

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**China Feihe Limited**

**中國飛鶴有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6186)**

**ANNOUNCEMENT OF THE ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2021:

- The Group's revenue was RMB22,776.3 million, representing an increase of 22.5% as compared with last year.
- The Group's gross profit was RMB16,007.6 million, representing an increase of 18.7% as compared with last year.
- The Group's profit for the year was RMB6,914.9 million, representing a decrease of 7.0% as compared with last year. Excluding the gain on bargain purchase in relation to the acquisition of YuanShengTai Dairy Farm Limited in 2020, the Group's profit for the year had an increase of 21.2% as compared with last year.
- Basic earnings per share of the Company amounted to RMB0.77 (2020: RMB0.83).
- Diluted earnings per share of the Company amounted to RMB0.75 (2020: RMB0.82).
- The Board has proposed to declare final dividend of HK\$0.1733 per share of the Company (2020: HK\$0.1586 per share of the Company). The Company also paid an interim dividend of HK\$0.2973 per share of the Company with an aggregate amount of approximately HK\$2,651,095,000 (equalling approximately RMB2,206,506,000) in September 2021.

The board of directors (the “**Board**”) of China Feihe Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021, together with the comparative amounts and explanatory notes.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>22,776,265</b>	18,592,465
Cost of sales		<b>(6,768,676)</b>	(5,112,187)
Gross profit		<b>16,007,589</b>	13,480,278
Other income and gains, net	4	<b>1,974,015</b>	1,414,493
Selling and distribution expenses		<b>(6,729,305)</b>	(5,263,430)
Administrative expenses		<b>(1,207,982)</b>	(1,161,214)
Other expenses		<b>(89,509)</b>	(231,085)
Finance costs		<b>(29,152)</b>	(50,160)
Share of loss of an associate		<b>(15,586)</b>	(5,571)
Changes in fair value less costs to sell of biological assets		<b>(237,741)</b>	(12,374)
Gain on bargain purchase		–	1,729,552
<b>PROFIT BEFORE TAX</b>	5	<b>9,672,329</b>	9,900,489
Income tax expense	6	<b>(2,757,433)</b>	(2,463,857)
<b>PROFIT FOR THE YEAR</b>		<b>6,914,896</b>	7,436,632
Attributable to:			
Owners of the parent		<b>6,871,044</b>	7,436,873
Non-controlling interests		<b>43,852</b>	(241)
		<b>6,914,896</b>	7,436,632
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Basic (expressed in RMB per share)	8	<b>0.77</b>	0.83
Diluted (expressed in RMB per share)	8	<b>0.75</b>	0.82

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>6,914,896</u></b>	<b><u>7,436,632</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(70,280)</u>	<u>(144,687)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>6,844,616</u></b>	<b><u>7,291,945</u></b>
Attributable to:		
Owners of the parent	<b>6,800,962</b>	7,291,995
Non-controlling interests	<b><u>43,654</u></b>	<u>(50)</u>
	<b><u>6,844,616</u></b>	<b><u>7,291,945</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2021*

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>8,436,909</b>	7,197,272
Investment properties	<b>77,469</b>	78,134
Right-of-use assets	<b>427,753</b>	366,219
Goodwill	<b>112,402</b>	47,976
Intangible assets	<b>20,694</b>	89
Investment in a joint venture	<b>6,187</b>	6,301
Investment in an associate	<b>121,372</b>	136,959
Financial asset at fair value through other comprehensive income	<b>1,800</b>	1,800
Deposits for purchases of items of property, plant and equipment	<b>126,254</b>	126,070
Biological assets	<b>1,707,317</b>	1,441,941
Deferred tax assets	<b>473,629</b>	375,682
	<hr/>	<hr/>
Total non-current assets	<b>11,511,786</b>	9,778,443
	<hr/>	<hr/>
<b>CURRENT ASSETS</b>		
Inventories	<b>1,721,807</b>	1,284,472
Trade and bills receivables	<b>477,328</b>	288,808
Prepayments, deposits and other receivables	<b>575,934</b>	556,972
Due from a director	<b>80</b>	80
Structured deposits	<b>7,539,583</b>	6,331,376
Restricted cash	<b>25,616</b>	23,920
Cash and cash equivalents	<b>9,629,290</b>	10,058,767
	<hr/>	<hr/>
Total current assets	<b>19,969,638</b>	18,544,395
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	<b>1,283,996</b>	1,132,941
Other payables and accruals	<b>4,220,649</b>	4,517,720
Interest-bearing bank and other borrowings	<b>312,852</b>	448,254
Lease liabilities	<b>62,103</b>	98,331
Tax payable	<b>1,062,506</b>	910,123
	<hr/>	<hr/>
Total current liabilities	<b>6,942,106</b>	7,107,369
	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>	<b>13,027,532</b>	11,437,026
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>24,539,318</b>	21,215,469
	<hr/>	<hr/>

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>621,357</b>	732,217
Other payables and accruals	<b>646,750</b>	374,259
Deferred tax liabilities	<b>752,571</b>	784,212
Lease liabilities	<b>115,270</b>	139,256
	<hr/>	<hr/>
Total non-current liabilities	<b>2,135,948</b>	2,029,944
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>22,403,370</b>	19,185,525
	<hr/>	<hr/>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	<b>1</b>	1
Reserves	<b>20,921,299</b>	17,747,108
	<hr/>	<hr/>
	<b>20,921,300</b>	17,747,109
Non-controlling interests	<b>1,482,070</b>	1,438,416
	<hr/>	<hr/>
Total equity	<b>22,403,370</b>	19,185,525
	<hr/>	<hr/>

## NOTES

### 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 26 October 2012. The registered office address of the Company is P.O. Box 2075, George Town, Grand Cayman KY1-1105, Cayman Islands.

