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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2022:

- The Group's revenue was RMB9,672.8 million, representing a decrease of 16.2% as compared to the same period last year;
- The Group's gross profit was RMB6,536.6 million, representing a decrease of 22.7% as compared to the same period last year;
- The Group's profit for the period was RMB2,272.1 million, representing a decrease of 39.7% as compared to the same period last year;
- Basic earnings per share of the Company amounted to RMB0.25; and
- Diluted earnings per share of the Company amounted to RMB0.25.

The board of directors (the “**Board**”) of China Feihe Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>9,672,823</b>	11,543,762
Cost of sales		<b>(3,136,198)</b>	(3,086,674)
<b>Gross profit</b>		<b>6,536,625</b>	8,457,088
Other income and gains, net	4	<b>758,774</b>	900,999
Selling and distribution expenses		<b>(3,142,167)</b>	(3,334,938)
Administrative expenses		<b>(656,680)</b>	(604,553)
Other expenses	6	<b>(56,586)</b>	(38,164)
Finance costs	7	<b>(12,024)</b>	(14,562)
Share of loss of an associate		<b>(7,814)</b>	(3,740)
Changes in fair value less costs to sell of biological assets		<b>(185,380)</b>	(81,077)
<b>PROFIT BEFORE TAX</b>	5	<b>3,234,748</b>	5,281,053
Income tax expense	8	<b>(962,692)</b>	(1,515,799)
<b>PROFIT FOR THE PERIOD</b>		<b>2,272,056</b>	3,765,254
Attributable to:			
Owners of the parent		<b>2,255,887</b>	3,740,086
Non-controlling interests		<b>16,169</b>	25,168
		<b>2,272,056</b>	3,765,254
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (expressed in RMB per share)	10	<b>0.25</b>	0.42
Diluted (expressed in RMB per share)	10	<b>0.25</b>	0.41

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b><u>2,272,056</u></b>	<b><u>3,765,254</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>71,855</u>	<u>61,042</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>2,343,911</u></b>	<b><u>3,826,296</u></b>
Attributable to:		
Owners of the parent	<u>2,328,439</u>	<u>3,801,158</u>
Non-controlling interests	<u>15,472</u>	<u>25,138</u>
	<b><u>2,343,911</u></b>	<b><u>3,826,926</u></b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
30 June 2022

	<i>Notes</i>	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,950,370</b>	8,436,909
Investment properties		<b>120,793</b>	77,469
Right-of-use assets		<b>417,992</b>	427,753
Goodwill		<b>112,402</b>	112,402
Intangible assets		<b>19,604</b>	20,694
Investment in a joint venture		<b>6,399</b>	6,187
Investment in an associate		<b>113,558</b>	121,372
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>302,772</b>	126,254
Biological assets		<b>1,872,000</b>	1,707,317
Deferred tax assets		<b>433,688</b>	473,629
Long-term bank deposits		<b>390,000</b>	–
Total non-current assets		<b>12,741,378</b>	11,511,786
<b>CURRENT ASSETS</b>			
Inventories		<b>1,541,808</b>	1,721,807
Trade and bills receivables	<i>11</i>	<b>445,418</b>	477,328
Prepayments, deposits and other receivables		<b>627,033</b>	575,934
Due from a director		<b>80</b>	80
Structured deposits		<b>6,225,700</b>	7,539,583
Restricted cash		<b>40,496</b>	25,616
Cash and cash equivalents		<b>10,323,805</b>	9,629,290
Total current assets		<b>19,204,340</b>	19,969,638
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>990,029</b>	1,283,996
Other payables and accruals		<b>3,326,715</b>	4,220,649
Interest-bearing bank and other borrowings		<b>408,143</b>	312,852
Lease liabilities		<b>77,791</b>	62,103
Tax payable		<b>256,634</b>	1,062,506
Total current liabilities		<b>5,059,312</b>	6,942,106
<b>NET CURRENT ASSETS</b>		<b>14,145,028</b>	13,027,532
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>26,886,406</b>	24,539,318

