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AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTEREST IN AMALTHEA GROUP

THE ACQUISITION

On 21 October 2022 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Share Purchase Agreement in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 50.0% of the issued shares of Amalthea Group (upon completion of the Restructuring), at a cash consideration of approximately EUR18.4 million (equivalent to approximately HK\$141.7 million).

IMPLICATIONS UNDER THE LISTING RULES

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

THE ACQUISITION

The Board is pleased to announce that on 21 October 2022 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Share Purchase Agreement in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 50.0% of the issued shares of Amalthea Group (upon completion of the Restructuring), at a cash consideration of approximately EUR18.4 million (equivalent to approximately HK\$141.7 million).

THE SHARE PURCHASE AGREEMENT

Principal terms of the Share Purchase Agreement are set out below:

Date : 21 October 2022 (after trading hours)

Parties : the Purchaser; and

the Vendor.

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

Subject matter

Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 50.0% of the issued shares of Amalthea Group (upon completion of the Restructuring). Upon Completion, Amalthea Group will become an associate of the Company.

Consideration

Pursuant to the Share Purchase Agreement, the consideration of approximately EUR18.4 million (equivalent to approximately HK\$141.7 million) shall be payable by the Company to the Vendor in cash on the date of Completion and the amount of interest over the consideration pursuant to the terms and conditions of the Share Purchase Agreement.

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the historical financial performance of the Amalthea Subsidiaries (which will become subsidiaries of Amalthea Group); and (ii) the business development and prospects of Amalthea Group and the Amalthea Subsidiaries.

Conditions precedent

Completion shall be conditional upon fulfilment of the following conditions:

- (i) the Restructuring (details of which are set out under the section headed "The Restructuring" below) having taken place;
- (ii) the competent national competition authority having jurisdiction rendering an unconditional decision permitting the completion of the Acquisition or not rendering a decision within the time limits as set out by the relevant competition laws and having the effect that unconditional clearance has been given;
- (iii) in the period as from the date of signing of the Share Purchase Agreement until Completion, no material adverse event or circumstance has occurred that has or is reasonably likely to have a material adverse effect on the profitability, reputation, financial or trading position of Amalthea Group and the Amalthea Subsidiaries (taken as a whole);

- (iv) the Purchaser nor any of its affiliated companies being directly or indirectly engaged in the business of the Amalthea Subsidiaries; and
- (v) the subordinated loan mentioned in the Shareholder's Agreement can be provided by the Purchaser to the satisfaction of the Vendor (with written confirmation(s) entered into between parties to the Shareholder's Agreement).

None of the parties shall have the right to waive condition precedent (ii) as set out above. Conditions precedent (i) and (iii) may only be waived in writing by the Purchaser and conditions precedent (iv) and (v) may only be waived in writing by the Vendor. As at the date of this announcement, none of the above conditions have been fulfilled.

If the conditions precedents have not been satisfied or waived by the relevant parties to the Share Purchase Agreement on or prior to the Long Stop Date, either party may terminate the Share Purchase Agreement by giving written notice of such termination to the other party and no party shall have any claim against the other party as a result of such termination.

Completion

Upon Completion, Amalthea Group will become an associate of the Company. Its financial results, assets and liabilities will not be consolidated into the consolidated financial statements of the Company.