The Company is an investment holding company. During the year, the principal activities of the Group consisted of the production and sale of dairy products and raw milk, and sale of nutritional supplements.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2019.

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through other comprehensive income and structured deposits which have been measured at fair value and biological assets and agricultural produce which have been measured at fair value less costs to sell. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had interest-bearing borrowing denominated in Canadian dollars based on the Canadian Dollar Offered Rate (“CDOR”) as at 31 December 2021. Since the interest rate of the borrowing was not replaced by RFRs during the year, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of the borrowing is replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of the borrowing provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of approximately RMB27,146,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021.

### **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

- Raw milk segment – manufacture and sale of raw milk; and
- Dairy products and nutritional supplements products segment – manufacture and sale of dairy products and sale of nutritional supplements

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, other interest income, non-lease-related finance costs, and share of loss of an associate, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, financial asset at fair value through other comprehensive income, structured deposits, pledged deposits, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

**Year ended 31 December 2021**

	<b>Raw milk RMB'000</b>	<b>Dairy products and nutritional supplements products RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>			
Sales to external customers	231,261	22,545,004	22,776,265
Intersegment sales	1,545,277	–	1,545,277
	<u>1,776,538</u>	<u>22,545,004</u>	<u>24,321,542</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,545,277)</u>
Revenue			<u>22,776,265</u>
<b>Segment results</b>	<b>152,582</b>	<b>9,256,418</b>	<b>9,409,000</b>
<i>Reconciliation:</i>			
Elimination of intersegment results			(54,670)
Bank interest income			110,380
Other interest income			245,273
Share of loss of an associate			(15,586)
Finance costs (other than interest on lease liabilities)			<u>(22,068)</u>
Profit before tax			<u>9,672,329</u>
<b>Segment assets</b>	<b>5,832,943</b>	<b>7,866,161</b>	<b>13,699,104</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>17,782,320</u>
Total assets			<u>31,481,424</u>
<b>Segment liabilities</b>	<b>1,445,516</b>	<b>4,883,252</b>	<b>6,328,768</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>2,749,286</u>
Total liabilities			<u>9,078,054</u>

**Year ended 31 December 2020**

	Raw milk <i>RMB'000</i>	Dairy products and nutritional supplements products <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>			
Sales to external customers	11,730	18,580,735	18,592,465
Intersegment sales	119,219	–	119,219
	<u>130,949</u>	<u>18,580,735</u>	<u>18,711,684</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(119,219)</u>
Revenue			<u>18,592,465</u>
<b>Segment results</b>	(3,154)	7,922,423	7,919,269
<i>Reconciliation:</i>			
Elimination of intersegment results			(36,442)
Bank interest income			124,562
Other interest income			213,049
Gain on bargain purchase			1,729,552
Share of loss of an associate			(5,571)
Finance costs (other than interest on lease liabilities)			<u>(43,930)</u>
Profit before tax			<u>9,900,489</u>
<b>Segment assets</b>	4,862,199	6,740,337	11,602,536
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(119,219)
Corporate and other unallocated assets			<u>16,839,521</u>
Total assets			<u>28,322,838</u>
<b>Segment liabilities</b>	886,842	5,494,884	6,381,726
<i>Reconciliation:</i>			
Elimination of intersegment payables			(119,219)
Corporate and other unallocated liabilities			<u>2,874,806</u>
Total liabilities			<u>9,137,313</u>

## Geographical information

### (a) Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	22,557,502	18,304,151
United States of America	<u>218,763</u>	<u>288,314</u>
	<u>22,776,265</u>	<u>18,592,465</u>

The revenue information above is based on locations of the customers.

### (b) Non-current assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	9,255,123	7,516,705
United States of America	73,054	97,799
Canada	<u>1,708,180</u>	<u>1,786,457</u>
	<u>11,036,357</u>	<u>9,400,961</u>

The non-current asset information is based on the locations of the assets and excludes financial instruments and deferred tax assets.

## Information about major customers

There was no single external customer of the Group that individually accounted for 10% or more of the Group's total revenue during the year (2020: Nil).

#### 4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced amount of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	<u>22,776,265</u>	<u>18,592,465</u>

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Raw milk <i>RMB'000</i>	Dairy products and nutritional supplements products <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Type of goods</b>			
Sales of goods	<u>231,261</u>	<u>22,545,004</u>	<u>22,776,265</u>
<b>Geographical markets</b>			
Mainland China	231,261	22,326,241	22,557,502
United States of America	–	218,763	218,763
Total revenue from contracts with customers	<u>231,261</u>	<u>22,545,004</u>	<u>22,776,265</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>231,261</u>	<u>22,545,004</u>	<u>22,776,265</u>

For the year ended 31 December 2020

Segments	Raw milk <i>RMB'000</i>	Dairy products and nutritional supplements products <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Type of goods</b>			
Sales of goods	11,730	18,580,735	18,592,465
<b>Geographical markets</b>			
Mainland China	11,730	18,292,421	18,304,151
United States of America	–	288,314	288,314
Total revenue from contracts with customers	11,730	18,580,735	18,592,465
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	11,730	18,580,735	18,592,465

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	1,805,049	1,047,653

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

***Sale of dairy products and raw milk***

The performance obligation is satisfied upon delivery of products. The Group has a policy of requiring payment in advance from customers for sales of products (other than cash and credit card sales), except for some major customers and raw milk customers, where the trading terms are on credit. The Group grants a defined credit period usually ranging from one to three months from the date of invoice to these customers.