	<b>30 June 2022</b>	31 December 2021
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>563,834</b>	621,357
Other payables and accruals	<b>640,658</b>	646,750
Deferred tax liabilities	<b>851,164</b>	752,571
Lease liabilities	<b>133,685</b>	115,270
	<hr/>	<hr/>
Total non-current liabilities	<b>2,189,341</b>	2,135,948
	<hr/>	<hr/>
Net assets	<b>24,697,065</b>	22,403,370
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<b>1</b>	1
Reserves	<b>23,199,522</b>	20,921,299
	<hr/>	<hr/>
	<b>23,199,523</b>	20,921,300
	<hr/>	<hr/>
Non-controlling interests	<b>1,497,542</b>	1,482,070
	<hr/>	<hr/>
Total equity	<b>24,697,065</b>	22,403,370
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## NOTES

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

### 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, which is measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, other interest income, non-lease-related finance costs, and share of loss of an associate are excluded from such measurement.

Segment assets exclude deferred tax assets, financial asset at fair value through other comprehensive income, long-term bank deposits, structured 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.

Six months ended 30 June 2022

	<b>Raw milk</b> <i>RMB'000</i> (Unaudited)	<b>Dairy products and nutritional supplements</b> <i>RMB'000</i> (Unaudited)	<b>Total</b> <i>RMB'000</i> (Unaudited)
<b>Segment revenue</b>			
Sales to external customers	150,819	9,522,004	9,672,823
Intersegment sales	858,216	–	858,216
	<u>1,009,035</u>	<u>9,522,004</u>	<u>10,531,039</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(858,216)</u>
Revenue			<u>9,672,823</u>
<b>Segment results</b>	46,975	3,039,961	3,086,936
<i>Reconciliation:</i>			
Elimination of intersegment results			23,558
Bank interest income			59,551
Other interest income			81,069
Share of loss of an associate			(7,814)
Finance costs (other than interest on lease liabilities)			<u>(8,552)</u>
Profit before tax			<u>3,234,748</u>
<b>Segment assets</b>	6,332,891	8,084,936	14,417,827
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>17,527,891</u>
Total assets			<u>31,945,718</u>
<b>Segment liabilities</b>	1,111,729	4,057,149	5,168,878
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>2,079,775</u>
Total liabilities			<u>7,248,653</u>



	<b>Raw milk</b> <i>RMB'000</i>	<b>Dairy products and nutritional supplements</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Six months ended 30 June 2021 (unaudited)</b>			
<b>Segment revenue</b>			
Sales to external customers	22,158	11,521,604	11,543,762
Intersegment sales	815,281	–	815,281
	<u>837,439</u>	<u>11,521,604</u>	<u>12,359,043</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(815,281)</u>
Revenue			<u>11,543,762</u>
<b>Segment results</b>			
	80,986	5,037,731	5,118,717
<i>Reconciliation:</i>			
Elimination of intersegment results			(283)
Bank interest income			83,181
Other interest income			93,872
Share of loss of an associate			(3,740)
Finance costs (other than interest on lease liabilities)			<u>(10,694)</u>
Profit before tax			<u>5,281,053</u>
<b>As at 31 December 2021 (audited)</b>			
<b>Segment assets</b>			
	5,832,943	7,866,161	13,699,104
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>17,782,320</u>
Total assets			<u>31,481,424</u>
<b>Segment liabilities</b>			
	1,445,516	4,883,252	6,328,768
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>2,749,286</u>
Total liabilities			<u>9,078,054</u>

## Geographical information

### (a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	9,573,781	11,433,395
United States of America	99,042	110,367
	<u>9,672,823</u>	<u>11,543,762</u>

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

### (b) Non-current assets

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	10,118,092	9,255,123
United States of America	71,234	73,054
Canada	1,726,564	1,708,180
	<u>11,915,890</u>	<u>11,036,357</u>