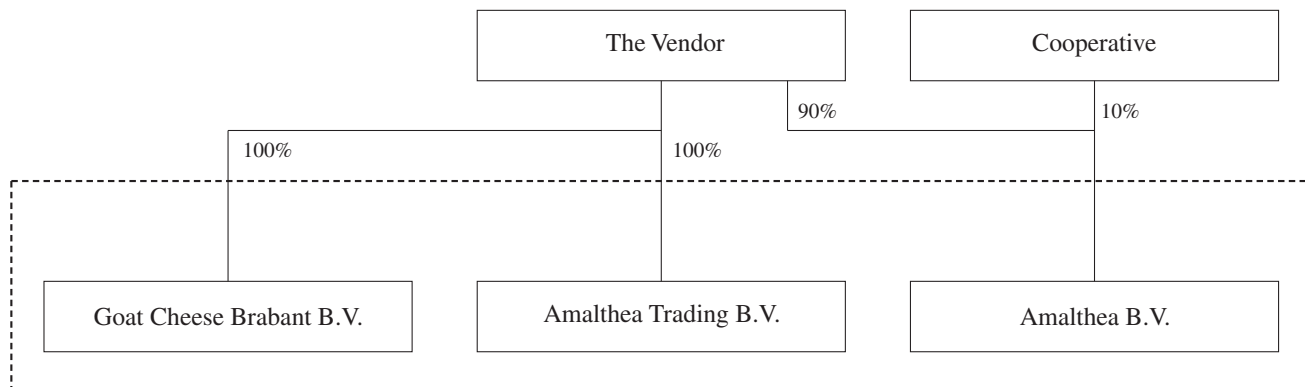
The Restructuring

Amalthea Group is a company to be incorporated by the Vendor to hold equity interests in its subsidiaries upon completion of the Restructuring. The details of the Restructuring are as follows:

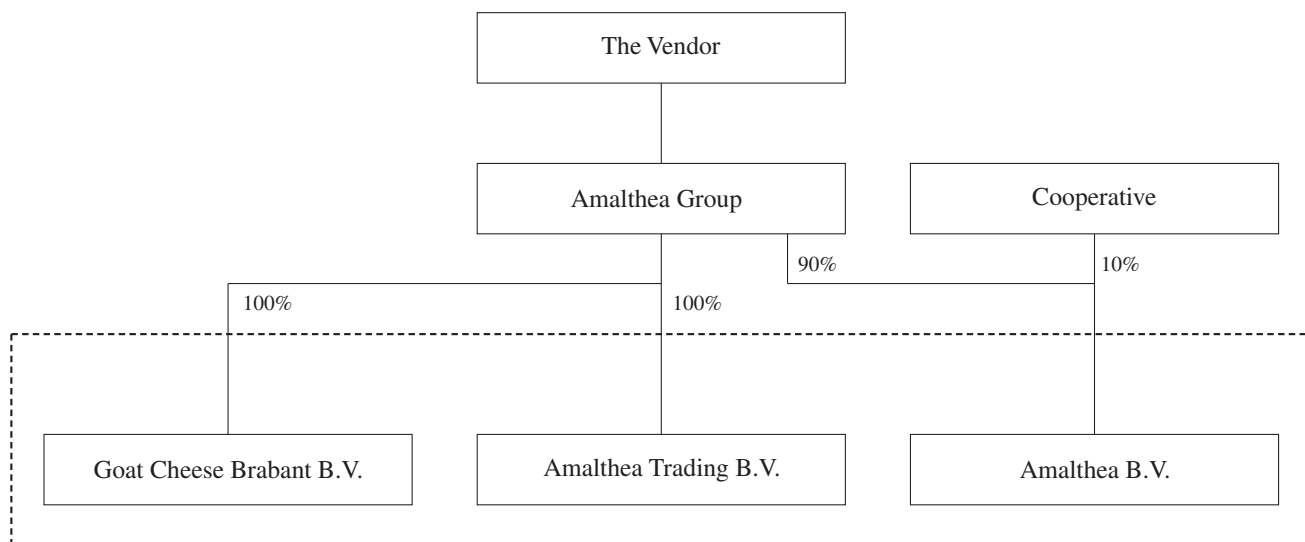
- (i) Amalthea Group to be incorporated by the Vendor in accordance with the terms as set out in the Share Purchase Agreement; and
- (ii) the entire equity interests in Amalthea Trading B.V., Goat Cheese Brabant B.V. and 90.0% equity interests in Amalthea B.V. will be contributed by the Vendor into Amalthea Group. The remaining 10.0% equity interests in Amalthea B.V. will continue to be held by the Cooperative while there is an option for Amalthea Group to purchase such 10.0% equity interests from the Cooperative at a consideration of EUR0.15 million (equivalent to approximately HK\$1.2 million).

