

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 2 Independent Review by
the Independent Consultant**

***Indicating All the Short Seller's Allegations unfounded and not
substantiated***

(Hong Kong, 29 October 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 2 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. The Independent Consultant has submitted a final report which covers the remaining Allegations (the “Final Report”, together with the Status Report dated 12 September 2019, the “Independent Review Reports”) to the independent review committee (“IRC”) on 28 October 2019.

A summary of the key findings of Phase 2 of the Independent Review is as follows:

Allegations in the short seller's reports	Key findings in the 2 Phase Independent Review
<p>x Allegation 4: It is alleged that the marketing information of the Group's goat milk infant formula given to Chinese consumers was misleading and inconsistent with the warnings and disclosures given to European and American consumers. In particular, Blue Orca cited information disclosed (a) on the Kabrita's official website in the PRC (the "Kabrita Website"); (b) on the European and American websites of Kabrita; and (c) in e-commerce stores regarding the ingredients of the Group's Kabrita products.</p>	<p>√ None of the Group's Marketing Statements reviewed by the Independent Consultant contradicted with any of the key statements made in the Research Documents;</p> <p>√ The Independent Consultant noted from the PRC Legal Opinion, the US Legal Opinion and the EU Legal Opinion that the legal advisers opined the labeling of Kabrita's products has complied with the disclosure requirements under the relevant rules and regulations in respective jurisdictions;</p> <p>√ The Independent Consultant considers the incidents leading to mis-descriptions of Kabrita's products have been rectified;</p> <p>√ The Independent Consultant considers that these incidents did not appear to be intentional nor mean to deceive or mislead customers.</p>
<p>x Allegation 5: It is alleged that the Company engaged in undisclosed related party transactions with three distributors allegedly controlled by the Company's current and former executives.</p>	<p>√ The Independent Consultant has not identified any evidence supporting Blue Orca's claim that the Named Distributors were "secretly" controlled by current or former executive of the Group;</p> <p>√ The Independent Consultant noted that Mr. Dai was not the former CFO implicated in the corporate scandal referred to in the Short Seller Reports;</p> <p>√ The Independent Consultant noted that among over 2,000 distributors of the Group, the aggregated transaction amount for the Relevant Distributors accounted for less than 5% of the Group's total revenue for each of the Relevant Periods;</p> <p>√ The Independent Consultant noted that the IRC has enquired the Company's Advisers to assess the possible disclosure requirements in relation to the Company's transactions with the</p>

	<p>Named Persons and the Relevant Distributors. After taking into consideration of relevant facts and relationships the Independent Consultant presented to the IRC, the Company's Advisers are of the view that the Company's transactions with the Named Persons and the Relevant Distributors for the Relevant Periods are either not subject to or fully exempted from the connected transaction disclosure requirements under the Listing Rules.</p>
<p>x Allegation 6: It is alleged that the amounts of packaging materials and resources consumption published in the 2016 and 2017 environmental, social and governance ("ESG") report of the Company (the "ESG Report(s)") did not increase correspondingly to the growth in infant formula revenue stream.</p>	<p>√ The Independent Consultant noted that the Updated ESG data was reproduced with the assistance of the ESG Consultant, and the Recompilation Differences were noted when compared with the data published in the ESG Reports during the self-review and recompilation process conducted by the Company;</p> <p>√ The Independent Consultant understood the Recompilation Differences were mainly due to misunderstanding of environmental performance units and unintentional human errors, but found no evidence indicating that the total revenue and the production volume of the Group was overstated;</p> <p>√ The Independent Consultant noted that, based on the Updated ESG Data, the Group's consumption of packaging materials, energy and water is generally consistent with the trend of its total revenue and production volume for the years ended 31 December 2016, 2017 and 2018.</p>

The IRC has reviewed and accepted the key findings of the Independent Consultant in the Independent Review Reports. The IRC considers all the Allegations are unfounded and not substantiated.

The IRC noted from the Independent Review that there are certain areas for improvements of the Company (i) in the preparation of marketing information; (ii) in the collaboration with its distributors; and (iii) in the preparation of ESG Reports. Notwithstanding such shortcomings, the IRC noted that the Company has duly taken initiative to address the matters concerned. The IRC considers the shortcomings which led to the Allegations are unintentional incidents

and do not mean to deceive or mislead customers, and the IRC has made recommendations to the Board to prevent the reoccurrence of the matters concerned.

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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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