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

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>9,672,823</u>	<u>11,543,762</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Type of goods</b>		
Sales of goods	<u>9,672,823</u>	<u>11,543,762</u>
<b>Geographical markets</b>		
Mainland China	<u>9,573,781</u>	<u>11,433,395</u>
United States of America	<u>99,042</u>	<u>110,367</u>
Total revenue from contracts with customers	<u>9,672,823</u>	<u>11,543,762</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>9,672,823</u>	<u>11,543,762</u>

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

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Other income</b>			
Bank interest income		59,551	83,181
Other interest income		81,069	93,872
Government grants related to			
– Assets	(i)	27,241	13,188
– Income	(ii)	474,853	593,184
Others		<u>13,786</u>	<u>19,934</u>
		<u>656,500</u>	<u>803,359</u>
<b>Gains, net</b>			
Fair value gains on structured deposits		102,274	86,100
Gain on termination of leases		<u>–</u>	<u>11,540</u>
		<u>102,274</u>	<u>97,640</u>
		<u>758,774</u>	<u>900,999</u>

Notes:

- (i) The Group received government grants in respect of the construction and acquisition of property, plant and equipment, the purchases of feed and the construction of farms. These government grants are recorded initially at fair value as deferred income, which are amortised to match the depreciation charge of the property, plant and equipment in accordance with their estimated useful lives.
- (ii) 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):

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>2,399,291</b>	2,478,198
Breeding costs to produce	<b>533,997</b>	436,084
Production costs of raw milk	<b>202,910</b>	172,392
	<b>3,136,198</b>	3,086,674
Depreciation of property, plant and equipment	<b>263,636</b>	226,691
Less: Capitalised in biological assets	<b>(51,162)</b>	(31,711)
Depreciation recognised in the interim condensed consolidated statement of profit or loss	<b>212,474</b>	194,980
Depreciation of right-of-use assets	<b>13,249</b>	12,812
Rent expense – short term leases	<b>2,517</b>	2,107
Interest expense on lease liabilities	<b>3,472</b>	3,868
Reversal of write-down of inventories to net realisable value	<b>(26,531)</b>	(14,485)
Reversal of impairment of trade receivables	–	(9,803)
Foreign exchange differences, net	<b>19,114</b>	7,157

## 6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost on disposal of cow-waste	10,846	11,248
Depreciation of investment properties	8,718	6,018
Impairment of right-of-use assets	8,781	3,362
Loss on disposal of items of property, plant and equipment	11,798	7,849
Loss on disposal of old packaging materials	3,938	1,609
Donations	12,403	7,851
Others	102	227
	<u>56,586</u>	<u>38,164</u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans	4,529	369
Other loans	7,702	10,325
Lease liabilities	3,472	3,868
	<u>15,703</u>	<u>14,562</u>
Total interest expense on financial liabilities not at fair value through profit or loss	15,703	14,562
Less: Interest capitalised	(3,679)	–
	<u>12,024</u>	<u>14,562</u>

## 8. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% (six months ended 30 June 2021: 25%) during the period.

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current – PRC		
Charge for the period	<b>828,253</b>	1,343,144
Deferred	<b>134,439</b>	172,655
	<hr/>	<hr/>
Total tax charge for the period	<b>962,692</b>	1,515,799
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## 9. DIVIDEND

During the six months ended 30 June 2022, the Company declared a final dividend of HK\$0.1733 per ordinary share, equivalent to a total of approximately RMB1.26 billion for the year ended 31 December 2021 to its shareholders. During the six months ended 30 June 2021, the Company declared a final dividend of HK\$0.1586 per ordinary share, equivalent to a total of approximately RMB1.19 billion for the year ended 31 December 2020 to its shareholders.

Subsequent to the end of the reporting period, the board of directors declared an interim dividend of HK\$0.1131 per ordinary share for the six months ended 30 June 2022, amounting to a total of approximately RMB876,895,600. For the year ended 31 December 2021, the Company also declared an interim dividend of HK\$0.2973 per ordinary share for the six months ended 30 June 2021, amounting to a total of approximately RMB2.21 billion.

