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## **NATURAL DAIRY (NZ) HOLDINGS LIMITED**

**天然乳品(新西蘭)控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00462)**

### **FURTHER ANNOUNCEMENT ON CONDITION 1 FOR RESUMPTION OF TRADING IN THE SHARES OF NATURAL DAIRY (NZ) HOLDINGS LIMITED – OPTION SHARES ACQUISITION**

This announcement is made by the Board of Directors of Natural Dairy (NZ) Holdings Limited (the “**Company**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 22 July 2011 in relation to three (3) conditions for resumption of trading in the Shares of the Company, and the announcement of the Company dated 8 June 2012 in relation to steps undertaken by the Company to address the aforesaid conditions. Resumption Condition 2 (in relation to qualification opinion of auditors) and Resumption Condition 3 (in relation to financial reporting procedures and internal control system) were addressed and disclosed in the announcement dated 8 June 2012.

The Stock Exchange requires the Company to address matters related to the VSA-1 acquisition, informing the market of all material information including all convertible notes placement, so that is necessary to appraise the position of the Group.

This Resumption Condition 1 announcement – Option Shares Acquisition made by the Company has set out the summary of events on VSA-1 acquisition on/after 1 November 2011 till the date of this announcement, which could be read together with previous Resumption Condition 1 announcement made by the Company on 28 December 2012, which summaries events from beginning of VSA-1 acquisition to 1 November 2011.

**Reference is made to:–**

- (i) announcements dated 13 November 2009, 3 December 2009, 18 December 2009, 30 December 2009, 22 February 2010, 27 June 2010, 29 August 2010, 1 September 2010, 2 February 2011, 3 July 2012 and 28 December 2012 in relation to further development of the VSA-1;
- (ii) announcements dated 13 November 2009, 1 June 2010, 1 September 2010, 26 October 2010, 31 December 2010 and 9 October 2011 in relation to Sale Shares Completion under VSA-1, and status and progress of the OIO approval application;
- (iii) the Circular dated 8 September 2009 in relation to the VSA-1, and related announcements dated 4 June 2009, 20 August 2009 and 7 September 2009 prior to the Circular publication.

**Backgrounds:**

As mentioned in the Company announcement on 28 December 2012, after Mathew Ho legal advice dated 16 August 2011, the Company directors have further considered past events and circumstance:

- i) no rescission on the Sale Shares acquisition as per advised; and
- ii) as at 27 September 2010, the New Zealand government has made directives changes with additional constraints to regulate large scale overseas ownership on “*sensitive lands, being freehold dairy farmlands interest*”. (*read on: [beehive.govt.nz/release/new-investment-rules-strike the right balance](http://beehive.govt.nz/release/new-investment-rules-strike-the-right-balance)*); and
- iii) on the fact that an OIO declaration was announced on 22 December 2010; and
- iv) on or shortly after 21 May 2010, as confirmed by the Company New Zealand lawyer, Knight Coldicutt, if the OIO’s approval had been obtained for the said purchase, these agreements between Warrantor and receivers would have been unconditional and both parties would be contractually compelled to settle the transaction (i.e. pay over the purchase price and transfer legal ownership of the sensitive farmlands freehold interest and fixed assets etc), then Option shares acquisition would have completed. The details have been disclosed in the Company’s announcement dated 9 October 2011; and
- v) obtaining an OIO consent is not the obligation of the purchaser or the Vendor NZDT pursuant to the Agreement and the Circular, merely a regulatory compliance issue; and
- vi) the Company already incurred significant expense on the OIO applications and related implications through the legal, financial advisor and all related professional service in both Hong Kong and New Zealand which were recorded as part of *administrative and general expense* in the audited Company annual report amounted to: (i) HK\$71.677 million for period ended 31 May 2010; and (ii) HK\$119.089 million for period ended 31 May 2011;

On or before December 2011, the directors considered to comply within *Company Ordinance Chapter 32 and Securities Ordinance (Cap 333)* that the Company may not be able to raise sufficient funds (in part or all) to repay these remaining CN A & CN B debt liability amounted to HK\$1,078,422,003 and HK\$1,243,344,000, due on 7 and 10 years maturity, respectively.

Bound by the circumstance and as per legal advice, the directors acting under the Agreement *Remedy Clause 8* to further renegotiate with the Vendor NZDT.

