition**") of 49% equity interest of Ausnutria Hyproca B.V. ("**Ausnutria Hyproca**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section headed "Introduction" in Section A of Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published annual report for the year ended 31 December 2014.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

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

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

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the 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 made any statement herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Completion were as follows:

Authorised:		*HK$*
1,500,000,000	Shares (of HK$0.1 each)	150,000,000
Issued and fully paid or credited as fully paid:		
986,843,000	Shares in issue as at the Latest Practicable Date	98,684,300
147,459,300	Consideration Shares	14,745,930
1,134,302,300	Shares in issue immediately following the Completion	113,430,230

DISCLOSURE OF DIRECTOR'S INTERESTS AND SHORT POSITION IN THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Capacity	Number of underlying shares held	Percentage of shareholding
Mr. Yan Weibin ("**Mr. Yan**")	Interest of a controlled corporation	86,805,450	8.80%

Note:

The shareholding interest of Mr. Yan is being held through Ausnutria Holding Co Ltd ("**Ausnutria BVI**"), a company wholly-owned by Mr. Yan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests 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.

INTERESTS AND SHORT POSITIONS 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 executives 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 Shareholders	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Ausnutria BVI *(Note 1)*	Registered owner	86,805,450	8.80%
Center Lab	Registered owner	258,528,969	26.20%
	Interest of controlled corporation	138,943,064	14.08%
BioEngine Capital Inc. *(Note 2)*	Registered owner	123,355,375	12.50%
BioEngine Technology Development Inc. *(Note 2)*	Registered owner	15,587,689	1.58%

Notes:

1. Ausnutria BVI is wholly-owned by Mr. Yan.

2. Both BioEngine Capital Inc. and BioEngine Technology Development Inc. are non-wholly-owned subsidiaries of Center Lab.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would require to be disclosed to the Company pursuant to Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS AND/OR ARRANGEMENT

Save for the Share Purchase Agreement, as at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. There was no contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Enlarged Group.

COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the Ausnutria Hyproca Group supplies paediatric milk formula products not only to the Group but also to other distributors in the PRC. Further, the Ausnutria Hyproca Group also distributes dairy products worldwide including the PRC under its separate brand. As such Mr. van der Meer, being an associate of Ausnutria Hyproca, is deemed to have a competing interest with the business of the Group by such reason.

Save as disclosed above, none of the other Directors nor their respective associates had any business or interest that competes or might compete with the business of the Group or any other conflict of interests with the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, no 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 any member of the Enlarged Group.

THE EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion and advice, which are contained in this circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

Each of Somerley Capital Limited and Ernst & Young has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their letter dated 30 June 2015 and references to their name in the form and context in which they appear. As at the Latest Practicable Date, each of Somerley Capital Limited and Ernst & Young:

(1) did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; and

(2) did not have any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, 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:

(1) the shareholder's loan agreement dated 1 November 2013 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the granting of the shareholder's loan of Euro10.0 million (equivalent to approximately HK$107.0 million) by Ausnutria (Dutch) to Ausnutria Hyproca;

(2) the shareholders' loan agreement dated 16 September 2014 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the granting of the shareholders' loan of Euro10.0 million (equivalent to approximately HK$99.8 million) by Ausnutria (Dutch) and DDI to Ausnutria Hyproca;

(3) the shareholders' loan agreement dated 29 December 2014 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the granting of the shareholders' loan of Euro8.0 million (equivalent to approximately HK$75.0 million) by Ausnutria (Dutch) and DDI to Ausnutria Hyproca; and

(4) the Share Purchase Agreement (including the Supplemental Agreement).

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 30 June 2015 and up to and including the date of the EGM:

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

(b) the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014;

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

(d) the report from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(e) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(f) the letter of recommendation from the Independent Board Committee dated 30 June 2015;

(g) the letter of advice issued by Somerley Capital Limited to the Independent Board Committee and the Shareholders dated 30 June 2015;

(h) the written consent given by Somerley Capital Limited and Ernst & Young as referred to in the paragraph headed "The Expert and Consent" of this appendix; and

(i) this circular.

MISCELLANEOUS

(1) The company secretary of the Company is Mr. Wong Wei Hua Derek, who is a member of the Hong Kong Institute of Certified Public Accountants.

(2) In the event of inconsistency, the English version of this circular shall prevail over the Chinese text.

澳优·海普诺凯
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1717)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of Ausnutria Dairy Corporation Ltd (the "**Company**") will be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Monday, 20 July 2015 at 11:00 a.m. to consider and, if thought fit, passing with or without amendments, the following resolution as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **"THAT:**

(a) the conditional share purchase agreement which was entered into among the Company, Ausnutria Dairy (Dutch) Coöperatief U.A. (an indirect wholly-owned subsidiary of the Company) ("**Ausnutria (Dutch)**"), Dutch Dairy Investments B.V. ("**DDI**"), PMH Investment B.V., Manids B.V., Elbe B.V. and Ausnutria Hyproca B.V. ("**Ausnutria Hyproca**") in relation to the proposed acquisition of 49% of the issued share capital of Ausnutria Hyproca (which is owned as to 51% by Ausnutria (Dutch)) by Ausnutria (Dutch) from DDI (the "**Acquisition**") on 12 January 2015 and the supplemental agreement dated 28 May 2015 and entered into among the above parties to the above share purchase agreement (collectively, the "**Share Purchase Agreement**"), a copy each of which has been produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification, and all transactions contemplated under the Share Purchase Agreement, including but not limited to the Acquisition in accordance with the terms and subject to the conditions set out in the Share Purchase Agreement be and are hereby approved, ratified and confirmed; and

(b) any one of the directors of the Company (the "**Directors**") be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Share Purchase Agreement including, but not limited to, the Acquisition, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Share Purchase Agreement or agree to such amendments of the same as are in the opinion of such Director consider to be desirable and in the interests of the Company."

By order of the board of Directors of
Ausnutria Dairy Corporation Ltd
Yan Weibin
Chairman

Changsha City, the PRC, 30 June 2015

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

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

Principal Place of business in the PRC
8th Floor, XinDaXin Building A
No. 168 Huangxing Middle Road
Changsha City, Hunan Province, the PRC

Principal Place of Business in the Netherlands
Burgemeester Falkenaweg 58-1 (8442LE),
Heerenveen, the Netherlands

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more person(s) as his proxy to attend and vote instead of him. A proxy needs 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 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, Wan Chai, Hong Kong.

3. Where there are joint holders of any share of the Company, any one of such persons may vote at the Meeting, either in person or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

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

5. 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.