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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 2023**

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023:

- The Group's revenue was RMB19,532.2 million, representing a decrease of 8.3% as compared with last year.
- The Group's gross profit was RMB12,663.4 million, representing a decrease of 9.2% as compared with last year.
- The Group's profit for the year was RMB3,290.4 million, representing a decrease of 33.5% as compared with last year.
- Basic earnings per share of the Company amounted to RMB0.37 (2022: RMB0.55).
- Diluted earnings per share of the Company amounted to RMB0.37 (2022: RMB0.55).
- The Board has proposed to declare final dividend of HK\$0.1484 per share of the Company (2022: HK\$0.1721 per share of the Company). The Company also paid an interim dividend of HK\$0.1349 per share of the Company with an aggregate amount of approximately HK\$1,223,021,000 (equalling approximately RMB1,136,522,000) in September 2023.

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**”, “**We**” or “**Feihe**”) for the year ended 31 December 2023, together with the comparative amounts and explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	19,532,203	21,310,933
Cost of sales		<u>(6,868,850)</u>	<u>(7,360,333)</u>
Gross profit		12,663,353	13,950,600
Other income and gains, net	4	1,659,531	1,368,642
Selling and distribution expenses		(6,709,067)	(6,545,373)
Administrative expenses		(1,762,049)	(1,535,012)
Other expenses		(100,862)	(135,252)
Finance costs		(53,132)	(33,640)
Share of loss of an associate		(5,958)	(15,548)
Share of loss of a joint venture		(1,450)	(1,705)
Impairment losses on property, plant and equipment and right-of-use assets		(89,812)	–
Changes in fair value less costs to sell of biological assets		<u>(750,262)</u>	<u>(389,603)</u>
PROFIT BEFORE TAX	5	4,850,292	6,663,109
Income tax expense	6	<u>(1,559,940)</u>	<u>(1,715,003)</u>
PROFIT FOR THE YEAR		<u>3,290,352</u>	<u>4,948,106</u>
Attributable to:			
Owners of the parent		3,390,009	4,942,048
Non-controlling interests		<u>(99,657)</u>	<u>6,058</u>
		<u>3,290,352</u>	<u>4,948,106</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic (expressed in RMB per share)	8	<u>0.37</u>	<u>0.55</u>
Diluted (expressed in RMB per share)	8	<u>0.37</u>	<u>0.55</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>3,290,352</u>	<u>4,948,106</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements of group companies	<u>153,660</u>	<u>161,927</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>3,444,012</u>	<u>5,110,033</u>
Attributable to:		
Owners of the parent	3,543,469	5,103,159
Non-controlling interests	<u>(99,457)</u>	<u>6,874</u>
	<u>3,444,012</u>	<u>5,110,033</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,494,034	9,500,435
Investment properties		211,741	109,812
Right-of-use assets		395,097	408,696
Goodwill		112,402	112,402
Intangible assets		16,334	18,514
Investment in a joint venture		3,338	4,578
Investment in an associate		99,866	105,824
Financial asset at fair value through other comprehensive income		1,800	1,800
Deposits		110,873	319,776
Biological assets		2,252,706	2,025,292
Deferred tax assets		402,216	438,963
Long-term bank deposits		540,000	240,000
		<hr/>	<hr/>
Total non-current assets		13,640,407	13,286,092
CURRENT ASSETS			
Inventories		2,258,059	1,994,166
Trade and bills receivables	9	431,184	430,651
Prepayments, deposits and other receivables		694,959	506,691
Due from a related company		–	185,824
Structured deposits		8,670,910	9,746,305
Restricted cash		58,218	30,108
Cash and cash equivalents		10,440,941	9,335,936
		<hr/>	<hr/>
Total current assets		22,554,271	22,229,681
CURRENT LIABILITIES			
Trade and bills payables	10	1,838,223	1,773,848
Other payables and accruals		4,660,948	4,704,704
Interest-bearing bank and other borrowings		504,914	446,636
Lease liabilities		87,402	66,742
Tax payable		290,743	467,759
		<hr/>	<hr/>
Total current liabilities		7,382,230	7,459,689
		<hr/>	<hr/>
NET CURRENT ASSETS		15,172,041	14,769,992
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,812,448	28,056,084
		<hr/>	<hr/>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		872,836	861,994
Other payables and accruals		620,756	627,962
Deferred tax liabilities		813,250	965,312
Lease liabilities		171,260	125,873
		<hr/>	<hr/>
Total non-current liabilities		2,478,102	2,581,141
		<hr/>	<hr/>
NET ASSETS		26,334,346	25,474,943
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1	1
Reserves		24,944,858	23,985,998
		<hr/>	<hr/>
		24,944,859	23,985,999
Non-controlling interests		1,389,487	1,488,944
		<hr/>	<hr/>
Total equity		26,334,346	25,474,943
		<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 1103, George Town, Grand Cayman KY1-1102, Cayman Islands.