Based on above, the Company has renegotiate with the Vendor NZDT on how to complete the VSA-1 acquisition on the Target Company and its subsidiaries (defined as “**Target Group**” in the Circular), Target Company has already become New Zealand dairy fresh milk producer and related products exporter, whereas the Target Group will own the China dairy products retailing networks establishment, achieving the VSA-1 acquisition intention.

Before concluded to above view points, the directors have further considered the below relevant documents including but not limited to the Agreement and Circular.

### **The Circular and the Agreement**

As announced in the Company Resumption announcement dated 28 December 2012, the Company have further looked into the details of the Agreement and noted the importance of the following items:

- (i) the term of the “*Properties*” as mentioned in the Condition Precedent (g) was as defined on the page 25 of the Circular;
- (ii) the “*Fixed Assets*” as mentioned in the Condition Precedent (g) was defined and the details of the same were set out on the pages 27 to 30 of the Circular, which includes, among others, 28,298 livestock and machinery.

### **Adjustments to the VSA-1 Aggregate Consideration (“Valuation benchmark”)**

On or 10 days before the Option shares Completion, the *valuation of the Properties (including fixed assets)* owned by Target Group shall be ascertained, with any valuation shortfall the consideration will be adjusted as follows:

- (i) In the event that the *valuation of the Properties* is less than NZ\$300 million, the aggregate Consideration will be reduced by such shortfall difference by way of cancelling the Securities (refer as the remaining CN A & CN B or its Conversion shares or 2009 CN A depositary shares), which are held in escrow now, for the purpose of secure against such valuation shortfall.

After closely examination and reviewed on the 21 underlying valuation reports prepared by the New Zealand independent rural valuers which summaries in the *Circular appendix IV valuation of the Properties (including the fixed assets)*.

The then board was of the view that these valuation of the Properties (including the Fixed Assets) was based primarily on among others, by two factors:

- (i) the annual milk production of dairy cattle on the Properties, and
- (ii) the market conditions (sale price) for the sale/production of milk solids at that time.

Further to apply together with the *Remedy Clause 8* on the renegotiation, the directors have consider the *wavier clause 4.3* stipulated in the Agreement, being stated in page 26 of the Circular, and later Resumption announcement dated 28 December 2012 page 4; whereby the condition precedent (g), *being the five asset components fulfillment including the Properties*, could be waived by the Company discretions on or before the Long Stop date.

Considering, the Resumption announcement on 28 December 2012 has stated Mathew Ho legal advice that “*the Agreement has not specified what type of properties interest that the Target Company is to acquire*”, and as defined “Properties” in the Circular. Therefore, the Board view that the specific location of the Properties was not the essence of the VSA-1, and has proceeded on the re-negotiation of this viewpoint.

Further as disclosed in the Circular page 23, upon the Option Share completion with the Target Group which owned the assets and dairy related business, with high quality fresh milk supply is secured, the directors believe there are enormous synergies of the direct sale of dairy related products (such as UHT milks) into China and Hong Kong, and delivering the dairy business profit guarantee.

As advice by Hong Kong legal advisor on 8 December 2011, the intention of the Agreement should be to acquire *New Zealand premium milk production and dairy products business rather than farmlands freehold interest assets* in New Zealand, based on the situation that the Company may not able to raise additional cash to complete the remaining VSA-1 acquisition.

Hence, on conclusion, the Company has proceeded with the Vendor NZDT in respect of the VSA-1 based on the above viewpoints and the said Agreement acquisition intention.

#### **Adjustments to the VSA-1 Aggregate Consideration (“Profit Guarantee benchmark”)**

These viewpoints and Agreement acquisition intention was also underpinned by the VSA-1 aggregate consideration adjustment clause, stipulated in the Agreement, the Circular and the Resumption announcement on 28 December 2012, shown that:

In the event that the audited profit of the Business after tax and excluding finance costs and any change (*increase/decrease*) of fair value of livestock as shown on the audited accounts prepared under the New Zealand International Financial Reporting Standards in respect of the 12 full calendar months period commencing from the date of Option Shares Completion is less than *NZ\$35 million (equivalent to approximately HK\$209 million) (the “profit guarantee”)*. The Vendor NZDT, Warrantor undertake any profit guarantee shortfall will be adjusted 14 times accordingly and which will deduct the Consideration by cancelling the Securities (remaining CN A & CN B or its Conversion shares or 2009 CN A depositary shares) which are held in escrow, within 30 calendar days from being notified by the Company.