The following diagram illustrates the corporate structure of the Vendor, Amalthea Group and the Amalthea Subsidiaries (i) as at the date of this announcement; (ii) immediately after the Restructuring but prior to the Completion; and (iii) upon Completion:

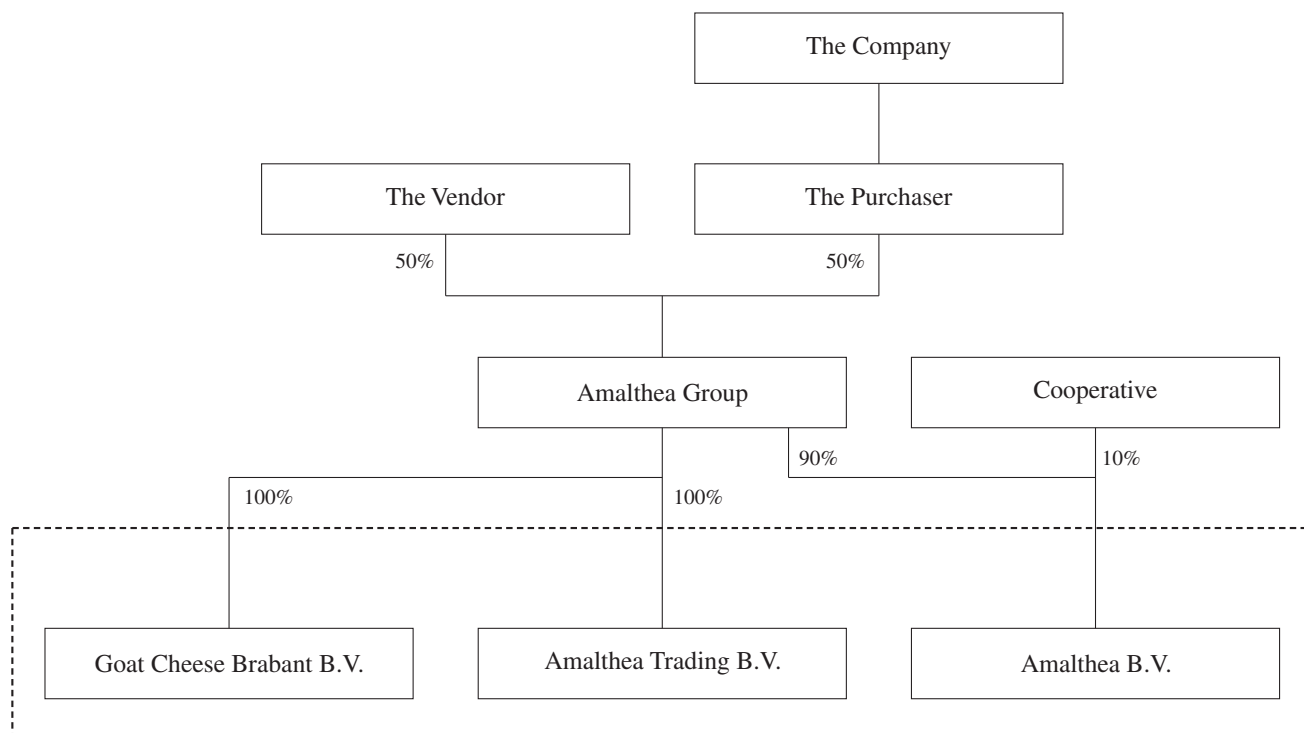
(i) As at the date of this announcement



(ii) Immediately after the Restructuring but prior to the Completion



(iii) Upon Completion



THE SHAREHOLDER'S AGREEMENT

On 21 October 2022 (after trading hours), the Purchaser and the Vendor entered into the Shareholder's Agreement to regulate their respective rights and obligations as shareholders in Amalthea Group. The Shareholder's Agreement is subject to Completion.

Principal terms of the Shareholder's Agreement are set out below:

Scope of business

Amalthea Group's business includes the (i) the exploitation of a cheese factory, in particular semi hard goat cheese; (ii) the trading of (goat) cheese and related products (including import and export); and (iii) the exploitation of a servicing operation specialised in ageing, storage and making ready for order of (goat) cheese for producers of and traders in cheese.

The Put Option

Pursuant to the terms and conditions of the Shareholder's Agreement, the Purchaser has irrevocably granted to the Vendor the Put Option to require the Purchaser to purchase and accept the shares in Amalthea Group held by the Vendor. The Put Option will be valid for twenty-four (24) months and will be exercisable from 1 January 2024. There is no obligation to exercise the Put Option.