## 10. 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 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 schemes.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	<b>2,255,887</b>	3,740,086
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	<b>Number of shares</b>	
	<b>30 June 2022 (Unaudited)</b>	30 June 2021 (Unaudited)
Shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<b>8,899,932,667</b>	8,931,673,028
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u><b>166,405,466</b></u>	<u>180,433,211</u>
	<u><b>9,066,338,133</b></u>	<u>9,112,106,239</u>

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Trade receivables	<b>378,019</b>	381,708
Bills receivable	<u><b>69,413</b></u>	<u>97,634</u>
	<b>447,432</b>	479,342
Impairment	<u><b>(2,014)</b></u>	<u>(2,014)</u>
	<u><b>445,418</b></u>	<u>477,328</u>

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>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 1 month	299,534	354,633
1 to 2 months	127,814	100,762
2 to 3 months	11,467	17,387
Over 3 months	6,603	4,546
	<b>445,418</b>	<b>477,328</b>

## 12. TRADE AND BILLS PAYABLES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Trade and bills payables	<b>990,029</b>	1,283,996

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>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 3 months	888,506	1,219,732
3 to 6 months	44,409	21,591
Over 6 months	57,114	42,673
	<b>990,029</b>	<b>1,283,996</b>

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 13.57‰ in 2016 to 7.52‰ in 2021, with number of newborns declining to 10.6 million in 2021. 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 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 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 implemented 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 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 income tax on persons who care for children under three years old, and development of publicly afforded 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's infant milk formula products are designed to closely simulate the composition of the breast milk of Chinese mothers through in-house research and development formulations, with the aim of achieving an optimal balance of key ingredients for Chinese babies based on their biological physique. The Group offers a diversified portfolio of products which caters to a wide range of customer base at different prices. In addition to super-premium and premium series, the Group also offers a portfolio of well-known brands spanning 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 2,000 offline customers with more than 100,000 retail points of sale as at 30 June 2022. 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 82.9% of its total revenue from dairy products for the six months ended 30 June 2022.

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 30 June 2022, 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. The Group is constructing two new production facilities (our Harbin plant and Qiqihar 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. During the six months ended 30 June 2022, approximately 500,000 face-to-face seminars were held in total, which include more than 44,000 online face-to-face seminars and 454,000 offline face-to-face seminars. The number of new customers we acquired exceeded 1,140,000;
- 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 58 specialty stores across the United States of America (the “**United States**”), mostly in malls and outlet centres, and employed 232 people as at 30 June 2022. The Group also sells such products through its own website Vitamin World USA, and e-commerce platforms. Revenue generated from nutritional supplement products in the United States was RMB99.0 million, accounting for 1.0% of the Group’s total revenue for the six months ended 30 June 2022.

### **Operating Results and Analysis**

#### ***The Six Months Ended 30 June 2022 Compared to Six Months Ended 30 June 2021***

The table below sets forth Group’s interim condensed 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 periods indicated, together with changes (expressed in percentages) from 2021 to 2022.