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") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs"), and Interpretations) 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 (RMB'000) 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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets, investment properties and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

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 a 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, share of loss of a joint venture, 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, an amount due from a related company, structured deposits, long-term bank 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 2023

	Raw milk	Dairy products and nutritional supplements	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	234,060	19,298,143	19,532,203
Intersegment sales	1,974,521	–	1,974,521
	<u>2,208,581</u>	<u>19,298,143</u>	<u>21,506,724</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,974,521)</u>
Revenue			<u>19,532,203</u>
Segment results	(325,738)	4,756,742	4,431,004
<i>Reconciliation:</i>			
Elimination of intersegment results			2,274
Bank interest income			198,911
Other interest income			269,499
Share of loss of an associate			(5,958)
Share of loss of a joint venture			(1,450)
Finance costs (other than interest on lease liabilities)			<u>(43,988)</u>
Profit before tax			<u>4,850,292</u>
Segment assets	7,374,703	8,593,488	15,968,191
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>20,226,487</u>
Total assets			<u>36,194,678</u>
Segment liabilities	2,232,003	5,146,586	7,378,589
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>2,481,743</u>
Total liabilities			<u>9,860,332</u>

Year ended 31 December 2022

	Raw milk <i>RMB'000</i>	Dairy products and nutritional supplements products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
Sales to external customers	349,079	20,961,854	21,310,933
Intersegment sales	1,741,264	–	1,741,264
	<u>2,090,343</u>	<u>20,961,854</u>	<u>23,052,197</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,741,264)</u>
Revenue			<u>21,310,933</u>
Segment results	14,334	6,346,680	6,361,014
<i>Reconciliation:</i>			
Elimination of intersegment results			(3,408)
Bank interest income			114,657
Other interest income			234,776
Share of loss of an associate			(15,548)
Share of loss of a joint venture			(1,705)
Finance costs (other than interest on lease liabilities)			<u>(26,677)</u>
Profit before tax			<u>6,663,109</u>
Segment assets	7,232,299	8,432,136	15,664,435
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>19,851,338</u>
Total assets			<u>35,515,773</u>
Segment liabilities	2,016,638	5,282,491	7,299,129
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>2,741,701</u>
Total liabilities			<u>10,040,830</u>

Geographical information

(a) Revenue from external customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Mainland China	19,287,735	21,102,465
United States of America	206,671	208,468
Canada	37,797	–
	<u>19,532,203</u>	<u>21,310,933</u>

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

(b) Non-current assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Mainland China	10,971,859	10,879,929
United States of America	42,901	61,670
Canada	1,681,631	1,663,730
	<u>12,696,391</u>	<u>12,605,329</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 (2022: 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	<u>19,532,203</u>	<u>21,310,933</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Raw milk RMB'000	Dairy products and nutritional supplements products RMB'000	Total RMB'000
Type of goods			
Sales of goods	<u>234,060</u>	<u>19,298,143</u>	<u>19,532,203</u>
Geographical markets			
Mainland China	234,060	19,053,675	19,287,735
United States of America	–	206,671	206,671
Canada	–	37,797	37,797
Total revenue from contracts with customers	<u>234,060</u>	<u>19,298,143</u>	<u>19,532,203</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>234,060</u>	<u>19,298,143</u>	<u>19,532,203</u>