***Sale of nutritional supplements***

The performance obligation is satisfied when the control of goods has been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

An analysis of other income and gains, net is as follows:

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Other income</b>			
Bank interest income		<b>110,380</b>	124,562
Other interest income		<b>245,273</b>	213,049
Government grants related to			
– Assets		<b>16,793</b>	12,973
– Income	(i)	<b>1,400,505</b>	997,636
Gross rental income		<b>13,926</b>	1,054
Reversal of impairment of other receivable		–	1,050
Others		<b>37,217</b>	30,493
		<b>1,824,094</b>	1,380,817
<b>Gains, net</b>			
Fair value gains on structured deposits, net		<b>118,821</b>	33,676
Others		<b>31,100</b>	–
		<b>149,921</b>	33,676
Total other income and gains, net		<b>1,974,015</b>	1,414,493
Gain on bargain purchase		–	1,729,552
		<b>1,974,015</b>	3,144,045

- (i) Various government grants have been received by the Group's subsidiaries operated in Heilongjiang and Jilin Provinces in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold*	5,471,463	5,012,242
Breeding costs to produce	927,758	73,586
Production costs for raw milk	369,455	26,359
	<u>6,768,676</u>	<u>5,112,187</u>
Cost of sales		
Depreciation of property, plant and equipment	461,811	220,478
Less: Capitalised in biological assets	(64,893)	(3,781)
	<u>396,918</u>	<u>216,697</u>
Depreciation recognised in the consolidated statement of profit or loss		
Depreciation of investment properties	12,474	930
Depreciation of right-of-use assets	32,865	45,245
Rent expense – short term leases	1,480	6,935
Rent expense – contingent rent	1,725	896
Interest expense on lease liabilities	7,084	6,230
Amortisation of intangible assets	1,095	7
Research and development costs <sup>@</sup>	425,756	265,335
Auditors' remuneration	10,326	7,840
Employee benefit expense* (excluding directors' and chief executive's remuneration):		
Wages and salaries	1,034,845	787,898
Pension scheme contributions (defined contribution schemes)**	141,180	44,699
Equity-settled share option expense	130,124	15,300
Less: Capitalised in biological assets	(54,466)	(3,453)
	<u>1,251,683</u>	<u>844,444</u>
Write-down of inventories to net realisable value <sup>#</sup>	15,678	1,754
Impairment/(reversal of impairment) of trade receivables, net	(19,027)	11,446
Reversal of impairment of other receivables, net	–	(1,050)
Impairment of right-of-use assets <sup>^</sup>	10,449	56,372
Impairment/(reversal of impairment) of property, plant and equipment <sup>^</sup>	(3,035)	2,710
Loss on disposal of items of property, plant and equipment, net <sup>^</sup>	15,018	18,181
Fair value gains on structured deposits	(118,821)	(33,676)

@ Included in "Administrative expenses" in the consolidated statement of profit or loss.

# Included in "Cost of sales" in the consolidated statement of profit or loss.

^ Included in "Other expenses" in the consolidated statement of profit or loss.

\* Part of the employee benefit expense is included in "Cost of inventories sold".

\*\* There are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions.

## 6. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% (2020: 25%) during the year.

According to the prevailing tax rules and regulations, certain subsidiaries of the Group operating in the agricultural business are exempted from enterprise income tax.

Subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2020: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current – PRC		
Charge for the year	<b>2,641,537</b>	2,398,574
Deferred	<b>115,896</b>	65,283
	<hr/>	<hr/>
Total tax charge for the year	<b><u>2,757,433</u></b>	<u>2,463,857</u>

## 7. DIVIDEND

Interim dividend of HK\$0.2973 (2020: HK\$0.1375) per ordinary share, equivalent to an aggregate of approximately RMB2.21 billion (2020: RMB1.10 billion) was declared and paid during the year ended 31 December 2021.

The proposed final dividend of HK\$0.1733 (2020: HK\$0.1586) per ordinary share, equivalent to an aggregate of approximately RMB1.26 billion (2020: equivalent to approximately RMB1.19 billion) for the year is subject to the approval of the Company’s shareholders at the forthcoming Annual General Meeting (the “AGM”).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the total of (i) the weighted average number of ordinary shares as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options into ordinary shares under the share option scheme.

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Profit for the year attributable to owners of the parent	<b>6,871,044</b>	7,436,873

	<b>Number of shares</b>	
	<b>2021</b>	2020
Shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<b>8,923,118,425</b>	8,933,340,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>178,049,475</b>	176,142,943
	<b>9,101,167,900</b>	9,109,482,943

## 9. TRADE AND BILLS RECEIVABLES

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<b>381,708</b>	224,307
Bills receivable	<b>97,634</b>	85,542
	<b>479,342</b>	309,849
Impairment	<b>(2,014)</b>	(21,041)
	<b>477,328</b>	288,808

The Group has a policy of requiring payment in advance from customers for the sale of products (other than cash and credit card sales and sales of raw milk), except for some major customers, where the trading terms are on credit. The Group grants a defined credit period usually ranging from one to three months from the date of invoice to these customers. The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	<b>354,633</b>	251,382
1 to 2 months	<b>100,762</b>	14,044
2 to 3 months	<b>17,387</b>	13,603
Over 3 months	<b>4,546</b>	9,779
	<b>477,328</b>	288,808

#### 10. TRADE AND BILLS PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and bills payables	<b>1,283,996</b>	1,132,941