The Put Option may be exercised by the Vendor by delivering to the Purchaser a written notice of exercise within the first three (3) months from the start of a calendar year (therefore ultimately 31 March 2025). In deviation of the foregoing, the Vendor shall have the right to immediately exercise the Put Option in the event of the death of Mr. J.L.M. de Groot, the continuing disability for more than 50.0% or absence caused by a long-term illness of six (6) months or more of Mr. J.L.M. de Groot, even when this occurs prior to or after the expiry of the Put Option period. For the avoidance of doubt, the Vendor is not obliged to exercise its Put Option.

The purchase price of the shares of Amalthea Group at the exercise of the Put Option shall be determined with reference to the Normalized EBITDA and Normalized Net Debt of Amalthea Group and the calculation methodology as stipulated in the Shareholder's Agreement (the "**Put Option Purchase Price**"), and in any event the Put Option Purchase Price shall not exceed an amount of EUR30.0 million. The Purchaser and the Vendor should use their best efforts to agree on the Put Option Purchase Price, or, in case of disagreement, on a process to have the Put Option Purchase Price determined within ten (10) Business Days after the adoption of the financial statements of Amalthea Group regarding the calendar year in which the Put Option has been exercised. If no agreement is reached within such time period, an independent expert shall be appointed to determine the Put Option Purchase Price in accordance with the terms and conditions as set out in the Shareholder's Agreement.

The transfer of relevant shares of Amalthea Group, free and clear of any and all Encumbrances, shall be completed within five (5) Business Days after the determination of the purchase price of the shares in accordance with the terms and conditions as set out in the Shareholder's Agreement.

The Accelerated Put Option

In the event of any possible Trigger Event that occurs or is likely to occur (i) with regard to the Company or its subsidiaries; or (ii) within the group of companies of which the Purchaser is a part of which Trigger Event the Purchaser has actual knowledge, the Purchaser is obliged put the Vendor in a position to be able to effectively exercise the Accelerated Put Option amongst others by informing the Vendor in writing of such Trigger Event within four (4) Business Days of occurrence of any facts and/or circumstances the Purchaser is aware of, only to the extent permitted by the applicable laws and regulations.

During the period as per the date of the Shareholder's Agreement up to and including 31 December 2025, in the event of one or more Trigger Event(s), the Vendor is entitled but not obliged to exercise the Put Option immediately and within one month after the Trigger Event which can, if reasonably possible, be extended by the parties with two (2) months, without applicability of the exercise period of the Put Option. The Accelerated Put Option may be exercised by Vendor by delivering to the Purchaser a written notice of exercise. For the avoidance of doubt, the Vendor shall be at liberty to decide whether or not to exercise the Accelerated Put Option.

The Call Option

Subject to the terms and conditions of the Shareholder's Agreement, the Vendor has irrevocably granted the Purchaser the Call Option to purchase and accept the shares of Amalthea Group held by the Vendor. There is no obligation to exercise the Call Option.

The Call Option will be valid for twenty-four (24) months and will be exercisable from 1 January 2026. The Call Option may be exercised by the Purchaser by delivering to the Vendor a written notice of exercise within the first three (3) months from the start of a calendar year (therefore ultimately 31 March 2027). In deviation of the foregoing, the Purchaser shall have the right to immediately exercise the Call Option in the event of the death, the continuing disability for more than 50.0% or absence caused by a long-term illness of six months or more of Mr. J.L.M. de Groot, even when this occurs prior to or after the expiry of the Call Option period. For the avoidance of doubt, the Purchaser is not obliged to exercise its Call Option.

The purchase price of the Sale Shares at the exercise of the Call Option shall be determined with reference to the Normalized EBITDA and Normalized Net Debt of Amalthea Group and the calculation methodology as stipulated in the Shareholder's Agreement (the "**Call Option Purchase Price**"). The Purchaser and the Vendor should use their best efforts to agree on the Call Option Purchase Price, or, in case of disagreement, on a process to have the Call Option Purchase Price determined within ten (10) Business Days after the adoption of the financial statements of Amalthea Group regarding the calendar year in which the Call Option has been exercised. If no agreement is reached within such time period, an independent expert shall be appointed to determine the Call Option Purchase Price in accordance with the terms and conditions as set out in the Shareholder's Agreement.