	For the six months ended 30 June				Percentage Changed
	2022		2021		
	<i>(In thousands of RMB, except percentages)</i> (Unaudited)				
Revenue	<b>9,672,823</b>	<b>100%</b>	11,543,762	100%	(16.2)%
Cost of sales	<b>(3,136,198)</b>	<b>(32.4)%</b>	(3,086,674)	(26.7)%	1.6%
<b>Gross profit</b>	<b>6,536,625</b>	<b>67.6%</b>	8,457,088	73.3%	(22.7)%
Other income and gains, net	<b>758,774</b>	<b>7.8%</b>	900,999	7.8%	(15.8)%
Selling and distribution expenses	<b>(3,142,167)</b>	<b>(32.5)%</b>	(3,334,938)	(28.9)%	(5.8)%
Administrative expenses	<b>(656,680)</b>	<b>(6.8)%</b>	(604,553)	(5.3)%	8.6%
Other expenses	<b>(56,586)</b>	<b>(0.6)%</b>	(38,164)	(0.3)%	48.3%
Finance costs	<b>(12,024)</b>	<b>(0.1)%</b>	(14,562)	(0.2)%	(17.4)%
Share of loss of an associate	<b>(7,814)</b>	<b>(0.1)%</b>	(3,740)	0%	108.9%
Changes in fair value less costs to sell of biological assets	<b>(185,380)</b>	<b>(1.9)%</b>	(81,077)	(0.7)%	128.6%
<b>Profit before tax</b>	<b>3,234,748</b>	<b>33.4%</b>	5,281,053	45.7%	(38.7)%
Income tax expense	<b>(962,692)</b>	<b>(9.9)%</b>	(1,515,799)	(13.1)%	(36.5)%
<b>Profit for the period</b>	<b>2,272,056</b>	<b>23.5%</b>	3,765,254	32.6%	(39.7)%
<b>Other comprehensive income</b>					
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations	<b>71,855</b>	<b>0.7%</b>	61,042	0.5%	17.7%
<b>Total comprehensive income for the period</b>	<b>2,343,911</b>	<b>24.2%</b>	3,826,296	33.1%	(38.7)%

### ***Revenue***

The Group's revenue decreased by 16.2% from RMB11,543.8 million for the six months ended 30 June 2021 to RMB9,672.8 million for the six months ended 30 June 2022, primarily due to (i) a decrease of birth rate in Mainland China; and (ii) in order to provide consumers with a better product experience, the Group implemented the "fresh" strategy in 2022 to further reduce the channel inventory of products such as Astrobaby product, maintain the high freshness of products on the shelf, and take tighter control over overall inventory levels in distribution channels.

### ***Cost of Sales***

The Group's cost of sales increased by 1.6% from RMB3,086.7 million for the six months ended 30 June 2021 to RMB3,136.2 million for the six months ended 30 June 2022, primarily due to the impact of product mix change of the Group and the increase of volume of raw milk sold to the third parties by YuanShengTai Dairy Farm Limited ("YST").

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

The Group's gross profit decreased by 22.7% from RMB8,457.1 million for the six months ended 30 June 2021 to RMB6,536.6 million for the six months ended 30 June 2022.

The Group's gross profit margin decreased from 73.3% for the six months ended 30 June 2021 to 67.6% for the six months ended 30 June 2022, primarily due to a decrease in revenue from Classic Astrobaby products. The decrease in sales volume of the Group led to an increase in unit fixed cost and also decreased the Group's gross profit margin.

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

Other income and gains, net decreased by 15.8% from RMB901.0 million for the six months ended 30 June 2021 to RMB758.8 million for the six months ended 30 June 2022, primarily due to (i) a decrease in government grants, and (ii) a decrease in interest income.

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

Selling and distribution expenses decreased by 5.8% from RMB3,334.9 million for the six months ended 30 June 2021 to RMB3,142.2 million for the six months ended 30 June 2022, primarily due to a decrease in promotional activities.

### ***Administrative Expenses***

Administrative expenses increased by 8.6% from RMB604.6 million for the six months ended 30 June 2021 to RMB656.7 million for the six months ended 30 June 2022, primarily due to an increase in research and development costs.

### ***Other Expenses***

Other expenses increased by 48.3% from RMB38.2 million for the six months ended 30 June 2021 to RMB56.6 million for the six months ended 30 June 2022, primarily due to (i) an increase in donation; (ii) an increase in impairment of right-of-use assets; and (iii) an increase in loss of disposal of property, plant and equipment.

### ***Finance Costs***

Finance costs decreased by 17.4% from RMB14.6 million for the six months ended 30 June 2021 to RMB12.0 million for the six months ended 30 June 2022, primarily due to the repayment of the Group's overseas interest-bearing borrowings.

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

As a result of the foregoing, the Group's profit before tax decreased by 38.7% from RMB5,281.1 million for the six months ended 30 June 2021 to RMB3,234.7 million for the six months ended 30 June 2022.