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	<b>1,219,732</b>	1,086,328
3 to 6 months	<b>21,591</b>	23,433
Over 6 months	<b>42,673</b>	23,180
	<b>1,283,996</b>	1,132,941

The trade and bills payables are unsecured, non-interest-bearing and are normally settled on terms of one to six months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

China has been the world's most populous country and one of the fastest growing infant milk formula markets in the world. With continued urbanization and the rise in the number of women in the workplace, an increasing number of mothers in China have grown to realize the convenience and nutritional benefits offered by infant milk formula products as a supplement to and/or substitute for breast milk for their infants. According to the National Bureau of Statistics, China's birth rate dropped from 12.95‰ in 2016 to 7.52‰ in 2021, with number of newborns declining to 10.6 million in 2021. According to a report by Frost & Sullivan, an industry consulting firm, the number of children aging from zero to three decreased accordingly from 50.9 million in 2016 to approximately 37.1 million in 2021, with a CAGR of -7.8%. Despite the decline, it is expected in 2025 the number of newborns is expected to go back to the same level as in 2021, thanks to the supportive measures for the Three-Child policy. Due to the factors listed below, China's infant milk formula market in terms of retail sales value is expected to remain stable.

- Growth in consumers' confidence in the quality of and preference for China's infant milk formula products. With the enhancement in the quality management regime of China's dairy industry and the increased competitiveness of Chinese dairy brands, consumers' confidence in and consumption preference for China's infant milk formula products continued to increase. The growth in consumer demand for infant milk formula products will drive the production and sales of China's infant milk formula products, which could in turn better satisfy consumers' diversified and unique consumption needs.
- Growth of the high-end infant milk formula segment. Due to increasing urbanization, rising disposable income and growing health awareness, the demand for high-end infant milk formula products, particularly super-premium products, is expected to be the driving force of the overall infant milk formula industry in China. In addition, lower-tier cities as well as rural areas in China are becoming wealthier and more urbanized, and families in such regions are increasingly able to afford higher-quality infant milk formula products. In general, these regions have larger populations and therefore higher potential for consumption growth. According to the National Bureau of Statistics, China's per capita annual disposable income in 2021 reached RMB35,128, with a CAGR of 8.1% from 2016 to 2021. Such increase will in turn increase the consumption momentum of China's high-end infant milk formula products.
- Increasing urbanization and rising disposable income. The increase in the urbanization rate and the per capita annual disposable income of Chinese residents will enhance the purchasing power of consumers, allowing them to purchase more infant milk formula products. Lower-tier cities as well as rural areas in China are becoming wealthier and more urbanized, and families in such regions are increasingly able to afford higher-quality infant milk formula products. In general, these regions have larger populations and therefore higher potential for consumption growth.

- Favorable industry policies by the PRC government:
  - o The National Development and Reform Commission of China unveiled the Action Plan for the Promotion of Domestic Infant Milk Formula (國產嬰幼兒配方乳粉提升行動方案) in May 2019, aiming to increase the portion of domestically manufactured infant milk formula in China with a target to remain a 60% self-sufficient level in the industry, and to encourage the use of fresh milk in the production of infant milk formula.
  - o On 22 February 2021, a series of national safety standards on infant food and infant milk formula were released by the State Healthcare Commission, such as National Standard for Infant Formula Food Safety (GB10765-2021) (食品安全國家標準嬰兒配方食品) and National Standard for Larger Infant Formula Food Safety (GB 10766-2021) (食品安全國家標準較大嬰兒配方食品). The new national safety standards have made more strict provisions on areas such as protein, carbohydrate, microelement, which is conducive to the innovation of leading infant milk formula enterprises and the further development of infant milk formula industry.
  - o On 20 July 2021, the State Council issued the Decision on Optimizing Birth Policy to Promote Long-term Balanced Development of Population (關於優化生育政策促進人口長期均衡發展的決定), proposing the implementation of the three-child policy and supporting measures to slow down the decline of birth rate. Later, the National Healthcare Security Administration issued the Notice on Supporting Maternity Insurance under the Three-Child Policy (關於做好支持三孩政策生育保險工作的通知), and the National People’s Congress Standing Committee voted to pass the decision on amending the Law of Population and Family Planning, advocating on age-appropriate marriage and childbirth, which promotes childbirths. During the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC) in March 2022, the government reported the detailed implementation plan of the three-child policy, such as increasing maternity subsidies and medical security, adjustment of personal income tax on the care for children under three years old, and development of common affordable childcare services.
  - o On 28 July 2021, the State Administration for Market Regulation published the Notice of the public solicitation for opinions on the Announcement of the State Administration for Market Regulation on the Further Regulation of Labels and Identification of Infant Milk Formula Product (Draft for Comment) (市場監管總局關於進一步規範嬰幼兒配方乳粉產品標籤標識的公告 (徵求意見稿)), which made further stipulations on the characteristics, such as the label’s main display layout, content claim, pattern, and feeding suggestion form. In addition, it is stipulated that if the product name refers to certain animal origin, all the milk protein raw materials in the product should come from such animal species. For compound ingredients in product ingredient list (excluding compound food additives), the original ingredients must be specified. Furthermore, companies not in compliance with the above stipulations are required to rectify within 6 months upon the issuance of the announcement.

## **Business Overview**

### ***Dairy Products***

The Group offers a diversified products portfolio to meet a wide range of customer needs, including infant milk formula products, children milk powder products, adult milk powder products, etc. Among them, infant milk formula products are designed to achieve an optimal balance of key ingredients through in-house research and development on formulations and continuous in-depth research on breast milk. The Group provides a series of well-known infant milk formula products, covering regular, premium and super-premium series, to better provide customers with a variety of choices.