In contrast, if such dairy business profit is materialized the underlying dairy related products retail network in China/Hong Kong is proven success, and will be owned or possessed by the Company through the Target Group.

Hence, the directors have concluded that the renegotiation on no cash consideration basis to complete the Option Shares acquisition, is acting for the best interest of the shareholder and the Company as a whole.

### **In relation to the Remaining CN A & CN B Conversion**

The issue of the remaining CN A & CN B attached share conversion rights as cash substitute to the Vendor NZDT, of which are to be as Option shares consideration.

The conversion prices of these remaining CN-A & CN-B were HK\$2.50 and HK\$2.00 respectively, representing a premium of approximately 418% and 334% over the Company net tangible asset (“NTA”) per share, which is HK\$0.5982 shown in the Company balance sheet as at 30 November 2011. Also as presented to the shareholders in EGM on 2 October 2009 seeking their approval for these CN A & CN B issuance, the Circular has stated these CN A & CN B attached conversion price carry high premium of approximately 268% and 194% respectively, over the average market closing price of HK\$0.68 per Share traded for the last 20 trading days, on or before 22 May 2009 the VSA-1 Agreement signing date. And a premium of approximately 762% and 590% respectively over the Company NTA per share of HK\$0.29, as at 30 September 2008, the Company closest interim report date.

As shown above, under current Company circumstance, these CN A & CN B attached share conversion rights issued as Consideration substitute to complete the VSA-1 acquisition, are advantageous to the shareholders and the Company interest as a whole.

### **The Vendor NZDT/Warrantor Undertaking in the VSA-1 Agreement**

Pursuant to the Agreement schedule 4, the Target Group shall enter into a management agreement to manage the proposed dairy related products business described within the Circular page 23 including direct sale of Ultra Heat Treated (“UHT”) daily fresh milks into China and Hong Kong.

Therefore, the Target Company (together with the Warrantor) and the Manager, Flying Max Limited (“FML”), have entered in a Management Agreement in order to manage the dairy business including marketing and sales of dairy related products of the Target Group into China & Hong Kong. This appointed Manager FML has undertaken one of the Warrantor major undertakings, to provide an audited profit of this dairy Business after tax and excluding finance costs and any change (*increase/decrease*) of fair value of livestock, for a 12 full calendar months period commencing from the Option Shares Completion Date not less than NZ\$35 million, the said “*profit guarantee*”.

This contractual arrangement is independent does not involve Natural Dairy. The Company was informed by the NZDT that FML is an independent party to its Group.

Such arrangement do not waived or exempt the Vendor NZDT/Warrantor undertakings to the Company on delivery of such profit guarantee. And the Company is not liable for any additional consideration payable to FML now or in foreseeable future.

### **Major Development Events on the Renegotiation**

On 11 November 2011, during the Company negotiation with the Vendor NZDT, the Company has evolved a proposed Option Shares acquisition framework (the “**transaction summary**”). It was based on granting the conversion rights to the remaining CN A & CN B which are in exchange for Target Group, which shall be owning the Assets and dairy business for the value of not less than NZ\$300 million and a dairy business that will deliver a NZ\$35 million profit guarantee.

### **HKEX Submission**

On 14 November 2011, the Company has submitted a proposed “*transaction summary*” to HKEX. After some correspondence with HKEX, there are no comments yet expressed by HKEX on this “*transaction summary*” framework to complete the VSA-1 acquisition.

On 28 November 2011, A Board quorum was formed to authorize how the proposed transaction summary could precede to executions, emphasis following points:

- (i) no cash consideration would be made but only by issuance convertible of CN A & CN B (according to 4 December 2009 Listing approval) to complete the Option Shares acquisition;
- (ii) The operation/materialization of the profit guarantee NZ\$35 million; and
- (iii) A professional advisor opinion will be sought further to proceed the execution of the “*transaction summary*” framework to complete the option shares and entire VSA-1 acquisition as a whole.

On 1 December 2011, a second Board quorum formed further finalizes the proposed transaction summary and has resolved to:

- (i) prior to any execution, the 2011 Supplemental Agreement must be reviewed by a lawyer or a financial advisor with a written opinion that the proposed 2011 Supplemental Agreement is within the framework of the shareholder mandate achieving VSA-1 acquisition intention as per the Circular dated 8 September 2009;
- (ii) all Convertible notes issuance and any related shares conversion shall be approved on a majority votes by the Board;
- (iii) those CN A & CN B would be released on pro rata basis with CN value matching Target Group valuation upon Option Shares Completion.