For the year ended 31 December 2022

Segments	Raw milk RMB'000	Dairy products and nutritional supplements products RMB'000	Total RMB'000
Type of goods			
Sales of goods	<u>349,079</u>	<u>20,961,854</u>	<u>21,310,933</u>
Geographical markets			
Mainland China	349,079	20,753,386	21,102,465
United States of America	–	208,468	208,468
Total revenue from contracts with customers	<u>349,079</u>	<u>20,961,854</u>	<u>21,310,933</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>349,079</u>	<u>20,961,854</u>	<u>21,310,933</u>

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	1,067,872	1,457,641

(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 the sales of products (other than cash and credit card sales), 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.

Sale of nutritional supplements

The performance obligation is satisfied when 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>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income		198,911	114,657
Other interest income		271,121	234,776
Government grants related to			
– Assets		57,221	61,238
– Income	(i)	916,199	839,489
Gross rental income from investment property operating leases		52,196	21,026
Others		64,373	3,694
		1,560,021	1,274,880
Gains, net			
Fair value gains on structured deposits, net		99,510	93,605
Others		–	157
		99,510	93,762
Total other income and gains, net		1,659,531	1,368,642

- (i) Various government grants have been received by the Group's subsidiaries operated 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):

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold*	5,251,008	5,791,705
Breeding costs to produce	1,195,214	1,148,864
Production costs for raw milk	422,628	419,764
	<u>6,868,850</u>	<u>7,360,333</u>
Cost of sales		
Depreciation of property, plant and equipment	630,037	543,737
Less: Capitalised in biological assets	(96,652)	(98,809)
	<u>533,385</u>	<u>444,928</u>
Depreciation recognised in the consolidated statement of profit or loss		
Depreciation of investment properties	45,192	19,700
Depreciation of right-of-use assets	27,176	27,636
Employee benefit expense* (excluding directors' and chief executive's remuneration):		
Wages and salaries	1,130,052	1,188,836
Pension scheme contributions (defined contribution schemes)**	233,407	218,433
Equity-settled share-based expense	162,656	61,295
Less: Capitalised in biological assets	(96,125)	(78,529)
	<u>1,429,990</u>	<u>1,390,035</u>
Write-down of inventories to net realisable value#	42,726	26,634
Impairment of trade receivables, net	961	5,828
Impairment of right-of-use assets	–	7,423
Loss on disposal of items of property, plant and equipment, net	663	41,777
Fair value gains on structured deposits	(99,510)	(93,605)

Included in "Cost of sales" 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% (2022: 25%) during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – PRC		
Charge for the year	1,665,311	1,462,716
Current – elsewhere		
Charge for the year	12,373	11,374
Deferred	<u>(117,744)</u>	<u>240,913</u>
Total tax charge for the year	<u>1,559,940</u>	<u>1,715,003</u>

7. DIVIDEND

Interim dividend of HK\$0.1349 (2022: HK\$0.1131) per ordinary share, equivalent to an aggregate of approximately RMB1.14 billion (2022: RMB0.9 billion) was declared and paid during the year ended 31 December 2023.

The proposed final dividend of HK\$0.1484 (2022: HK\$0.1721) per ordinary share, equivalent to an aggregate of approximately RMB1.22 billion (2022: equivalent to approximately RMB1.37 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 amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022 (excluding treasury shares).

