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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)

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	Three months ended 31 March		Change %
	2019 RMB'M (Unaudited)	2018 RMB'M (Unaudited)	
Revenue	1,519.2	1,177.8	29.0
Gross profit	747.5	545.1	37.1
Gross profit margin (%)	49.2	46.3	2.9 pps
EBITDA			
– Reported	222.7	168.7	32.0
– Adjusted*	265.6	168.7	57.4
Profit attributable to equity holders of the Company			
– Reported	151.6	103.9	45.9
– Adjusted*	194.5	103.9	87.2

For the three months ended 31 March 2019 (the “1Q 2019”), Ausnutria Dairy Corporation Ltd (the “Company”) and its subsidiaries (collectively, the “Group”) recorded the followings:

- Revenue amounted to RMB1,519.2 million, representing an increase of RMB341.4 million or 29.0% from RMB1,177.8 million for the three months ended 31 March 2018 (the “1Q 2018”). Among which revenue derived from the own-branded formula milk powder business increased by 34.1% to RMB1,250.0 million, representing 82.3% (1Q 2018: 79.1%) of the total revenue.
- Gross profit amounted to RMB747.5 million, representing an increase of RMB202.4 million or 37.1% from RMB545.1 million for the 1Q 2018.
- Adjusted EBITDA* for the 1Q 2019 amounted to RMB265.6 million, representing an increase of RMB96.9 million or 57.4% from RMB168.7 million for the 1Q 2018.
- Adjusted profit attributable to equity holders of the Company* for the 1Q 2019 amounted to RMB194.5 million, representing an increase of RMB90.6 million or 87.2% from RMB103.9 million for the 1Q 2018.

* Adjusted for the loss on the fair value change of derivative financial instruments in 1Q 2019

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the 1Q 2019.

This announcement is issued by the Company 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2019

	Three months ended	
	31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
REVENUE	1,519,179	1,177,766
Cost of sales	<u>(771,657)</u>	<u>(632,698)</u>
Gross profit	747,522	545,068
Other income and gains	16,038	9,568
Selling and distribution expenses	(393,801)	(327,355)
Administrative expenses	(124,100)	(89,532)
Other expenses	(58,120)	(3,790)
Finance costs	(7,503)	(10,311)
Share of profits and losses of:		
Associates	3,068	3,245
A joint venture	<u>–</u>	<u>2,299</u>
Profit before tax	183,104	129,192
Income tax expense	<u>(40,287)</u>	<u>(19,129)</u>
PROFIT FOR THE PERIOD	<u>142,817</u>	<u>110,063</u>
Attributable to:		
Owners of the parent	151,561	103,929
Non-controlling interests	<u>(8,744)</u>	<u>6,134</u>
	<u>142,817</u>	<u>110,063</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the 1Q 2019, the Group recorded revenue of RMB1,519.2 million, representing an increase of RMB341.4 million or 29.0%, from RMB1,177.8 million when compared with the corresponding period in 2018. Among which, the performance of the Group's core business segment, i.e. owned-branded cow (in particular for those high premium products such as *Hyproca Hollary*, *Allnutria*, *Extrapure* and *Neolac*) and goat (*Kabrita*) formula milk powder business, continues to grow healthily and positively with revenue increased by 21.1% and 47.2% to RMB566.6 million and RMB683.4 million, respectively.

An analysis of revenue is as follows:

	Three months ended 31 March		Change %
	2019 <i>RMB'M</i> (Unaudited)	2018 <i>RMB'M</i> (Unaudited)	
Own-branded formula milk powder products:			
Goat milk (in the People's Republic of China (the "PRC"))	621.1	410.1	51.5
Goat milk (elsewhere)	62.3	54.1	15.2
	683.4	464.2	47.2
Cow milk (in the PRC)	566.6	467.9	21.1
	1,250.0	932.1	34.1
Nutrition products	18.2	22.7	(19.8)
Private label and others	251.0	223.0	12.6
Total	1,519.2	1,177.8	29.0

Other Expenses

During the 1Q 2019, the Group recorded an other expense amounting to RMB42.9 million (1Q 2018: Nil) which represented a loss on fair value change of derivative financial instruments arising from the contingent consideration as a result of the Group's acquisition of the remaining 15% equity interest in a subsidiary in May 2018 (the "FV Loss"). Further details of the aforementioned acquisition are set out in the announcement and circular of the Company dated 14 February 2018 and 12 April 2018 respectively.

Profit Attributable to Equity Holders of the Company

The Group's profit attributable to equity holders of the Company for the 1Q 2019 amounted to RMB151.6 million, representing an increase of RMB47.7 million or 45.9%, when compared with the corresponding period of RMB103.9 million in 2018. Excluding the FV Loss, the Group recorded profit attributable to equity holders of the Company of RMB194.5 million, representing an increase of 87.2% when compared with the corresponding figure for the 1Q 2018.

The Board believes that the improvement in the Group's financial performance was mainly attributable to (i) the continuous increase in the sales of the Group's own-branded cow and goat infant milk formula products, which have higher profit margin; and (ii) the progressive improvement in operational efficiency brought by the strategic steps taken during 2018 as disclosed in the Company's Annual Report 2018.

BUSINESS UPDATES

Under the new Formulas Registration Requirement in the PRC which came into effect on 1 January 2018, all infant milk formula series in the PRC must be registered with the State Administration for Market Regulation of the PRC (formerly known as the China Food and Drug Administration) (the "SAMR"). As at the date of this announcement, the Group has a total of fifteen series of the Group's infant formula registered with the SAMR, among which, the registrations of three series were completed in late March 2019 (the "Newly Registered Formulas"). The Board believes that the completion of registrations of the Newly Registered Formulas will further enrich the product portfolio and strengthen the market position of the Group.

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

The PRC, 14 May 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.