## **The 2011 Supplemental Agreement**

Between 2-8 December 2011, the Company discussion with the Vendor NZDT, there were various Supplemental Agreement drafts prepared and pending to the conclusion.

Eventually, a draft 2011 Supplemental Agreement (the “**2011 Supplemental Agreement**”) was ready for execution and a Hong Kong legal opinion stated that this 2011 Supplemental Agreement would achieve the VSA-1 acquisition intention and is within the 2 October 2009 shareholders mandate, parties agreed that there is no cash consideration to be paid and all convertible notes CN A & CN B could be converted into shares. And all other incidental facts that were disclosed in the Company announcement made on 28 December 2012.

The above mentioned and executed 2011 Supplemental Agreement dated 8 December 2011 was signed between the Company, Vendor/NZDT, UBFM and FML as noted there was no annexed Management Agreement.

As stipulated in this 2011 Supplemental Agreement, the Profit Guarantee undertakings by the Warrantor will remain valid to the Company, and were not replaced by the FML appointment.

These 2011 Supplemental Agreement Terms are briefly summarised as:

- (i) no cash payment, whereby option shares consideration is paid by the remaining CN A & CN B; and
- (ii) option shares acquisition to complete in accordance with mentioned valuation benchmarks; and
- (iii) Warrantor still undertake the delivery for the 12 months period commencing upon Option Shares Completion of the NZ\$35 million (equivalent to approximate HK\$209 millions) profit guarantee and the dairy related products retail network establishment in China, despite the Warrantor own arrangement with FML.

### **Company has consented to issue the remaining CN A & CN B**

On 14 December 2011, pursuant to this 2011 Supplemental Agreement, the Vendor NZDT has requested the Company to issue the remaining CN-A & CN-B which will remain in Hong Kong Company’s solicitor escrowed till Option Shares Completion.

The Company has consent to NZDT request after considered:

- (i) the HKEX Listing conditional approval dated 4 December 2009, for permission to deal in CN A conversion shares and CN B conversion shares, which may be issued on exercise of the conversion rights attached to the Convertible Notes in the manner described in the Circular, the Company application (being the term and condition of the Convertible notes) and the announcement (13 November 2009 condition subsequent arrangement); and

- (ii) pursuant to the Agreement and the Deed of undertaking dated 13 November 2009, the arrangement of change condition precedent to condition subsequent, the listing approval dated 4 December 2009 together with the Hong Kong legal opinion dated 8 December 2011, to all so to complete with Option Shares condition;
- (iii) the Company being advised on 8 December 2011, that the above 2011 Supplemental Agreement should have achieved the VSA-1 acquisition intention, considering no cash considerations paid, which is within the 2 October 2009 shareholders mandate;
- (iv) the Company shares has suspended trading for quite long times, these remaining CN A & CN B attached conversion rights is the only alternative consideration available to complete the Option Shares, and is advantageous to the shareholders and Company interest as a whole;
- (v) pursuant to the Agreement clause 7.2, since the date of the Agreement (22 May 2009) till the Option shares completion, the Company shall at all times warrants and undertakes to the Vendor as shown in Schedule 3B of the Agreement, “... *and the Company is aware of no grounds on which a petition or application could be based for its winding up or appointment of a receiver of its assets*”. Therefore, the Vendor and other dealing parties concerned about the suspension of the Company’s shares trading and the risks might rise with it.

On 14 December 2011, upon instruction of the Vendor NZDT and nomination by FML subsequently, the following Convertible notes were issued accordingly (after applied the NZ\$/HK\$ rate at those moments):

- (a) issue to FML and/or its nominee(s) the CN-A in the principal amount of HK\$1,078,422,003;
- (b) issue to FML and/or its nominee(s) the CN-B in the principal amount of HK\$1,243,344,000;
- (c) acknowledge the transfer of 110,431,200 CN-A depository shares held by the Vendor NZDT to the Manager FML and/or its nominee(s).

### **Conversion to Shares & Escrow Arrangement**

On 16 December, 2011 and 31 December, 2011 the Board has resolved to consent the noteholders, FML to convert into ordinary shares of the Company.