The calculation of the diluted earnings per share amounts 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 in issue during the year, 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 and the effect of share award plan.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	<u>3,390,009</u>	<u>4,942,048</u>

	Number of shares	
	2023	2022
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	9,060,350,520	8,941,352,894
Effect of dilution – weighted average number of ordinary shares:		
Share award	17,221,290	–
	9,077,571,810	8,941,352,894

9. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	423,743	427,792
Bills receivable	16,244	10,701
	439,987	438,493
Impairment	(8,803)	(7,842)
	431,184	430,651

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:

	2023	2022
	RMB'000	RMB'000
Within 1 month	231,086	186,406
1 to 2 months	144,011	136,654
2 to 3 months	30,321	68,671
Over 3 months	25,766	38,920
	431,184	430,651

10. TRADE AND BILLS PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills payables	1,838,223	1,773,848

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	1,730,387	1,728,024
3 to 6 months	68,854	17,524
Over 6 months	38,982	28,300
	1,838,223	1,773,848

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 one of the most populous countries. 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 10.94‰ in 2018 to 6.39‰ in 2023, with number of newborns declining to approximately 9.0 million in 2023. According to Frost & Sullivan, an industry consulting firm, the number of children aging from zero to three decreased accordingly from approximately 50.1 million in 2018 to approximately 28.5 million in 2023, with a compound annual growth rate (“CAGR”) of -10.6%. Despite the decline from 2018 to 2023, the decline in the number of newborns is expected to slow down from 2023 to 2027, 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. Such increase 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 is expected to be the driving force of the overall infant milk formula industry in China. According to the National Bureau of Statistics, China's per capita annual disposable income in 2023 reached RMB39,218, with a CAGR of 6.8% from 2018 to 2023. 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 industrial 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幼兒配方食品) 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). After a transition period of two years, those standards were implemented on 22 February 2023. The new national safety standards have made stricter 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 commonly affordable childcare services.
 - o On 12 November 2021, the State Administration for Market Regulation published the Announcement of the State Administration for Market Regulation on the Further Regulation of Labels and Identification of Infant Milk Formula Product (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) (the “**SAMR Announcement**”), 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. From the date of the SAMR Announcement, the registration application for the infant formula products shall be carried out according to the stipulations contained therein. With effect from 22 February 2023, labels and markings on manufactured products shall comply with the requirements of the SAMR Announcement. Products manufactured prior to this date can be sold until the expiration of their shelf life.

- o On 10 July 2023, the State Administration for Market Regulation published the Amendment to the Measures for the Administration of Formula Registration of Infant Milk Formula Product (《嬰幼兒配方乳粉產品配方註冊管理辦法》), which further tightens the registration conditions of infant milk formula products and ensures the quality and food safety of infant milk formula products. The Amendment came into force on October 1, 2023.

Business Overview

Dairy Products

The Group's infant milk formula products are designed to closely simulate the composition of the breast milk of Chinese mothers through in-house developed formulas, with the aim of achieving an optimal balance of key ingredients for Chinese babies based on their biological constitution. The Group offers a diversified portfolio of products which caters to a wide range of customer bases at different prices. In addition to super-premium and premium series, the Group also offers a portfolio of well-known brands including the regular infant milk formula series as well as other products such as dairy products for adults and students.

Sales and Distribution Network

The Group primarily sells its products through an extensive nationwide distribution network of over 2,800 offline customers with more than 83,000 retail points of sale as at 31 December 2023. The Group's offline customers are distributors who sell its 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 79.6% of its total revenue from dairy products for the year ended 31 December 2023.

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

The Group continued to optimize its production arrangements to increase its capacity and efficiency. As at 31 December 2023, the Group had 11 production facilities to manufacture its products with a designed annual production capacity of approximately 327,000 tonnes in total. The Group regularly upgrades its production facilities to meet its production needs.

