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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 2020

FINANCIAL HIGHLIGHTS

	Three months ended 31 March		Change %
	2020 RMB'M (Unaudited)	2019 RMB'M (Unaudited)	
Revenue	1,933.2	1,519.2	27.3
Gross profit	1,041.3	747.5	39.3
Gross profit margin (%)	53.9	49.2	4.7 pps
EBITDA			
– Reported	397.7	222.7	78.6
– Adjusted*	426.7	265.6	60.7
Profit attributable to equity holders of the Company			
– Reported	269.6	151.6	77.8
– Adjusted*	298.6	194.5	53.5

The financial performance of Ausnutria Dairy Corporation Ltd (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2020 (the “**1Q2020**”), together with the comparative figures for the three months ended 31 March 2019 (the “**1Q2019**”), are as follows:

- Revenue amounted to RMB1,933.2 million (1Q2019: RMB1,519.2 million), representing a year-on-year (“**YoY**”) increase of RMB414.0 million or 27.3%. Among which revenue derived from the own-branded formula milk powder business increased by 36.8% to RMB1,709.9 million, representing 88.4% (1Q2019: 82.3%) of the total revenue.
- Gross profit amounted to RMB1,041.3 million (1Q2019: RMB747.5 million), representing a YoY increase of RMB293.8 million or 39.3%.
- Adjusted EBITDA* amounted to RMB426.7 million (1Q2019: RMB265.6 million), representing a YoY increase of RMB161.1 million or 60.7%.
- Adjusted profit attributable to equity holders of the Company* amounted to RMB298.6 million (1Q2019: RMB194.5 million), representing a YoY increase of RMB104.1 million or 53.5%.

* Adjusted for the loss on the fair value change of a derivative financial instrument in the 1Q2020 of RMB29.0 million (1Q2019: RMB42.9 million)

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the 1Q2020.

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 2020

	Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
REVENUE	1,933,182	1,519,179
Cost of sales	<u>(891,885)</u>	<u>(771,657)</u>
Gross profit	1,041,297	747,522
Other income and gains	26,359	16,038
Selling and distribution expenses	(495,476)	(393,801)
Administrative expenses	(155,492)	(124,100)
Other expenses	(64,543)	(58,120)
Finance costs	(6,948)	(7,503)
Share of profits and losses of associates	<u>4,195</u>	<u>3,068</u>
Profit before tax	349,392	183,104
Income tax expense	<u>(78,759)</u>	<u>(40,287)</u>
PROFIT FOR THE PERIOD	<u>270,633</u>	<u>142,817</u>
Attributable to:		
Owners of the parent	269,565	151,561
Non-controlling interests	<u>1,068</u>	<u>(8,744)</u>
	<u>270,633</u>	<u>142,817</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the 1Q2020, the Group recorded revenue of RMB1,933.2 million (1Q2019: RMB1,519.2 million), representing a YoY increase of RMB414.0 million or 27.3%. Among which, the performance of the Group's core business segment, own-branded cow (in particular for premium products such as Hyproca Hollarly) and goat (Kabrita) formula milk powder business, continues to grow healthily and positively with revenue increased by 36.2% and 37.3% to RMB771.9 million and RMB938.0 million, respectively. Such increase in revenue is partly offset by the decrease in revenue in (i) the original equipment manufacturing for other worldwide customers (the "Private Label"); and (ii) other dairy related products businesses, particularly the butter business which has been terminated since the second quarter of 2019.

An analysis of revenue is as follows:

	Three months ended 31 March		Change %
	2020 <i>RMB'M</i> (Unaudited)	2019 <i>RMB'M</i> (Unaudited)	
Own-branded formula milk powder products:			
Goat milk (in the People's Republic of China (the "PRC"))	887.2	621.1	42.8
Goat milk (elsewhere)	50.8	62.3	(18.5)
	938.0	683.4	37.3
Cow milk (in the PRC)	771.9	566.6	36.2
	1,709.9	1,250.0	36.8
Nutrition products	30.2	18.2	65.9
Private Label and others	193.1	251.0	(23.1)
Total	1,933.2	1,519.2	27.3

During the 1Q2020, the Group recorded an accounting loss of RMB29.0 million (1Q2019: RMB42.9 million) in respect of the fair value change of a derivative financial instrument, 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. For further details regarding the Acquisition and the valuation of Contingent Consideration, please refer to 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.

The Group's profit attributable to equity holders of the Company for the 1Q2020 amounted to RMB269.6 million (1Q2019: RMB151.6 million), representing a YoY increase of RMB118.0 million or 77.8%. Excluding the accounting loss mentioned above, the Group recorded an adjusted profit attributable to equity holders of the Company of RMB298.6 million (1Q2019: RMB194.5 million), representing a YoY increase of RMB104.1 million or 53.5%.

The Group believes that the increase in the financial performance was mainly attributable to (i) better brand awareness and acceptance of the Group's goat and cow brands in the market as a result of the continuous strengthening of sales network, brand building and the delivery of quality products and services to the Group's customers particularly during the outbreak of the coronavirus disease; (ii) the implementation of the Group's strategic plans, in particular, continuous improvement of the upstream operational efficiency, streamlining of the supply chain, enhancement in the sourcing capability and product mix and the continuous commitment in research and development; 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.

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, 12 May 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.