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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 FOR THE FY2022

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 profit attributable to equity holders of the Company for the year ended 31 December 2022 (the “**FY2022**”) when compared to that disclosed in the Company’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”). The Group’s preliminary key financial figures for the FY2022 and the comparative figures for the year ended 31 December 2021 (the “**FY2021**”) (as disclosed in the 2021 Annual Report) are as follows:–

Revenue	Approximately RMB7,780.0 million to RMB7,850.0 million, representing a year-on-year (“ <b>YoY</b> ”) decrease of 11.5% to 12.3% (FY2021: RMB8,873.3 million), among which:
	<i>Own-branded cow milk formula (“<b>Own-branded Cow Milk Powder</b>”)</i> – <i>Approximately RMB2,900.0 million to RMB2,950.0 million, representing a YoY decrease of 33.2% to 34.3% (FY2021: RMB4,414.1 million)</i>
	<i>Own-branded goat milk formula (“<b>Own-branded Goat Milk Powder</b>”)</i> – <i>Approximately RMB3,585.0 million to RMB3,635.0 million, representing a YoY increase of 7.1% to 8.6% (FY2021: RMB3,348.2 million)</i>
	<i>Others</i> – <i>Approximately RMB1,281.0 million, representing a YoY increase of 15.3% (FY2021: RMB1,111.0 million)</i>

Adjusted profit attributable to equity holders of the Company*	Approximately RMB455.0 million to RMB515.0 million, representing a YoY decrease of 50.5% to 56.3% (FY2021: RMB1,040.3 million)
Profit attributable to equity holders of the Company	Approximately RMB205.0 million to RMB265.0 million, representing a YoY decrease of 74.5% to 80.3% (FY2021: RMB1,040.3 million)

\* *Adjusted for the write-off of certain goodwill and one-off write-off of certain assets*

Throughout the FY2022, the infant formula industry in the People’s Republic of China (the “**PRC**”) endured fierce competition due to the declining birth rate and adverse impact of the worldwide pandemic. According to AC Nielsen, overall sales of the industry in the FY2022 decreased by mid-single-digit percent points YoY. The Group’s overall sales performance was therefore inevitably under pressure.

As disclosed in the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”), in order to provide consumers with fresher and better quality products, reduce inventory pressure in the distribution channels and ensure long-term healthy development and competitiveness of its core products, the Group has proactively made a series of sales strategy adjustments to its core milk powder brand, Hyproca 1897, since the end of the FY2021. As part of its adjustments, the Group further streamlined its distribution channels and implemented more stringent control over their overall inventory levels. These measures continued in the second half of the FY2022. As a result, the sales revenue of the Group’s Own-branded Cow Milk Powder for the FY2022 decreased by no less than 33.2% YoY. Meanwhile, in order to get through the industry downturn times with its partners, the Group further supported its distributors with more favourable policies and fees. In addition, the Group’s gross profit margin was also under pressure due to the high overseas raw milk prices and high inflation in Europe, which elevated the cost of raw materials, resulting in an expected YoY decline in profit.

Despite the decrease in the sales figures as reported in the Group’s financial statement figures, according to AC Nielsen, the market share of Hyproca 1897 for the FY2022 increased by 0.2 percentage points YoY. The Group considers that such increase was attributable to its outstanding product quality and successful brand-building efforts over the years and therefore Hyproca 1897 maintained a healthy growth in actual retail end and a continuous increase in market share.

Despite the challenges, the Group’s Own-branded Cow Milk Powder business units made substantial efforts in various aspects during the period under review including (1) the brand concept of Hyproca 1897 was upgraded to “Comprehensive Nutrition, Decades of Research” (全面營養，百年精研) to precisely identify the uniqueness of the brand; (2) enriched the Group’s product portfolio, enhanced its productivity and assisted its marketing team by launching new products and upgrading existing products: Hyproca 1897 newly launched its first lactose-free infant formula for special medical purposes “Zhishu (稚舒)”, first human milk oligosaccharides (HMO) blended formula “Future (未來版)”, first A2 protein\* milk source product “Xizhi (喜致)”, and upgraded to more easily absorbed A2 protein\* milk source “Cuihu (萃護)”; Allnutria launched three new infant milk powder products “Ausnutria Aiyou (澳優愛優)”, “Allnutria Ruiyu (能立多睿優)” and “Ruihuo (睿活)” to capture the domestic milk powder segment; and (3) channel reinvention and revitalisation by increasing the proportion of baby chain stores (母嬰連鎖店), enhancing channels distribution, optimising the channel value chain and controlling product logistics to better protect the interests of the channel.

