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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 AND

UPDATES IN RELATION TO THE NOVEL CORONAVIRUS PNEUMONIA

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 year ended 31 December 2019 (the “**Year 2019**”). The Group’s preliminary key financial figures for the Year 2019 and the comparative figures for the year ended 31 December 2018 (the “**Year 2018**”) are as follows:–

Revenue	Approximately RMB6,690.0 million to RMB6,745.0 million, representing an anticipated increase of 24.1% to 25.1% when compared with the Year 2018 (RMB5,389.6 million) Among which: <i>Own-branded goat milk powder</i> – approximately RMB2,858.0 million to RMB2,868.0 million, representing an increase of 40.6% to 41.0% when compared with the Year 2018 (RMB2,033.4 million) <i>Own-branded cow milk powder</i> – approximately RMB3,138.0 million to RMB3,168.0 million, representing an increase of 32.5% to 33.8% when compared with the Year 2018 (RMB2,368.0 million) <i>Private label and others</i> – approximately RMB694.0 million to RMB709.0 million, representing a decrease of 28.3% to 29.8% when compared with the Year 2018 (RMB988.2 million)
Profit attributable to equity holders of the Company	Approximately RMB848.4 million to RMB878.4 million, representing an anticipated increase of 33.6% to 38.3% when compared with the Year 2018 (RMB635.1 million)
Adjusted profit attributable to equity holders of the Company*	Approximately RMB912.0 million to RMB942.0 million, representing an anticipated increase of 56.8% to 62.0% when compared with the Year 2018 (RMB581.5 million)

* Adjusted for the loss on the fair value change of derivative financial instruments in the Year 2019 of RMB63.6 million (Year 2018: gain of RMB22.3 million). In the Year 2018, also adjusted for a one-off net gain of RMB31.3 million arising from the re-measurement of an asset and the change in fair value of derivative financial instrument.

As depicted above, the Group's revenue for the Year 2019 is anticipated to increase by not less than 24.1% when compared with the corresponding figure for the Year 2018. The Board considers that such increase in revenue is mainly driven by the increase in sales of the Group's own-branded goat and cow milk formula products by at least 40.6% and 32.5% respectively, when compared with that of the Year 2018, as a result of the continuous strengthening of sales network and brand building.

The Group expects to record an accounting loss of RMB63.6 million (equivalent to approximately HK\$72.3 million) in respect of the fair value change of derivative financial instruments for the Year 2019. The derivative financial instruments in concern represent a contingent consideration liability to be settled by the Group in its recent acquisition of the remaining 15% equity interest in Hyproca Nutrition (Hongkong) Company Limited and its subsidiaries (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 that 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 31 December 2019, market price of the Shares increased by HK\$2.42 or 27.5%, when compared with that of 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 an adjusted profit attributable to the equity holders of the Company in a range of RMB912.0 million to RMB942.0 million, representing an increase of not less than 56.8% when compared with the corresponding figure for the Year 2018. Such increase was spurred by (i) better brand awareness and acceptance of the Group's goat and cow brands in the market; (ii) 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 (iii) 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.

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 Year 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 Year 2019, together with the comparative figures for the Year 2018, will be published in the Company's forthcoming annual results announcement in March 2020.

UPDATES IN RELATION TO THE NOVEL CORONAVIRUS PNEUMONIA

Since the outbreak of the novel coronavirus pneumonia (COVID-19) (the "**Epidemic**"), the Board has been monitoring the development of the Epidemic and assessing its impact to the Group's operations. The Company has already taken steps and measures to protect its employees from being infected. As at the date of this announcement, the Board is not aware of any infected cases among the Group's employees.

Despite there are a number of confirmed infected cases in Changsha city, Hunan province, where the Group's headquarter in the People's Republic of China (the "**PRC**") is located, the Group's operations in the PRC have resumed after the Lunar New Year holiday and have not experienced any material disruptions. As at the date of this announcement, the Board is not aware of any material adverse impact to the Group's financial or trading position caused by the Epidemic.

Furthermore, as at the date of this announcement, the Company has committed to the national action plans in the PRC to fight against the Epidemic and has donated five batches of cash, medical supplies and nutrition products to charities in the PRC which worth RMB44.0 million in total.

The Board will continue to closely monitor the market situation and continuously evaluate the impact of the Epidemic on the Group's operations, and provide updates to its shareholders and potential investors if there is any material development.

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 PRC, 19 February 2020

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.