The transfer of relevant shares of Amalthea Group, free and clear of any and all Encumbrances, shall be completed within five (5) Business Days after the determination of the purchase price of the shares in accordance with the terms and conditions as set out in the Shareholder's Agreement.

Further announcement(s) will be made by the Company in relation to the exercise of the Put Option, the Accelerated Put Option or the Call Option to comply with the relevant Listing Rules requirements as and when required.

Information of the Group, the Vendor, Amalthea Group and the Amalthea Subsidiaries

The Group

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

The Vendor

The Vendor is a private company with limited liability incorporated under the laws of the Netherlands. As at the date of this announcement the Vendor is principally engaged in the business of an investment holding and is privately owned with Mr. J.L.M. de Groot as its sole director.

Amalthea Group

Amalthea Group is a company to be incorporated by the Vendor with limited liability pursuant to the terms and conditions of the Share Purchase Agreement and will be principally engaged in investment holding.

Upon completion of the Restructuring, the entire issued share capital of Amalthea Group will be owned by the Vendor.

The Amalthea Subsidiaries

Amalthea Trading B.V.

Amalthea Trading B.V. is a private company with limited liability incorporated under the laws of the Netherlands in 2017. As at the date of this announcement, Amalthea Trading B.V. is owned as to 100.0% by Dairy Goat Holland B.V. and is used as trading company for cheese products.

Set out below is the summary of the key financial information of Amalthea Trading B.V. based on the latest financial information available as at the date of this announcement:

	Year ended 31 December 2021 EUR '000 (unaudited)	Year ended 31 December 2020 EUR '000 (unaudited)
Revenue	14,277	7,490
Net profit before taxation	476	195
Net profit after taxation	380	162
	As at 31 December 2021 EUR '000 (unaudited)	As at 31 December 2020 EUR '000 (unaudited)
Net assets	895	515

Amalthea B.V.

Amalthea B.V. is a private company with limited liability incorporated under the laws of the Netherlands in 1990. As at the date of this announcement, Amalthea B.V. is owned as to 90.0% and 10.0% by Dairy Goat Holland B.V. and the Cooperative respectively and holds a cheese factory in Rijen, the Netherlands.

Set out below is the summary of the key financial information of Amalthea B.V. based on the latest financial information available as at the date of this announcement:

	Year ended 31 December 2021 EUR '000 (unaudited)	Year ended 31 December 2020 EUR '000 (unaudited)
Revenue	75,087	70,962
Net profit before taxation	1,722	2,182
Net profit after taxation	1,313	1,651

	As at 31 December 2021	As at 31 December 2020
	<i>EUR '000</i>	<i>EUR '000</i>
	(unaudited)	(unaudited)
Net assets	2,294	1,732

Goat Cheese Brabant B.V.

Goat Cheese Brabant B.V. is a private company with limited liability incorporated under the laws of the Netherlands in 2015 and was acquired by Dairy Goat Holland B.V. on 1 November 2021. As at the date of this announcement, Goat Cheese Brabant B.V. is owned as to 100.0% by Dairy Goat Holland B.V. and is principally engaged in ageing the cheese, warehousing and logistics.

Set out below is the summary of the key financial information of Goat Cheese Brabant B.V. based on the latest financial information available as at the date of this announcement:

	Year ended 31 December 2021	Year ended 31 December 2020
	<i>EUR '000</i>	<i>EUR '000</i>
	(unaudited)	(unaudited)
Revenue	3,607	3,391
Net profit before taxation	326	308
Net profit after taxation	275	248

	As at 31 December 2021	As at 31 December 2020
	<i>EUR '000</i>	<i>EUR '000</i>
	(unaudited)	(unaudited)
Net assets	1,245	990

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the view that the Acquisition has synergy effect with the existing business of the Company, allowing the Group to have access to (i) goat milk market; (ii) supply of whey protein, being a by-product of cheese production which is an essential raw material for infant food; and (iii) consumer market for cheese based on goat milk, which is a strong developing market.

The Acquisition will further strengthen the strategic position of the Company in the goat dairy industry.

