

To: Business Editor
[For immediate release]



AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司

**Ausnutria Announces Key Findings of Phase 1 Independent Review by
the Independent Consultant**

Indicating the Short Seller's Allegations Groundless

(Hong Kong, 16 September 2019) Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”; stock code: 1717.HK), a company engages in the research and development, production and distribution of all dairy products (including infant formula) and nutrition products with production facilities principally based in the Netherlands, the PRC, Australia and New Zealand, is pleased to announce that Deloitte Advisory (Hong Kong) Limited (the “Independent Consultant”) has completed Phase 1 of the independent review (the “Independent Review”) on the allegations in the short seller reports published by Blue Orca.

The short seller reports mainly include 6 allegations. Taking into account (i) enquiries received on the allegations (in particular Allegation 1, Allegation 2 and Allegation 3), from certain shareholders of the Company and/or potential investors since the publication of the short seller reports; (ii) the time required to perform independent review works on each of the allegations, and (iii) the Board’s intention to timely update the public relating to the Allegations to ensure fair and orderly market relating to the trading of the Shares, the Independent Review will be conducted in two phases. Specifically, the phase 1 will cover Allegation 1, Allegation 2 and Allegation 3, and phase 2 will cover Allegation 4, Allegation 5 and Allegation 6.

Based on the work performed and information obtained up to now, below is a summary of the key findings:

Allegations in the short seller's reports	Key findings in the Independent Review
<p>× Allegation 1: It is alleged that the Company was importing far less infant milk formula than it claims, and as such Blue Orca believes that the Company had been overstating its revenue and profit from the infant milk formula in the PRC</p>	<p>√ The Independent Consultant compared the Customs' Records to the Group's Import Records and noted that the imported volume of infant milk formula products in 2016 and 2017 as per the Customs' Records were not less than 9,000 tonnes and 12,000 respectively, and considered that the Customs' Records and the Group's Import Records are consistent in all material aspects;</p> <p>√ The Independent Consultant further noted that the import volume of goat milk in 2017 as per the Customs' Records was 154% higher than the annualised import volume of 2,289 tonnes as estimated by Blue Orca in the short seller reports;</p> <p>√ The allegation of the overstatement of revenue in the short seller's reports, on the underlying basis (i.e. import volume), is not supported by the evidence collected by the Independent Consultant.</p>
<p>× Allegation 2: It is alleged that the Company has understated its labour and staff costs in 2017, in particular based on Ausnutria B.V.'s regulatory filing, and as such Blue Orca believes that the Company was substantially less profitable than reflected in the Company's consolidated financial statements published in 2017 annual report</p>	<p>√ The Ausnutria B.V. Employee Expenses accounted for 57.6% and 52.9% of the AR Employee Expenses in 2016 and 2017, respectively, rather than 96% and 94% as alleged in the short seller reports;</p> <p>√ The employee-related expenses reported in the Regulatory Filings had been fully included in the compilation of Group's 2016 and 2017 consolidated profit and loss account;</p> <p>√ The profit and loss accounts reported for Regulatory Filings had been fully included in the compilation of the Group's 2016 and 2017 consolidated profit and loss accounts.</p> <p>√ Certain facts stated in the Judgements, in particular the fact that the Plaintiffs did not allege to be employees of Globlait Nutrition,</p>

	<p>had been omitted in the short seller reports. Such omissions rendered the allegations in relation to the Lawsuits contained in the short seller report incomplete.</p>
<p>× Allegation 3: It is alleged that the Company does not have any interest in Nutriunion HK, which was instead owned by the chief financial officer of the Company (the “CFO”). It is further alleged that the acquisition of the 40% shareholding interest of Nutriunion HK conducted in July 2019 was merely a sham transaction</p>	<p>√ The CFO was merely a nominee shareholder of Nutriunion HK under the trust arrangements;</p> <p>√ The transfer of 40% shareholding interest in Nutriunion HK beneficially held by Mr. Zhao, Mr. Lin and Mr. Qu back to them has been completed on 3 July 2019;</p> <p>√ The trust arrangement has been effectively terminated following the completion of the aforementioned transfer, and the CFO is no longer the trustee to hold the entire shareholding interest of Nutriunion HK accordingly;</p> <p>√ The Independent Consultant has not identified any direct evidence indicating that the Company’s acquisition of the 40% shareholding interest in Nutriunion HK was a sham transaction and Allegation 3 is not substantiated accordingly.</p>

As announced by Ausnutria before, the Company has established an independent review committee (the “IRC”), comprising all independent non-executive Directors, to (i) review the matters as alleged in the short seller reports; (ii) report to the Board on its findings; and (iii) make recommendations to the Board on appropriate actions to be taken. Furthermore, phase 2 of the Independent Review is running smoothly, and the Board of Ausnutria will take further actions under the recommendations of IRC.

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About Ausnutria Dairy Corporation Ltd

Ausnutria Dairy Corporation Ltd is a leading infant milk formula company with production facilities principally based in the Netherlands, the PRC, Australia and New Zealand. The Company is engaged in the worldwide production, R&D, and sales of infant formula, adult milk formula and other dairy and nutrition products. It owns several famous infant formula brands, including “Kabrita”, “Allnutria” and “Hyproca”. Ausnutria’s factories in the PRC were among the first batch of factories that had been granted with the National Infant Formula Enterprise Production Permit. The factories in the Netherlands and Australia of Ausnutria were also among of the first infant milk formula manufacturers to obtain import licenses for overseas products under the new policy in the PRC.

Issued by Porda Havas International Finance Communications Group for and on behalf of **Ausnutria Dairy Corporation Ltd** For further information, please contact us at ausnutria@pordahavas.com, or as below:

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