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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 2020 (the “**2020 Interim Period**”). The Group’s preliminary key financial figures for the 2020 Interim Period and the comparative figures for the six months ended 30 June 2019 (the “**2019 Interim Period**”) are as follows:–

Revenue	Approximately RMB3,780.0 million to RMB3,870.0 million, representing an anticipated increase of 20.1% to 23.0% when compared with that of the 2019 Interim Period (RMB3,147.6 million) <i>Among which:</i> Own-branded cow milk powder – approximately RMB1,730.0 million to RMB1,760.0 million, representing an increase of 22.7% to 24.8% when compared with the 2019 Interim Period (RMB1,410.4 million) Own-branded goat milk powder – approximately RMB1,627.0 million to RMB1,657.0 million, representing an increase of 23.3% to 25.6% when compared with the 2019 Interim Period (RMB1,319.1 million) Private label and others – approximately RMB423.0 million to RMB453.0 million, representing an increase of 1.2% to 8.3% when compared with the 2019 Interim Period (RMB418.1 million)
Profit attributable to equity holders of the Company	Approximately RMB400.1 million to RMB420.1 million, representing an anticipated increase of 53.6% to 61.3% when compared with that of the 2019 Interim Period (RMB260.5 million)
Adjusted profit attributable to equity holders of the Company*	Approximately RMB566.0 million to RMB586.0 million, representing an anticipated increase of 30.1% to 34.7% when compared with that of the 2019 Interim Period (RMB434.9 million)

* Adjusted for the loss on the fair value change of a derivative financial instrument in the 2020 Interim Period of RMB165.9 million (2019 Interim Period: RMB174.4 million).

Growth in the Group's revenue for the 2020 Interim Period mainly resulted from better brand awareness and acceptance of the Group's own-branded formula milk powder in the market. Yet, growth in the Group's revenue in the second quarter of 2020 mildly slowed when compared with that in the first quarter of 2020. In late May 2020, the Company first became aware that there is overstocking of certain brands in the distribution level due to various effects after the outbreak of the coronavirus disease (COVID-19). To cater for such changes, the Company decided to take a conservative approach by moderating its delivery to its distributors for certain brands as a measure to optimise the stock level in the Group's distribution channels. The Group expects its distribution channel optimisation will not affect its long term strategies on the development of its own-branded formula milk powder and will benefit the Group and its distributors in the long run, albeit the adjustment will have a temporary impact on the financial performance of the Group in 2020.

Further, the Group recognised an accounting loss of RMB165.9 million in respect of the fair value change of a derivative financial instrument for the 2020 Interim Period, which represents a contingent consideration liability to be settled by the Group (the "**Contingent Consideration**") in its acquisition of the remaining 15% equity interest in Hyproca Nutrition (Hongkong) Company Limited and its subsidiaries (the "**Acquisition**") in 2018. Further details regarding the Acquisition and the valuation of Contingent Consideration are set out in the Company's annual report for the year ended 31 December 2019. 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 the above mentioned 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 RMB566.0 million to RMB586.0 million, representing an increase of not less than 30.1% when compared with the corresponding figure for the 2019 Interim Period.

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 2020 Interim Period 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 2020 Interim Period, together with the comparative figures for the 2019 Interim Period, will be published in the Company's forthcoming interim results announcement on 13 August 2020.

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

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

The People's Republic of China, 31 July 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. Lau Chun Fai Douglas, Mr. Jason Wan and Mr. Aidan Maurice Coleman.