Marketing

The Group is a pioneer in China's infant milk formula market by positioning its brand as “**Fresh, Extracted and Active Nutrition, More Suitable for Chinese Babies**” (鮮萃活性營養，更適合中國寶寶體質) and has established a 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. During the year ended 31 December 2023, approximately 950,000 face-to-face seminars were held in total. The number of new customers we acquired exceeded 2.8 million;
- Maximize online interactivity with consumers; and
- Targeted and result-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 Corporation (“**Vitamin World USA**”). Vitamin World USA engages in the retailing of vitamins, minerals, herbs, and other nutritional supplements. It operated 45 specialty stores across the United States of America (the “**United States**”), mostly in malls and outlet centres, and employed 178 people as at 31 December 2023. The Group also sells such products through its own website of Vitamin World USA, and e-commerce platforms. Our revenue generated from nutritional supplement products was RMB231.7 million, accounting for 1.2% of the Group's total revenue for the year ended 31 December 2023.

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 2022 to 2023.

Consolidated statement of profit or loss

	Year Ended 31 December				Year-on-Year Change
	2023		2022		
	<i>(In thousands of RMB, except percentages)</i>				
Revenue	19,532,203	100.0%	21,310,933	100.0%	(8.3)%
Cost of sales	(6,868,850)	(35.2)%	(7,360,333)	(34.5)%	(6.7)%
Gross profit	12,663,353	64.8%	13,950,600	65.5%	(9.2)%
Other income and gains, net	1,659,531	8.5%	1,368,642	6.4%	21.3%
Selling and distribution expenses	(6,709,067)	(34.3)%	(6,545,373)	(30.7)%	2.5%
Administrative expenses	(1,762,049)	(9.0)%	(1,535,012)	(7.2)%	14.8%
Other expenses	(100,862)	(0.5)%	(135,252)	(0.6)%	(25.4)%
Finance costs	(53,132)	(0.3)%	(33,640)	(0.2)%	57.9%
Share of loss of an associate	(5,958)	(0)%	(15,548)	(0.1)%	(61.7)%
Share of loss of a joint venture	(1,450)	(0)%	(1,705)	(0)%	(15.0)%
Impairment losses on property, plant and equipment and right-of-use assets	(89,812)	(0.5)%	–	–	–
Changes in fair value less costs to sell of biological assets	(750,262)	(3.8)%	(389,603)	(1.8)%	92.6%
Profit before tax	4,850,292	24.8%	6,663,109	31.3%	(27.2)%
Income tax expense	(1,559,940)	(8.0)%	(1,715,003)	(8.0)%	(9.0)%
Profit for the year	3,290,352	16.8%	4,948,106	23.2%	(33.5)%
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of financial statements of group companies	153,660	0.8%	161,927	0.8%	(5.1)%
Total comprehensive income for the year	3,444,012	17.6%	5,110,033	24.0%	(32.6)%

Revenue

The Group's revenue decreased by 8.3% from RMB21,310.9 million in 2022 to RMB19,532.2 million in 2023, primarily due to low birth rate in China and high competitive pressure in the industry.

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
	2023		2022		
	<i>(In thousands of RMB, except percentages)</i>				
Infant milk formula products	17,876,825	91.5%	19,932,290	93.5%	(10.3)%
Other dairy products*	1,423,680	7.3%	1,153,365	5.4%	23.4%
Nutritional supplement products	231,698	1.2%	225,278	1.1%	2.8%
Total revenue	19,532,203	100%	21,310,933	100%	(8.3)%

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

Cost of Sales

The Group's cost of sales decreased by 6.7% from RMB7,360.3 million in 2022 to RMB6,868.9 million in 2023, primarily due to the decrease of revenue.

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
	2023		2022		
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	
	<i>(In thousands of RMB, except percentages)</i>				
Infant milk formula products	12,411,334	69.4%	13,713,628	68.8%	(9.5)%
Other dairy products	118,830	8.3%	142,556	12.4%	(16.6)%
Nutritional supplement products	133,189	57.5%	94,416	41.9%	41.1%
Gross profit	12,663,353	64.8%	13,950,600	65.5%	(9.2)%

As a result of the foregoing, the Group's gross profit decreased by 9.2% from RMB13,950.6 million in 2022 to RMB12,663.4 million in 2023.