### ***Sales and Distribution Network***

The Group primarily sells its products through an extensive nationwide distribution network of over 2,000 offline customers with approximately 110,000 retail points of sale as at 31 December 2021. The Group's offline customers are distributors who sell our products to retail outlets as well as maternity store operators, supermarkets and hypermarket chains in some cases. Revenue generated through sales to the Group's offline customers accounted for 85.8% of its total revenue from dairy products for the year ended 31 December 2021.

To capture the rapid growth from e-commerce sales in China, particularly among younger generations of consumers, the Group's products are also sold directly on some of the largest e-commerce platforms as well as through its own website and mobile applications.

### ***Production Capacity Improvements***

The Group continued to optimize its production arrangements to increase its capacity and efficiency. As at 31 December 2021, the Group had nine production facilities to manufacture its products with a designed annual production capacity of approximately 267,000 tonnes in total. The Group regularly upgrades and expands its production facilities to meet its production needs. In anticipation of the Group's continued robust growth and increasing demand for its products, the Group has completed the expansion of one of its existing production facilities (our Longjiang plant), has acquired a production facility in Shaanxi and is constructing two new production facilities (our Harbin plant and Qiqihaer plant).

## *Marketing*

The Group is a pioneer in China's infant milk formula market by positioning its brand as "More Suitable for Chinese Babies" (更適合中國寶寶體質) and has an established strong brand association with this message. The Group's innovative online and offline marketing strategies have enabled Feihe to become one of the most widely recognized and reputable infant milk formula brands among Chinese consumers today. The Group's marketing strategy consists of three key components:

- Face-to-face seminars, including Mother's Love seminars, Carnivals and Roadshows. For the year ended 31 December 2021, more than 1,000,000 face-to-face seminars were held in total, which include more than 21,000 online face-to-face seminars and 998,000 offline face-to-face seminars. The number of new customers we acquired exceeded 2,266,000.
- Maximize online interactivity with consumers; and
- Targeted and results-driven exposure on media.

## *Vitamin World USA*

The Group acquired the retail health care business of Vitamin World in early 2018 through Vitamin World USA ("**Vitamin World USA**"). Vitamin World USA engages in the retailing of vitamins, minerals, herbs, and other nutritional supplements. It operated more than 60 specialty stores across the United States of America (the "**United States**"), mostly in malls and outlet centres, and employed 242 people as at 31 December 2021. The Group also sells such products through its own website Vitamin World USA, and e-commerce platforms. Revenue generated from nutritional supplement products was RMB270.0 million, accounting for 1.2% of the Group's total revenue for the year ended 31 December 2021.

## Operating Results and Analysis

The table below sets forth the Group's consolidated statement of profit or loss and consolidated statement of comprehensive income in absolute amounts and as a percentage of the Group's total revenue for the years indicated, together with changes (expressed in percentages) from 2020 to 2021.

### Consolidated statement of profit or loss

	Year Ended 31 December				Year-on-Year Change
	2021		2020		
	<i>(In thousands of RMB, except percentages)</i>				
Revenue	22,776,265	100%	18,592,465	100%	22.5%
Cost of sales	(6,768,676)	(29.7)%	(5,112,187)	(27.5)%	32.4%
<b>Gross profit</b>	<b>16,007,589</b>	<b>70.3%</b>	13,480,278	72.5%	18.7%
Other income and gains, net	1,974,015	8.7%	1,414,493	7.6%	39.6%
Gain on bargain purchase	–	0%	1,729,552	9.3%	N/A
Selling and distribution expenses	(6,729,305)	(29.5)%	(5,263,430)	(28.3)%	27.9%
Administrative expenses	(1,207,982)	(5.3)%	(1,161,214)	(6.2)%	4.0%
Other expenses	(89,509)	(0.4)%	(231,085)	(1.2)%	(61.3)%
Finance costs	(29,152)	(0.1)%	(50,160)	(0.3)%	(41.9)%
Share of loss of an associate	(15,586)	0%	(5,571)	0%	179.8%
Changes in fair value less costs to sell of biological assets	(237,741)	(1.0)%	(12,374)	(0.1)%	1,821.3%
<b>Profit before tax</b>	<b>9,672,329</b>	<b>42.5%</b>	9,900,489	53.3%	(2.3)%
Income tax expense	(2,757,433)	(12.1)%	(2,463,857)	(13.3)%	11.9%
Profit for the year	<b>6,914,896</b>	<b>30.4%</b>	7,436,632	40.0%	(7.0)%
<b>Other comprehensive loss</b>					
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(70,280)	(0.3)%	(144,687)	0.8%	(51.4)%
<b>Total comprehensive income for the year</b>	<b>6,844,616</b>	<b>30.1%</b>	7,291,945	39.2%	(6.1)%

## Revenue

The Group's revenue increased by 22.5% from RMB18,592.5 million in 2020 to RMB22,776.3 million in 2021, primarily due to (i) an increase in revenue generated from the premium infant milk formula product series and (ii) an increase in revenue generated from children milk powder product series. The decrease in revenue from nutritional supplement products from 2020 to 2021 was primarily due to a low volume of consumer traffic attributable to the COVID-19 pandemic.

The following table sets forth a breakdown of the Group's revenue by product category for the years indicated.