Also a further Board meeting on 16 December 2011 has resolved that all issued remaining CN A & CN B and converted shares to be escrow at the Company nominated Hong Kong solicitor firm, which release of these instruments are subject to the Company satisfactions and the solicitor consent to conveyance, fulfilling the Option Shares completion, therefore such arrangement is safeguard the interests of the Company.



As at the date of this announcement, certain proportion of CN-A and CN-B had been converted, details of which are set out below:

Date of exercise	Securities converted	Principal Amount Converted HK\$	Conversion Price HK\$	Number of Management Conversion Shares issued	Holder
16 Dec 2011	CN-A	872,454,545.00	2.50	348,981,818.00	FML
31 Dec 2011	CN-A	93,093,027.50	2.50	37,237,211.00	FML
2 Jan 2012	CN-B	300,000,000.00	2.00	150,000,000.00	FML
Sub-total				536,219,029.00	FML
2 Jan 2012	CN-B	480,000,000.00	2.00	240,000,000.00	Earn Cheer Limited
Total				776,219,029.00	

*Note:* Earn Cheer Limited is a limited liability company incorporated under the laws of the British Virgin Islands. The Company issued the remaining CN-B in the principal amount of HK\$480,000,000 to Earn Cheer Limited as per nomination from FML.

After such conversions, parts of the CN-A amounted to HK\$112,874,430.50 and the CN-B amounted to HK\$463,344,000.00, both in the name of the Manager FML remain unconverted.

As at the date of this announcement, the certificates of (i) the outstanding CN A & CN B, and (ii) the remaining CN A & CN B Conversion Shares are held in escrow by the Company nominated Hong Kong solicitor. Most important, the Company considered such arrangement was made between NZDT and the Company, as these all the securities original certificates (being Convertible notes or shares) are held in escrow at the Company solicitor firm.

### **Supplemental to 2011 Supplemental Agreement**

Since the Board has considered since the ultimate spirit of the VSA-1 is to acquire a dairy business of farming, distribute and sell dairy related products into China and Hong Kong. If this arrangement made between the Company and FML directly, instead of the Vendor NZDT and FML, would benefit the Company to enjoy the profit guarantee NZ\$35 million sooner, rather than to wait for Option Share Completion.

Therefore, the Company and NZDT have entered into a further Supplemental Agreement (a “**Supplemental to 2011 supplemental Agreement**”), and also, the Company and FML, has entered into a **Management and Trade Mark License Agreement**.

To the date of this announcement, except for parties signed Supplemental to 2011 Supplemental Agreement and the Management & Trademarks License Agreement, no services or terms of these Agreements have implemented in accordance to these contracts.

## Option Shares Acquisition Proceeding Forward

As per Hong Kong legal advised on 8 December 2011, the renegotiation outcome is within the shareholder mandate achieving the same VSA-1 acquisition intention of acquiring a dairy business of farming, distributing and selling dairy related products into China and Hong Kong.

The Option Shares acquisition will complete satisfy condition precedent (a) to (i) as set out on Pages 24 to 26 of the circular, whereby the asset condition precedent (g) is subject to clause 4.3 to waive at Company's absolute discretion at anytime by a notice in writing to the Vendor NZDT.

Also, Option shares acquisition will commence with the disposal of the Four Farms of the Target Company as required by the OIO, refer to the Company recent Resumption condition announcement made on 28 December 2012.

According to both the Company and Vendor NZDT, their underlying contractual intentions of the 2011 Supplemental Agreement are:

- (i) the Vendor NZDT and Warrantor would continue to perform their obligations under the Agreement; and
- (ii) the purchaser, Natural Dairy will pay the Option shares consideration by issuing the remaining CN A & CN B to the Vendor NZDT or its successors or assignee to such Non-New Zealand person, pursuant to clause 9 of the Agreement, but still subject to the terms and condition of these instruments; and
- (iii) pursuant to the Agreement upon sale shares completion to Company has issued 2009 CN A of HK\$ equivalent to NZ\$50 million, which was subsequently converted into 2009 CN A depository shares 110,431,200 (as the deposit of Option Shares acquisition).
- (iv) under a Stop Transfer notice arrangement with Computershare registry, that, on the completion of the Option Shares these depository shares will be irrevocably transferred to FML or its nominated parties; and
- (v) The Target Group owns a dairy business of cattle and dairy cattle breeding in New Zealand and production, sale and distribution of the livestock and milk solids, including the ownership of the cattle, dairy cattle, plant, machinery, tools, equipment, vehicles and other chattels, but excluding the Properties and Fonterra Shares. Prior to Option Shares Completion, Vendor NZDT shall deliver a valuation report of NZ\$300 million of the Target Group, and 12 months after Option Shares Completion, UBFM shall deliver a profit guarantee of NZ\$35 million.

