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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)

POSITIVE PROFIT ALERT

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Ausnutria Dairy Corporation Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

FINANCIAL PERFORMANCE

The Board wishes to inform shareholders of the Company and potential investors that, based on currently available information, the Group will record a significant increase in financial performance for the six months ended 30 June 2019 (the “**1H 2019**”). The Group’s preliminary key financial figures for the 1H 2019 and the comparative figures for the six months ended 30 June 2018 (the “**1H 2018**”) are as follows:–

Revenue	Approximately RMB3,147.6 million, representing an increase of 21.9% when compared with the 1H 2018 (RMB2,582.4 million) Among which: <i>Own-branded goat milk powder</i> – approximately RMB1,319.1 million, representing an increase of 45.3% when compared with the 1H 2018 (RMB907.8 million) <i>Own-branded cow milk powder</i> – approximately RMB1,410.4 million, representing an increase of 20.7% when compared with the 1H 2018 (RMB1,168.7 million) <i>Private Label and Others</i> – approximately RMB418.1 million, representing a decrease of 17.4% when compared with the 1H 2018 (RMB505.9 million)
Gross profit margin	Approximately 52.1%, representing an anticipated increase of 5.7pps when compared with the 1H 2018 (46.4%)
Profit attributable to equity holders of the Company	Approximately RMB260.5 million, representing a decrease of 20.4% when compared with the 1H 2018 (RMB327.3 million)
Adjusted profit attributable to equity holders of the Company*	Approximately RMB434.9 million, representing an increase of 63.8% when compared with the 1H 2018 (RMB265.5 million)

* Adjusted for the loss on the fair value change of derivative financial instruments in 1H 2019 of RMB174.4 million (1H 2018: gain of RMB26.8 million). In 1H 2018, also adjusted for a one-off gain arising from the re-measurement of an asset of RMB35.0 million.

As depicted above, the Group's revenue for the 1H 2019 is anticipated to increase by approximately 21.9% when compared with the corresponding figure for the 1H 2018. The Group considers such increase in revenue is mainly driven by the increase in sales of the Group's own-branded goat and cow milk formula products of 45.3% and 20.7% respectively, when compared with that of the 1H 2018, as a result of the continuous strengthening of sales network and brand building.

The Group expects to record an accounting loss of RMB174.4 million in respect of the fair value change of derivative financial instruments for the 1H 2019. The derivative financial instruments in concern represents a contingent consideration liability to be settled by the Group in its recent acquisition (the "**Contingent Consideration**") (details of which are set out in the announcement and circular of the Company dated 14 February 2018 and 12 April 2018 respectively). Given the Contingent Consideration will be settled by the Group through the issuance of new shares of the Company (the "**Shares**") (with a cap of 29,879,877 Shares), valuation of the Contingent Consideration and thus fair value of the Group's derivative financial instruments hinges on the market price of the Shares. As at 30 June 2019, market price of the Shares increase by HK\$6.76 or 76.8%, when compared with 31 December 2018. As a result, valuation of the Contingent Consideration and thus the fair value of the Group's derivative financial instrument increased significantly and a significant accounting loss is to be recognised accordingly. The Directors wish to emphasise that the aforementioned accounting loss has no adverse implications to the Group's cash flow and operating position.

Excluding the effect of such accounting loss, it is anticipated that the Group will record adjusted profit attributable to the equity holders of the Company of approximately RMB434.9 million, representing an increase of 63.8% when compared with the corresponding figure for the 1H 2018. Such increase was spurred by (i) the implementation of the Group's strategic plans, in particular, continuous improvement of the upstream operational efficiency, streamlining of the global supply chain and enhancement in the product mix; and (ii) the improvement in business structure as a result of the rising proportion of the sales of the Group's own-branded goat and cow milk formula products, which have higher profit margin.

The Board wishes to remind shareholders of the Company and potential investors that the information contained in this announcement is based on a preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the 1H 2019 and other information currently available to the Board, which have not been audited nor reviewed by the Company's auditors. The financial results of the Group for the 1H 2019, together with the comparative figures for the 1H 2018, will be published in the Company's forthcoming interim results announcement on 13 August 2019.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

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

The People's Republic of China, 31 July 2019

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. Shi Liang (Vice-Chairman), Mr. Qiao Baijun and Mr. Tsai Chang-Hai; and three independent non-executive Directors, namely Mr. Jason Wan, Mr. Lau Chun Fai Douglas and Mr. Aidan Maurice Coleman.