Despite the unsatisfactory performance of the overall infant formula industry, sales of the Group's Own-branded Goat Milk Powder recorded a YoY growth of no less than 7.1% in the FY2022, with the PRC and overseas markets grew by no less than 6.0% and 20.0% respectively. In the second half of the FY2022, sales in the PRC returned to a double-digit growth YoY. This is due to Kabrita's insistence on (1) intensive research of goat milk: joined hands with authoritative institutions to organise discussion forum with experts in the field of medical nutrition on the nutrition and feeding effects of infants and young children, launched nationwide academic cooperation meetings at all levels and brand academic activities, thereby enhancing the brand's professional reputation and strengthening the influence of the brand in the professional channel industry; (2) increasing investment in brand building and marketing by adopting the dual celebrity endorsements model by engaging Ms. Tang Yan (唐嫣) and Mr. Huang Lei (黃磊), releasing monthly trending dramas, and focusing on combinations of media attentions such as escalator advertising, commercial district screens, and new media platforms in key cities to achieve multiple interactions with target consumers; (3) focusing on the promotion of key baby chain stores, upgrading and iterating the channel value chain, controlling the flow of products, etc. to better protect the interests of the channels and achieve a "win-win" situation for the channels through long-termism; (4) focusing on consumer scene activities with the policy of "Innovation, Diversity, Quality and Efficiency (創新多樣、提質驅效)"; and (5) diversification of new products with replacement and upgrades: launched the toddler growing-up nutrition goat milk formula "Xiangyang (向揚)", organic goat milk powder "Yuebai (悅白)", middle-aged and elderly people goat milk powder "Yingjia Baohu (營嘉葆護)", goat milk formula "Yingjia Yingxin (營嘉滢心)" and organic goat milk powder "Yingjia (營嘉)" (the first organic goat milk powder for adults).

According to industry statistics, based on actual end-user sales data in 2022, the market share of Kabrita in the infant and young children's goat milk powder market in the PRC further increased by more than 5 percentage points and its position as the "leading goat" will continue. According to AC Nielsen, in terms of imported infant and young children's goat milk powder, Kabrita's market share in the imported infant and young children's goat milk powder market in the PRC exceeded 60.0% for four consecutive years (2018 to 2021).

Moving forward, in light of the increasing brand concentration, Kabrita will continue to adhere to its existing dual development strategy to meet the needs of consumers and channels by providing professional products and services, and will continue to expand its leading position as the world's number one goat milk brand.

## UPDATE ON FINANCIAL INFORMATION FOR FY2021

As disclosed in the 2022 Interim Report, in preparation for the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022, the Group identified certain adjustments in the comparative financial statements in relation to the customer loyalty program and distributor incentive program and as a result, certain prior year adjustments have been made in the 2022 Interim Report.

In this regard, subsequent to the publication of the 2022 Interim Report, the Company performed a thorough review of its financial reporting mechanism in respect of its customer loyalty program and distributor incentive program. During the course of the said review, the Group identified certain accounting errors (the "**Accounting Errors**") in relation to, among others, the Group's distributor incentive program and corporate income tax. The Group anticipated that further prior year adjustments (the "**Prior Year Adjustments**") will have to be made in the forthcoming annual report of the Company for the FY2022 to address the Accounting Errors identified.

In accordance with the prevailing financial reporting standards, the Prior Year Adjustments will only be made to the Group's financial statements for the FY2021. Based on the information available up to the date of this announcement, impact of the Prior Year Adjustments to the Group's key financial figures for the FY2021 is as follows:

	<b>Restatements</b>
Revenue	decrease by RMB290.0 million to RMB310.0 million
Profit attributable to equity holders of the Company	decrease by RMB265.0 million to RMB285.0 million
Net assets	
– As at 1 January 2021	decrease by RMB245.0 million to RMB285.0 million
– As at 31 December 2021	decrease by RMB530.0 million to RMB570.0 million

The Group would like to emphasise that the Accounting Errors will have no material effect on the consolidated financial statements of the Group for the FY2022, save for the corresponding changes to be made to address the Accounting Errors during the six months ended 30 June 2022, which will be reflected in the comparative figures in the interim report of the Company for the six months ending 30 June 2023. Further details regarding the relevant Prior Year Adjustments will be disclosed in the Company's forthcoming annual results announcement for the FY2022 which is scheduled to be released by the end of March 2023.

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 FY2022 and other information currently available to the Board, which is subject to review by the audit committee of the Board.

**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, 10 March 2023

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman and Chief Executive Officer), Mr. Bartle van der Meer 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. Song Kungang and Mr. Aidan Maurice Coleman.*