	Year Ended 31 December				Year-on-Year Change
	2021		2020		
	<i>(In thousands of RMB, except percentages)</i>				
Infant milk formula products	<b>21,515,256</b>	<b>94.4%</b>	17,673,809	95.0%	21.7%
Other dairy products*	<b>991,011</b>	<b>4.4%</b>	607,001	3.3%	63.3%
Nutritional supplement products	<b>269,998</b>	<b>1.2%</b>	311,655	1.7%	(13.4)%
<b>Total revenue</b>	<b><u>22,776,265</u></b>	<b><u>100.0%</u></b>	<b><u>18,592,465</u></b>	<b><u>100.0%</u></b>	<b><u>22.5%</u></b>

\* Our other dairy products include adult milk powder, liquid milk, rice powder supplement products and other related products, among others.

## Cost of Sales

The Group's cost of sales increased by 32.4% from RMB5,112.2 million in 2020 to RMB6,768.7 million in 2021, primarily due to the increased sales of the Group's products.

### ***Gross Profit and Gross Profit Margin***

The table below sets forth a breakdown of the Group's gross profit and gross profit margin by product category for the years indicated.

	Year Ended 31 December				Year-on-Year Change in Gross Profit
	2021		2020		
	Gross Profit	Gross Profit Margin <i>(In thousands of RMB, except percentages)</i>	Gross Profit	Gross Profit Margin	
Infant milk formula products	15,588,452	72.4%	13,098,171	74.1%	19.0%
Other dairy products	281,421	28.4%	233,685	38.5%	20.4%
Nutritional supplement products	137,716	51.0%	148,422	47.6%	(7.2)%
<b>Gross profit</b>	<b>16,007,589</b>	<b>70.3%</b>	<b>13,480,278</b>	<b>72.5%</b>	<b>18.7%</b>

As a result of the foregoing, the Group's gross profit increased by 18.7% from RMB13,480.3 million in 2020 to RMB16,007.6 million in 2021.

The Group's gross profit margin decreased from 72.5% in 2020 to 70.3% in 2021, primarily due to an increase in the proportion of the sales of liquid milk and other dairy products, which had relatively low gross profit margins.

### ***Other Income and Gains, Net***

Our other income and gains, net increased by 39.6% from RMB1,414.5 million in 2020 to RMB1,974.0 million in 2021, primarily due to an increase in government grants.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 27.9% from RMB5,263.4 million in 2020 to RMB6,729.3 million in 2021, primarily due to an increase in costs in relation to offline sales and promotion events.

### ***Administrative Expenses***

Our administrative expenses increased by 4.0% from RMB1,161.2 million in 2020 to RMB1,208.0 million in 2021, primarily due to an increase in staff costs and research and development costs.

### ***Other Expenses***

Our other expenses decreased by 61.3% from RMB231.1 million in 2020 to RMB89.5 million in 2021, primarily due to the decrease in public donations.

### ***Finance Costs***

Our finance costs decreased by 41.9% from RMB50.2 million in 2020 to RMB29.2 million in 2021, primarily due to a decrease in our interest-bearing borrowings.

### ***Profit before Tax***

As a result of the foregoing, the Group's profit before tax decreased by 2.3% from RMB9,900.5 million in 2020 to RMB9,672.3 million in 2021. Excluding the gain on bargain purchase in relation to the acquisition of YuanShengTai Dairy Farm Limited in 2020, the Group's profit for the year had an increase of 21.2% as compared with last year.

### ***Income Tax Expense***

Our income tax expense increased by 11.9% from RMB2,463.9 million in 2020 to RMB2,757.4 million in 2021 as a result of an increase in our taxable profit in 2021.

The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, was 24.9% in 2020 and 28.5% in 2021.

### ***Profit for the Year***

As a result of the foregoing, our profit for the year decreased by 7.0% from RMB7,436.6 million in 2020 to RMB6,914.9 million in 2021.

### **Liquidity and Capital Resources**

In 2021, the Group financed its operations primarily through cash flows from operations, interest-bearing bank and other borrowings, and net proceeds from the global offering of the Company (the "**Global Offering**"). The Group monitors its bank balances on a daily basis and conduct monthly reviews of our cash flows. We also prepare a monthly cash flow plan and forecast, which is submitted for approval by our Chief Financial Officer and Vice President of Finance Department, to ensure that we are able to maintain an optimum level of liquidity and meet our working capital needs.

In addition, we also used cash to purchase wealth management products. The underlying financial assets of the wealth management products generally are a basket of assets with a combination of money market instruments such as money market funds, interbank lending and time deposits, debt, bonds and other assets such as assets in insurance, trust fund plans and letters of credit. We form our portfolio of wealth management products with the view of achieving (i) a relatively low level of risk, (ii) good liquidity and (iii) an enhanced yield. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our overall financial condition, market and investment conditions, economic developments, investment cost, duration of investment and the expected returns and potential risks of such investment.

### ***Cash and Cash Equivalents***

As at 31 December 2021, the Group had cash and cash equivalents of RMB9,629.3 million, which primarily consisted of cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted for use.

### ***Net Proceeds from the Global Offering***

For net proceeds from the Global Offering, please see “Use of Net Proceeds from the Global Offering”.

### ***Bank and Other Borrowings***

As at 31 December 2021, the Group’s interest-bearing bank and other borrowings were approximately RMB934.2 million.

### **Capital Structure**

As at 31 December 2021, the Group had net assets of RMB22,403.4 million, comprising current assets of RMB19,969.6 million, non-current assets of RMB11,511.8 million, current liabilities of RMB6,942.1 million and non-current liabilities of RMB2,135.9 million.

The Group’s gearing ratio was calculated by net debt divided by the capital plus net debt. Net debt is calculated as interest-bearing bank and other borrowings, as shown in the consolidated statements of financial position less cash and bank balances, time deposits, restricted cash and pledged deposits. Total capital is calculated as equity holders’ funds (i.e., total equity attributable to equity holder of the Company), as shown in the consolidated statements of financial position. The Group’s gearing ratio decreased from (0.50) as at 31 December 2020 to (0.42) as at 31 December 2021.