## **CONCLUSION**

The Company has voluntarily suspend its share trading on Price sensitive information as announced on 7 September 2010, whereby the market has updated with various announcements on dates specified in the starting paragraph of this announcement.

On 22 July 2011, the Company has announced the Resumption Conditions set by the HKEX as “Three Resumption Conditions” with the details are shown in this announcement.

As on 5 September 2011, the Company financial advisor Chanceton Capital has made the resumption report on behalf of the Company to the HKEX.

On confirmation from the then auditor and internal control auditor, with assistance from financial advisor, on 8 June 2012 the Company has announced the above mentioned second and third resumption conditions.

In regard to Resumption Condition 1, on 28 December 2012 with preparation and verification assistance by a Hong Kong law firm, the Company has published the first announcement related to the VSA-1 acquisition on the Sale Shares completion for the period from 2009 to 1 November 2011.

In relation to how the Option Shares acquisition will proceed forward is also disclosed in this Announcement.

As of the Company’s view that the three Resumption Conditions were fully discloses and price sensitive information were also released. Therefore, the Company will seek the professionals to assist the discussions with HKEX in relation to the Resumption of the trading of the Company’s shares soon.

## **DEFINITIONS**

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

“2009 CN-A” means the Convertible Note A in an aggregate principal amount of HK\$276,078,000 issued by the Company to the Vendor, UTCL on 21 December 2009 as the Deposit of the Option Shares Acquisition, which maturity date is 20 December 2016 and conversion price is HK\$2.50 per Share;

“2009 CN A shares” means between 13 August and 1 September 2010, upon conversion of the entire 2009 CN-A, a total of 110,431,200 shares are allotted and issued by the Company to the Vendor, UTCL;

“2009 CN-B”	means the Convertible Note B in an aggregate principal amount of HK\$552,155,999 issued by the Company to the Vendor, UTCL on 21 December 2009 as the Sale Shares Consideration, which maturity date is 20 December 2019 and conversion price is HK\$2.00 per Share;
“2009 CN B shares”	means between 13 August and 1 September 2010, upon conversion of the entire 2009 CN B, together 276,077,999 shares are allotted and issued by the Company to the Vendor UTCL;
“2011 Supplemental Agreement”	means the supplemental agreement dated 8 December 2011 entered into by the Parties;
“Aggregate market value of the properties”	means the aggregate on valuation reports made by Logan Stone Ltd, Hutchins & Dick Limited, Reid & Reynolds Ltd, regarding to the dairy properties in New Zealand as set out in <i>the Circular Appendix IV</i> , with latest valuation value as at 19 June 2009 is NZ\$206 million.  It is a summation of 21 valuation reports prepared by above mentioned rural valuer priced the properties by \$ per hectares observation, and derived from (i) a milking cattle size of 22,917 with an aggregate milking output of 5,329,064 kilograms milksolids in the near year 2008/09, and (ii) the recent Fonterra collect prices on such milking outputs;
“Agreement”	means the sale and purchase agreement dated 22 May 2009 entered into among the Company, the Vendor NZDT and the Warrantor in respect of the Acquisition (as amended by the supplemental agreements thereto);
“Board”	means board of Directors of the Company;
“Business”	means the business of cattle and dairy cattle breeding in New Zealand and the production, sale and distribution of livestock and milk solids, to be carried on by the Target Group including the ownership of the Properties, Fixed Assets, and the Fonterra Shares;
“Circular”	means the circular of the Company dated 8 September 2009 giving details of, among other things, the Acquisition;
“Company”	means Natural Dairy (NZ) Holdings Limited, a company incorporated in Cayman Islands with limited liability, which Shares are listed on the Stock Exchange;

