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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)

PROFIT WARNING

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 (the “**Listing Rules**”).

FINANCIAL PERFORMANCE

The Board wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, based on currently available information, the Group will record a significant decrease in profits attributable to equity holders of the Company for the six months ended 30 June 2022 (the “**1H 2022**”). The Group’s preliminary key financial figures for the 1H 2022 and the comparative figures for the six months ended 30 June 2021 (the “**1H 2021**”) are as follows:–

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| Revenue | <p>Approximately RMB3,350 million to RMB3,500 million, representing a year-on-year (“YoY”) decrease of 18.0% to 21.6% (1H 2021: RMB4,270.5 million), among which:</p> <p><i>Own-branded cow milk formula (“Own-branded Cow Milk Powder”)</i> – <i>Approximately RMB1,080 million to RMB1,180 million, representing a YoY decrease of 42.5% to 47.4% (1H 2021: RMB2,052.8 million)</i></p> <p><i>Own-branded goat milk formula (“Own-branded Goat Milk Powder”)</i> – <i>Approximately RMB1,580 million to RMB1,680 million, representing a YoY decrease of 0.5% to 6.4% (1H 2021: RMB1,688.2 million)</i></p> <p><i>Others</i> – <i>Approximately RMB620.0 million to RMB700.0 million, representing a YoY increase of 17.1% to 32.2% (1H 2021: RMB529.5 million)</i></p> |
| Profit attributable to equity holders of the Company | Approximately RMB95.0 million to RMB160.0 million, representing a YoY decrease of 73.1% to 84.0% (1H 2021: RMB594.0 million). |

As stated above, the Group's profit for the 1H 2022 is anticipated have a YoY decrease by not less than 73.1%. Such decrease is mainly attributable to the decrease in revenue from the Own-branded Cow Milk Powder. The Group's Own-branded Cow Milk Powder has experienced an exponential growth since its establishment with a compound annual growth rate of 34.1% for the last five years, among which the Hyproca 1897 business unit recorded an even sharper five-year compound annual growth rate of 61.7%. Due to lower birth rate in Mainland China and stringent anti-epidemic measures in some regions, the infant formula industry faced unprecedented challenge in 1H 2022. According to AC Nielsen, the overall sales level of the industry for the period from January to April 2022 decrease by 4.4% YoY, and the sales volume decrease by 6.2% YoY. The overall demand in the industry is decreasing.

To provide products with better shelf life and of higher quality to customers, reduce inventory pressure in the distribution channel and secure long-term and healthy development and competitiveness of its core products, the Group has actively made a series of adjustments to the sales strategies of Hyproca 1897 (the Own-branded Cow Milk Powder core brand) since the end of 2021. As part of its adjustment process, the Group further streamlined its channels, and enforced more stringent control over the overall inventory level of its distribution channel by slowing down the delivery of the Own-branded Cow Milk Powder to the distributors. The above measures actively taken by the Group together with the macro environmental factors led to the decrease in the Group's sales for the period under review of no less than 18.0%.

Despite the decrease in the sales figures as reported in its financial statement figures, Hyproca 1897 maintained a healthy growth in actual retail end and a continuous increase in its market share. Attributed to its outstanding product quality and successful brand-building efforts over the years, according to AC Nielsen, the market share of Hyproca 1897 for the period ended 30 April 2022 increased YoY by 0.5 percentage points.

Looking back, the Own-branded Goat Milk Powder in the People's Republic of China (the "PRC") had also experienced such short-term and one-off proactive adjustments in its distribution channel in the second half of 2020. Following such adjustments, the Own-branded Goat Milk Powder has strengthened and become more resilient in terms of channel management, distributor co-operation and brand power. The Own-branded Goat Milk Powder in the PRC was back to a double digit YoY growth in 2021. Encouraged by the successful experience of the sales strategy adjustments of the Own-branded Goat Milk Powder, the Group believes that the sales strategy adjustments of the Own-branded Cow Milk Powder will eventually benefit the Group in the long run. Apart from the above, the Company considers its general business development remains favourable.

The Board wishes to remind the Shareholders 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 five months ended 30 May 2022 and other information currently available to the Board, which are subject to review by the Company's audit committee. The financial results of the Group for the 1H 2022, together with the comparative figures for the 1H 2021, will be published in the Company's forthcoming interim results announcement by the end of August 2022.

Shareholders 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 PRC, 3 July 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.