## **Cash Flow**

The Group's net cash flows from operating activities was RMB6,814.9 million in 2021, as compared with RMB7,748.0 million in 2020. The Group's net cash flows used in investing activities was RMB2,444.2 million in 2021, as compared with RMB3,786.5 million in 2020. The Group's net cash flows used in financing activities was RMB4,245.4 million in 2021, as compared with net cash flows used in financing activities of RMB2,542.8 million in 2020.

## **Interest Rate Risk and Exchange Rate Risk**

We are exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. During the year ended 31 December 2021, we have not used any derivatives to hedge interest rate risk.

We have transactional currency exposures mainly with respect to our bank and other loans denominated in U.S. dollars and Canadian dollars. During the year ended 31 December 2021, we did not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure in accordance with our plans to develop overseas business.

## **Capital Expenditure and Commitments**

For the year ended 31 December 2021, the capital expenditures incurred by the Group was approximately RMB1,447.2 million, primarily attributable to purchase of property, plant and equipment and right-of-use assets. As at 31 December 2021, the capital commitments of the Company was approximately RMB652.3 million, primarily attributable to construction and purchases of items of property, plant and equipment.

## **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

During the year ended 31 December 2021, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies.

## **Pledge of the Group's Assets**

As at 31 December 2021, the total pledged group assets amounted to approximately RMB1,852.8 million, representing an increase of RMB101.7 million as compared with the beginning of 2021.

## **Future Plans for Material Investments or Capital Assets**

Save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

## **Contingent Liabilities**

As at 31 December 2021, the Group did not have any contingent liabilities.

## **Subsequent Events**

There have been no material events affecting the Company between 31 December 2021 and the date of this announcement.

## **Future Prospects**

Facing new opportunities and challenges in the future, we will continue to build a solid foundation for industries and products, markets and services, R&D and innovation. We will comprehensively embrace new generations, new business operations and conditions, new consumption patterns and new scenarios, always keep up with the times and innovate from our original aspirations.

We will consolidate our scientific and technological innovation ecosystem, reinforce our scientific research strengths in China’s breast milk, infants and children’s nutrition and health, vigorously advance our scientific research of precise nutrition in the whole life cycle, and constantly develop good functional products more suitable for the physique of Chinese people. We will further promote the digital and intelligent upgrade of the entire industry chain, and build world-class smart plants, smart ranches and digital agriculture to consolidate the values of freshness. We will strengthen user-oriented thinking, create a new omnichannel operation model, and realize intelligent evolution and digital integration from the supply and production side to the consumption and service side. We will build a new industrial ecology and work closely with upstream and downstream partners to create social value, share social responsibility, and jointly promote the green, low-carbon and ecological cycle development of the entire industry chain.

2022 marks the 60th anniversary of the establishment of China Feihe. With our conscience and ingenuity, we will do our best to develop the “mother’s career and future career”, carry forward the core values of “users first, practical style, win-win outcome, and continuous improvement”, practice the corporate mission of “bringing joy and health to families”, and strive to be the most trusted and respected family nutrition expert. We will forge ahead to Feihe’s centennial, and show the spirit of the times and the powerful image of Chinese brands.

## **OTHER INFORMATION**

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company recognizes the importance of maintaining and promoting sound corporate governance. The principles of the Company's corporate governance are to promote effective internal control measures, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to the Company and its shareholders. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

Save as disclosed below, the Board is of the view that the Company has complied with the applicable code provisions of the CG Code for the year ended 31 December 2021 (the "**Reporting Period**").

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman and Chief Executive Officer of the Company are held by Mr. LENG Youbin ("**Mr. Leng**"), who has in-depth industry experience and knowledge about the operation and management of the business of the Company. Mr. Leng is the founder of the Group and has been operating and managing the Group. He is responsible for the overall development strategies and business plans of the Group. The Board is of the view that given that Mr. Leng had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the code of conduct regarding directors' dealings in the securities of the Company.

Having made specific enquiry of all the directors of the Company, all the directors confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period. The Board has also established the "Code of Conduct for Securities Transactions for Relevant Employees" on terms no less exacting than the Model Code to regulate dealings by relevant employees who are likely to be in possession of inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company exercised its powers under the general mandate to repurchase the shares of the Company (the “Shares”) granted by the shareholders of the Company to the Board, which shall expire on the conclusion of the next annual general meeting of the Company, and repurchased a total of 28,124,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$439.3 million (the “Share Repurchase”). All of these repurchased Shares were subsequently cancelled. The total number of Shares of the Company in issue as at 31 December 2021 is 8,915,239,000 (including a total of 10,023,000 Shares have been repurchased but not yet cancelled). Details of the repurchase of Shares are summarized as follows:

<b>Date of repurchases</b>	<b>Number of Shares repurchased</b>	<b>Highest price paid HK\$</b>	<b>Lowest price paid HK\$</b>
9 June 2021	8,601,000	19.60	19.20
10 June 2021	2,500,000	19.26	19.20
16 June 2021	2,000,000	19.00	18.88
21 June 2021	3,000,000	17.70	17.22
<b>Sub total</b>	<b>16,101,000</b>		
24 September 2021	2,000,000	12.70	12.64
<b>Sub total</b>	<b>2,000,000</b>		
23 November 2021	3,000,000	11.30	11.30
26 November 2021	1,000,000	11.00	10.98
<b>Sub total</b>	<b>4,000,000</b>		
2 December 2021	1,000,000	9.90	9.90
3 December 2021	500,000	9.90	9.90
6 December 2021	500,000	9.90	9.90
7 December 2021	500,000	10.26	10.20
14 December 2021	500,000	10.90	10.90
15 December 2021	500,000	10.70	10.68
16 December 2021	500,000	10.70	10.66
17 December 2021	500,000	10.66	10.62
20 December 2021	500,000	10.44	10.42
21 December 2021	500,000	10.58	10.54
22 December 2021	500,000	10.60	10.60
29 December 2021	23,000	10.30	10.30
<b>Sub total</b>	<b>6,023,000</b>		
<b>Total</b>	<b>28,124,000</b>		