Other Income and Gains, Net

Other income and gains, net increased by 21.3% from RMB1,368.6 million in 2022 to RMB1,659.5 million in 2023, primarily due to an increase in bank interest and government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 2.5% from RMB6,545.4 million in 2022 to RMB6,709.1 million in 2023, primarily due to the increase in advertising and publicity expenses.

Administrative Expenses

Administrative expenses increased by 14.8% from RMB1,535.0 million in 2022 to RMB1,762.0 million in 2023, primarily due to the increase in staff costs and research and development costs.

Other Expenses

Other expenses decreased by 25.4% from RMB135.3 million in 2022 to RMB100.9 million in 2023, primarily due to the decrease in public donations and loss on disposal of fixed assets.

Finance Costs

Finance costs increased by 57.9% from RMB33.6 million in 2022 to RMB53.1 million in 2023, primarily due to the increase of the Group's borrowing interest.

Profit before Tax

As a result of the foregoing, the Group's profit before tax decreased by 27.2% from RMB6,663.1 million in 2022 to RMB4,850.3 million in 2023.

Income Tax Expense

Our income tax expense decreased by 9.0% from RMB1,715.0 million in 2022 to RMB1,559.9 million in 2023 as a result of a decrease in our profit before tax in 2023.

The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, was 25.7% in 2022 and 32.2% in 2023.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 33.5% from RMB4,948.1 million in 2022 to RMB3,290.4 million in 2023.

Liquidity and Capital Resources

In 2023, 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 2023, the Group had cash and cash equivalents of RMB10,440.9 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**” of this announcement.

Bank and Other Borrowings

As at 31 December 2023, the Group’s interest-bearing bank and other borrowings were approximately RMB1,377.8 million.

Capital Structure

As at 31 December 2023, the Group had net assets of RMB26,334.3 million, comprising current assets of RMB22,554.3 million, non-current assets of RMB13,640.4 million, current liabilities of RMB7,382.2 million and non-current liabilities of RMB2,478.1 million.

The Group’s gearing ratio was calculated by net debt divided by the capital. 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. 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 was (0.33) as at 31 December 2022 and (0.36) as at 31 December 2023.

Cash Flow

The Group’s net cash flows from operating activities was RMB4,145.3 million in 2023, as compared with RMB6,279.1 million in 2022. The Group’s net cash flows from investing activities was RMB386.7 million in 2023, as compared with net cash flows used in investing activities of RMB4,803.7 million in 2022. The Group’s net cash flows used in financing activities was RMB2,705.3 million in 2023, as compared with RMB1,975.3 million in 2022.

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 2023, we have not used any derivatives to hedge interest rate risk.

We have transactional currency exposures mainly with respect to our operation of the overseas plant in Canada, which was made in Canadian dollars. During the year ended 31 December 2023, 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 2023, the capital expenditures incurred by the Group was approximately RMB1,510.1 million, primarily attributable to property, plant and equipment, investment properties, intangible assets and biological assets. As at 31 December 2023, the capital commitments of the Company was approximately RMB294.0 million, primarily attributable to construction of plant and purchases of item of equipment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2023, 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 2023, the total pledged group assets amounted to approximately RMB418.9 million, representing a decrease of RMB1,195.2 million as compared with the beginning of 2023.

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 of the Company dated 30 October 2019 (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 2023, the Group did not have any contingent liabilities.

Subsequent Events

The Group has no material subsequent events after 31 December 2023 as of the date of this announcement.

Future Prospects

In close alignment with market changes and consumer demands, the Company will extract the active nutrient essence from the golden milk source at north latitude 47 degrees and innovate the more sophisticated “fresh-keeping” technology, thus continuing to lead the industry innovation, with the creation of a new-generation infant milk formula which is “Fresh, Extracted and Active Nutrition, More Suitable for Chinese Babies” as the driving force, and with a focus on the first 1,000 days of the life based on Chinese breast milk. Based on this, the Company will expand its business to cover four business segments, namely pregnant women and infants, children and students, healthy food, nutrition and health, and build a family of functional products covering the age cycle from birth to growth and from adulthood to longevity, so that each consumer of the Company’s products will become healthier.