“Computershare”	means Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar in Hong Kong;
“Condition Precedent (f)”	stated in page 24 of the Circular all necessary consents, approvals and authorizations having been obtained from any other third parties and all relevant authorities in New Zealand, Hong Kong and in any other applicable jurisdictions in connections with the transfer of the Sale Shares and other transactions contemplated thereunder and the implementation of the transactions contemplated thereunder;
“Condition Precedent (g)”	stated in page 25 of the Circular and means the clause 4.2(vii) of the Agreement, said that, all the property, assets and right ( <i>Goodwill, Properties, Fixed Assets, stocks and contracts</i> ), so called the “components”, which for use in the conduct of the business, including but without limitation to, the Properties and Fixed Assets shall be owned by the Target Group on or before the Sale Shares Completion date (“Asset Acquisition”) or the Long Stop Date;
“Convertible Note A”	means the zero coupon convertible notes in the aggregate amount of not more than the HK\$ equivalent of NZ\$215 million (equivalent to approximate HK\$1,330 millions) that may be issued by the Company in favor of the Vendor NZDT to satisfy as part of the Option Shares Consideration pursuant to the Agreement;
“Convertible Note B”	means the zero coupon convertible notes in the aggregate amount of not more than the HK\$ equivalent of NZ\$285 million (equivalent to approximate HK\$1,767 millions) that may be issued by the Company in favor of the Vendor NZDT to satisfy as part of the Sale Shares Consideration and/or the Option Shares Consideration pursuant to the Agreement;
“Convertible Notes”	means Convertible Note A and Convertible Note B, collectively;
“Director(s)”	mean directors of the Company;
“EGM”	means the Shareholders’ meeting held on 2 October 2009 convened to consider, among other things, the Agreement, the Acquisition and all other transactions contemplated thereunder;
“Fixed Assets”	means all cattle, dairy cattle, plant, machinery, the Fonterra shares, tools, equipment, vehicles, and other chattels on the Properties or otherwise owned or used for the purpose of the Business (the “Fixed Assets”); as set out in the Circular page 20 to 27;

“Four Farms”	means the four dairy properties interest as set out in the Circular Appendix IV – “Property interests to be acquired by the Company”, page IV-6 to IV-10, being identified as itemized as farm(7), farm(17), farm(20) & farm(21);
“Group”	means the Company, Natural Dairy (NZ) Holdings Limited and its subsidiaries, from time to time;
“HK Legal Opinion”	means the legal opinion dated 8 December 2011 obtained by the Company from a Hong Kong legal advisor, prior to the entering into of the 2011 Supplemental Agreement (the “executed 2011 Supplemental Agreement”) by the Company;
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date, LSD”	means a specified dated stipulated within the Agreement, or such other date may be agreed by the parties in writing;
“NZDT”	means NZ Dairy Trustee Limited, a limited liability company incorporated in New Zealand with Limited liability and acting as the trustee of the UBNZ Trust, was replacing the UTCL trustee appointment as announced by the Company;
“OIO”	means the Overseas Investment Office of New Zealand;
“Option”	means the option to acquire the Option Shares, granted by the Vendor NZDT to the Company under the Agreement and subsequent supplemental agreements;
“Option Shares”	means the 8,000 shares of the Target Company, representing 80% of the entire issued share capital of the Target Company (including the Target Group);
“Option Shares Completion”	means completion of the sale and purchase of the Option Share pursuant to the original terms of the Agreement and subsequent supplemental agreements;
“Option Shares Consideration”	means the consideration for the transfer of the Option Shares, being HK\$ equivalent of NZ\$400 million (subject to adjustments) under the Agreement (prior to amendment by the 2011 Supplemental Agreement);
“Parties”	means the Company, the Vendor NZDT, the Warrantor, the Manager Flying Max Limited (“FML”) and the Target Company (including the Target Group);

“PRC”	means the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Properties”	as set out in page 25 Circular, means the landed properties for the production of dairy products, the operation of dairy herfier and bull razing units for large dairy farming properties; the operation of support units for large farming properties, for storage of machinery and trucks with the balance being in pasture grazed by dairy cattle, being utilized as dairy milking platforms and as dairy run-off units and supplemental feed purposes, dwelling, for the operation of large scale factory dairy supply farms, in relation to the Business (the “Properties”);
“remaining CN-A”	means the Convertible Note A in an aggregate principal amount of HK\$1,078,422,003 issued by the Company on 14 December 2011 as part of consideration of Option Shares which maturity date is 13 December 2018 and conversion price is HK\$2.50 per Share. Other than the maturity date, the terms and conditions are the same as 2009 CN-A;
“remaining CN-B”	means the Convertible Note B in an aggregate principal amount of HK\$1,243,344,000 issued by the Company on 14 December 2011 as part of consideration of Option Shares which maturity date is 13 December 2021 and conversion price is HK\$2.00 per Share. Other than the maturity date, the terms and conditions are the same as 2009 CN-B;
“Remedy Clause 8”	means clause 8 of the Agreement that all provision of the Agreement shall, so far as they are capable of being performed or observed and all warranties and indemnities and other undertakings contained in or entered into pursuant to this Agreement shall remain in full force and effect notwithstanding Sale Shares Completion or Option Shares Completion. Anything in this Agreement that has the effect of defeating the Overseas Investment Office process as contemplated herein shall be renegotiated in good faith to ensure compliance;
“Resumption Condition(s)”	means the condition(s) imposed by the Stock Exchange letter dated 8 July 2011 that must be addressed by the Company before resumption of trading in the Shares on the Stock Exchange can take place;