The Board considers that the then trading price of the Shares did not reflect their intrinsic value and the business prospects as perceived by investors. The Share Repurchase reflects the confidence of the Board and the management team in the current and long-term business outlook and growth of the Company, driven by the Company's market leading position. The Board considers that the Share Repurchase is in the best interest of the Company and its shareholders as a whole.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the Reporting Period.

## **USE OF NET PROCEEDS FROM THE GLOBAL OFFERING**

The Company was listed on the Stock Exchange on 13 November 2019 and the net proceeds raised from the Global Offering were approximately HK\$6,554.7 million. During the Reporting Period, there was no change in the intended use of net proceeds as disclosed in the prospectus of the Company (the "**Prospectus**").

As at 31 December 2021, the Company has utilized the net proceeds from the Global Offering for the following purpose: (i) HK\$1,544.3 million being used for the payment of offshore debts; (ii) HK\$202.4 million being used for the expansion of Vitamin World USA operations; (iii) HK\$655.0 million being used for the working capital and general corporate purposes; (iv) HK\$1,310.9 million being used for merger and acquisition; and (v) HK\$50.5 million being used for funding the operation of the Group's Kingston plant. For the amounts not yet utilized, the Company will apply the remaining net proceeds in the manner set out in the Prospectus.

## **AUDIT COMMITTEE**

The Company has established the audit committee under the Board (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. FAN Yonghong, Mr. GAO Yu and Mr. Jacques Maurice LAFORGE. Mr. FAN Yonghong is the chairman of the Audit Committee.

The Audit Committee has reviewed with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control, whistleblowing policy and system and financial reporting matters, including the review of the Group's financial statements and annual results for the year ended 31 December 2021.

## SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary announcement.

## FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK\$0.1733 per Share for the year ended 31 December 2021 (the "**2021 Final Dividend**") with an aggregate amount of approximately HK\$1,543,481,000 (equalling approximately RMB1,255,606,000) to shareholders of the Company (the "**Shareholders**") whose names are listed on the Company's register of members as at 11 October 2022, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"). The 2021 Final Dividend is based on our dividend policy set out in the Prospectus of intending to distribute no less than 30% of our net profit for each financial year, which consists of 30% of our profit for the six months ended 31 December 2021 and an approximately additional 10% of our profit for the six months ended 31 December 2021, totalling approximately 40% of our profit for the six months ended 31 December 2021 in RMB denomination being converted into Hong Kong dollar denomination based on the average central parity rate of RMB to Hong Kong dollar as announced by the People's Bank of China for the five business days prior to the date of this announcement. For the avoidance of doubt, such profit for the six months ended 31 December 2021 does not include the profit of YuanShengTai Dairy Farm Limited. The 2021 Final Dividend will be declared and paid in Hong Kong dollars. Once the relevant resolution is passed at the AGM, the 2021 Final Dividend is expected to be paid on or around 20 October 2022. The Company also paid an interim dividend of HK\$0.2973 per Share with an aggregate amount of approximately HK\$2,651,095,000 (equalling approximately RMB2,206,506,000) in September 2021.

We intend to maintain our dividend policy of distributing no less than 30% of our total net profit for each financial year to our Shareholders going forward, subject to our future investments plans.

## **ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS**

The AGM will be held on 28 June 2022, for considering, among other things, the 2021 Final Dividend. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course. In order to ascertain Shareholders' entitlement to attend and vote at the AGM and to the proposed 2021 Final Dividend, the register of members of the Company will be closed from 23 June 2022 to 28 June 2022 (both days inclusive) and from 10 October 2022 to 11 October 2022 (both days inclusive) respectively, during which periods no transfer of Shares will be registered.

In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant Share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 22 June 2022. Shareholders whose names appear on the register of members of the Company on 28 June 2022 will be entitled to attend and vote at the AGM.

In order to qualify for the 2021 Final Dividend (subject to the approval by Shareholders at the AGM), all transfer documents accompanied by the relevant Share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration no later than 4:30 p.m. on 7 October 2022. The 2021 Final Dividend will be paid to the Shareholders whose names are listed on the Company's register of members as at 11 October 2022.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the HKEXnews website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.feihe.com](http://www.feihe.com). The 2021 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders in due course and will be published on the websites of the Company and the Stock Exchange.

By order of the Board  
**China Feihe Limited**  
**LENG Youbin**  
*Chairman*

Beijing, the PRC, 28 March 2022

*As at the date of this announcement, our executive directors are Mr. LENG Youbin, Mr. LIU Hua, Mr. CAI Fangliang, Ms. Judy Fong-Yee TU; our non-executive directors are Mr. GAO Yu, Mr. Kingsley Kwok King CHAN and Mr. CHEUNG Kwok Wah; and our independent non-executive directors are Ms. LIU Jinping, Mr. SONG Jianwu, Mr. FAN Yonghong and Mr. Jacques Maurice LAFORGE.*