With firm strategic direction and investment, the Company will continuously build strong and core capacities, namely the front-end industrial chain capacity with unique resource endowment at north latitude 47 degrees, the back-end industrial chain capacity with online and offline integration, the brand capacity to lead the attitude of consumers, the nutrition technology capacity to lead industry innovation, and the digital technology capacity for independent evolution, thus building a high barrier to competition. The Company will also persist in and innovate the green and circular development model, actively support rural revitalization, assume social responsibilities, and consolidate the “industry chain for common prosperity” to achieve higher quality sustainable development.

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 “**Shareholders**”). The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 (formerly known as Appendix 14) to the Rules Governing the Listing of Securities (the “**Listing Rules**”) 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 set out in Part 2 of the CG Code for the year ended 31 December 2023 (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 has 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 C3 (formerly known as Appendix 10) to 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 of 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 to the Board, which shall expire on the conclusion of the next annual general meeting of the Company, and repurchased a total of 1,000,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$4.7 million (the “**Share Repurchase**”). As at 31 December 2023, all of these Shares repurchased during the Reporting Period have been cancelled and the total number of Shares in issue is 9,067,251,704. Details of the repurchase of Shares are summarized as follows:

Date of repurchase	Number of Shares repurchased	Highest price paid HK\$	Lowest price paid HK\$
29 August 2023	1,000,000	4.69	4.63
Total	1,000,000		

The Board considers that the then trading price of the Shares did not reflect their intrinsic value and the business prospects of the Group. 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 the 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.

As at 31 December 2023, the Company has utilized the net proceeds from the Global Offering for the following purpose: (i) HK\$2,413.6 million being used for the payment of offshore debts; (ii) HK\$327.7 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; (v) HK\$101.5 million being used for marketing initiatives; and (vi) HK\$80.6 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 Listing Rules. 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 2023.

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 2023 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\$0.1484 per Share for the year ended 31 December 2023 (the “**2023 Final Dividend**”) with an aggregate amount of approximately HK\$1,345,580,000 (equalling approximately RMB1,220,923,000) to the Shareholders whose names are listed on the Company’s register of members as at 29 May 2024, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”). The 2023 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 2023 and an additional approximately 40% of our profit for the six months ended 31 December 2023, totalling approximately 70% of our profit for the six months ended 31 December 2023 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 2023 does not include the profit/loss of YuanShengTai Dairy Farm Limited. The 2023 Final Dividend will be declared and paid in Hong Kong dollars. Once the relevant resolution is passed at the AGM, the 2023 Final Dividend is expected to be paid on or around 5 June 2024. The Company also paid an interim dividend of HK\$0.1349 per Share with an aggregate amount of approximately HK\$1,223,021,000 (equalling approximately RMB1,136,522,000) in September 2023.

We intend to maintain our dividend policy of distributing no less than 30% of our total net profit for each financial year to the 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 22 May 2024, for considering, among other things, the 2023 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 2023 Final Dividend, the register of members of the Company will be closed from 17 May 2024 to 22 May 2024 (both days inclusive) and from 28 May 2024 to 29 May 2024 (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 16 May 2024. Shareholders whose names appear on the register of members of the Company on 22 May 2024 will be entitled to attend and vote at the AGM.

In order to qualify for the 2023 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 27 May 2024. The 2023 Final Dividend will be paid to the Shareholders whose names are listed on the Company's register of members on 29 May 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.feihe.com. The 2023 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 2024

As at the date of this announcement, our executive directors are Mr. LENG Youbin, Mr. LIU Hua, Mr. CAI Fangliang and 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.