Having considered the above reasons, the Directors consider that the terms and conditions of the Share Purchase Agreement and the Shareholder's Agreement are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition

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

DEFINITIONS

Unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

“Accelerated Put Option”	in the event of any possible Trigger Event that occurs or is likely to occur, the put option granted by the Purchaser to the Vendor pursuant to the Shareholder’s Agreement may be exercisable immediately
“Acquisition”	the acquisition of the Sale Shares of Amalthea Group (which will hold the relevant equity interests in the Amalthea Subsidiaries) to be established by the Vendor pursuant to the Share Purchase Agreement
“Amalthea Subsidiaries”	Amalthea Trading B.V., Amalthea B.V. and Goat Cheese Brabant B.V.
“Amalthea Group”	Amalthea Group B.V., a company to be incorporated under the laws of the Netherlands by the Vendor to hold equity interests in the Amalthea Subsidiaries upon completion of the Restructuring
“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
“Call Option”	the call option granted by the Vendor to the Purchaser pursuant to the Shareholder’s Agreement
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“Cooperative”	Amalthea Cooperatie van Geitenhouders UA., a cooperative of goat farmers in the Netherlands
“Completion”	completion of the Acquisition pursuant to the Share Purchase Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, taxes, depreciation, and amortization

“Encumbrance(s)”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), option, restriction, hypothecation, assignment, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance, priority or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect, and any agreement or obligation to create or grant any of the aforesaid
“EUR”	Euro, the lawful currency of the member states of the European Union
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 March 2023, being the long stop date of the Share Purchase Agreement as further agreed between Vendor and Purchaser
“Normalised EBITDA”	<p>the normalized EBITDA of Amalthea Group as defined and described in the Shareholder’s Agreement, whereby:</p> <p>(i) (a) the average EBITDA over the book years 2023 and 2024 shall be taken as a basis if the Put Option is exercised in the book year 2024 and (b) the average EBITDA over the book years 2024 and 2025 shall be taken as a basis if the Put Option is exercised in the book year 2025; and</p> <p>(ii) (a) the average EBITDA over the book years 2025 and 2026 shall be taken as a basis if the Call Option is exercised in the book year 2026 and (b) the average EBITDA over the book years 2026 and 2027 shall be taken as a basis if the Call Option is exercised in the book year 2027,</p> <p>adjusted and normalized in such way that the EBITDA shall be reasonably representative for Amalthea Group’s current and sustainable business which means that one-off positive or negative effects and other extraordinary positive and negative circumstances shall largely be ignored, taking into account the terms and conditions as set out in the Shareholder’s Agreement</p>
“Normalised Net Debt”	balance of the free cash and interest bearing debt at the relevant date, corrected with the normalisations established in a manner consistent with the terms and conditions as set out in the Shareholder’s Agreement
“Purchaser”	Ausnutria B.V., a wholly-owned subsidiary of the Company incorporated in the Netherlands

“Put Option”	the put option granted by the Purchaser to the Vendor pursuant to the Shareholder’s Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Restructuring”	group restructuring of the Amalthea Subsidiaries, details of which are set out under the section headed “The Restructuring” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	1,000,000 issued shares of Amalthea Group, representing 50.0% of the issued share capital of Amalthea Group
“Share Purchase Agreement”	the sale and purchase agreement dated 21 October 2022 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Sale Share(s)
“Shareholder’s Agreement”	the shareholders’ agreement dated 21 October 2022 entered into among Amalthea Group, the Purchaser and the Vendor in relation to, among others, the rights and obligation of the shareholders of Amalthea Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trigger Event”	a (potential) relevant change in the market structure of a relevant market which results or is likely to result in a situation in which the execution of the Put Option and filing of such merger would lead to objections of the relevant competition authority
“Vendor”	Dairy Goat Holland B.V., a private company with limited liability incorporated under the laws of Netherlands

* For identification purpose only

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

The PRC, 21 October 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung; three non-executive Directors, namely Mr. Sun Donghong (Vice-Chairman), Mr. Zhang Zhanqiang and Mr. Zhang Lingqi; and three independent non-executive Directors, namely Mr. Ma Ji, Mr. Ren Fazheng and Mr. Aidan Maurice Coleman.

For illustration purposes, the exchange rate of approximately EUR1 = HK\$7.7 is used throughout this announcement. This exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or other rate at all.