“Resumption Condition 1”	means the first Resumption Condition in the letter of the Stock Exchange dated 8 July 2011, which requires the Company to address matters related to the VSA-1 and the placing of and subscription for Convertible notes announced by the Company on 4 December 2009 and inform the Market of all material information that is necessary to appraise the position of the Company;
“Resumption Condition 2”	means the second Resumption Condition in the letter of the Stock Exchange dated 8 July 2011, which requires the Company to address any concerns raised by Morison Heng Certified Public Accountants, the former auditors of the Company, through qualifications in their audit report in relation to the consolidated financial statements of the Company for the fourteen months ended 31 May 2010 as contained in the 2010 Annual Report;
“Resumption Condition 3”	means the third Resumption Condition in the letter of the Stock Exchange dated 8 July 2011, which requires the Company to demonstrate adequate financial reporting procedures and internal control system to meet obligations under the Listing Rules;
“Sale Shares”	means the 2,000 shares of the Target Company, representing 20% of the entire issued share capital of the Target Company (including Target Group);
“Sale Shares Completion”	means the completion of the sale and purchase of the Sale Shares pursuant to the Agreement;
“Sale Shares Consideration”	means the consideration for the sale and purchase of the Sale Shares and the Sale Debt, being HK\$ equivalent of NZ\$100 million minus HK\$1.00 (subject to adjustments) under the Agreement;
“Share(s)”	means ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	means holder(s) of the Share(s);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited (“HKEX”);
“Stop Transfer Notice”	means the notice given by the Company to Computershare from time to time, requesting Computershare to stop any transfer of certain Shares;
“Target Company”	means UBNZ Assets Holdings Limited (“UBAH”), a limited liability company established in New Zealand;



“Target Group”	means the Target Company and its subsidiaries, if any;
“UBNZ Trust”	means the private discretionary trust established in New Zealand and its sole beneficiary is Buddhist International Trust and the trustee of which is NZDT appointed on 23 December 2010;
“UHT Milk”	means ultra-heat treated raw milk;
“Vendor UTCL”	means UBNZ Trustee Limited (“UTCL”), a limited liability company incorporated in New Zealand ceased its appointment and replaced as trustee of the UBNZ Trust on 23 December 2010;
“Very Substantial Acquisition-VSA-1”	means the acquisition of, among other things, the entire issued share capital of the Target Company by the Company subject to the terms and conditions of the Agreement;
“VSA-1”	see “Very Substantial Acquisition” above;
“Warrantor”	means UBNZ Funds Management Limited (“UBFM”), a company incorporated in New Zealand with limited liability and legally and beneficially owned by NZDT in its capacity as trustee of UBNZ Trust;
“Wavier Clause”	means clause 4.3 of the Agreement that the Company at its absolute discretion in writing to the Vendor NZDT to waive any of the condition precedent set out in clause 4.2 (except clause 4.2(iii), (iv), (vi), (viii) and (ix) which cannot be waived, either in whole or in part) of the Agreement dated 22 May 2009;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“NZ\$”	means New Zealand dollars, the lawful currency of New Zealand; and
“%”	means per cent.

By order of the Board  
**Natural Dairy (NZ) Holdings Limited**  
**WU Nengkun**  
*Chairman*

Hong Kong, 3 January 2013

*As at the date of this announcement, the Board comprises three executive Directors, being Mr. Wu Nengkun (Chairman), Mr. Yao Haisheng and Mr. Zhang Hanwen and three independent non-executive Directors, being Ms. Chan Man Kuen Laura, Mr. Sze Cheung Hung and Mr. Zhang Jianho.*