### ***Income Tax Expenses***

Our income tax expenses decreased by 36.5% from RMB1,515.8 million for the six months ended 30 June 2021 to RMB962.7 million for the six months ended 30 June 2022 as a result of a decrease in our profit before tax for the six months ended 30 June 2022.

The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, was 28.7% for the six months ended 30 June 2021 and 29.8% for the six months ended 30 June 2022.

### ***Profit for the Period***

As a result of the foregoing, our profit for the period decreased by 39.7% from RMB3,765.3 million for the six months ended 30 June 2021 to RMB2,272.1 million for the six months ended 30 June 2022.



## ***Liquidity and Capital Resources***

In the six months ended 30 June 2022, 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 30 June 2022, the Group had cash and cash equivalents of RMB10,323.8 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”.

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

As at 30 June 2022, the Group’s interest-bearing bank and other borrowings were approximately RMB972.0 million.

### ***Capital Structure***

As at 30 June 2022, the Group had net assets of RMB24,697.1 million, comprising current assets of RMB19,204.3 million, non-current assets of RMB12,741.4 million, current liabilities of RMB5,059.3 million and non-current liabilities of RMB2,189.3 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 long-term bank 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 was (0.42) as at 31 December 2021 and (0.42) as at 30 June 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 six months ended 30 June 2022, we have not used any derivatives to hedge interest rate risk.

We have transactional currency exposures mainly with respect to (i) our bank and other loans denominated in U.S. dollars and Canadian dollars; and (ii) our investment in the construction of the overseas plant in Canada, which was made in Canadian dollars. During the six months ended 30 June 2022, 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.

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

During the six months ended 30 June 2022, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies.

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

As at 30 June 2022, the total pledged group assets amounted to approximately RMB1,850.6 million, representing a decrease of RMB2.1 million as compared to the beginning of 2022.

## **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 30 June 2022, the Group did not have any contingent liabilities.

## **Subsequent Events**

The Group has no material subsequent events after 30 June 2022 as of the date of this announcement.

## **Future Prospects**

### ***Adhering to the innovation-driven development strategy and continuing to enhance the hard power of industry-leading scientific capabilities***

As one of the earliest infant milk formula enterprises in China, Feihe always upholds developing the “mother’s career and future career” as its original intention and mission, takes scientific research and innovation as the core driving force for the high-quality development of the enterprise and strives to develop good milk power and products that are more suitable for the physique of Chinese babies. In the future, Feihe will finally follow the path of scientific and technological innovation, continue to increase investment in scientific research, consolidate its leading edges of scientific research and products in the field of breast milk, infant and other nutrition and health research in China, and vigorously move towards the leading innovation in precision nutrition and health technology for the entire life cycle.

Feihe will closely follow the scientific and technological frontier of the industry, and further strengthen the construction of a scientific research platform integrating production, learning, research and application by relying on academician workstations, post-doctoral workstations and top scientific research platforms jointly built with universities and institutions including Peking University Health Science Center, Jiangnan University and Chinese Academy of Agricultural Sciences. Feihe will actively explore cooperation with top scientific research institutions and institutes at home and abroad, deepen technology co-creation, co-construction and sharing, and promote the in-depth integration of innovation chain and industry chain. We will strengthen basic research and clinical trial research, optimize and improve the research on breast milk and physique of Chinese people, step up the scientific research on precision nutrition throughout the whole life cycle, and open up the whole-chain scientific research and innovation system from forage planting to functional product development; continue to promote the transformation of advanced scientific research results into high-quality products, accelerate the iterative upgrade of infant milk formula and children’s milk formula, and provide consumers of all ages with more delicious, more suitable and higher-quality functional nutrition and health products.

Feihe will take the opportunity of successfully undertaking the national key R&D project in the “14th Five-Year Plan”, and continue to explore the functional research and preparation process of core raw materials of dairy products on the basis of realizing the industrialized production of lactoferrin for the first time in China. We will build the independent production capacity of core ingredients, further realize the independent control of key raw materials, tackle the “bottlenecking” problems in the industry, and lead the innovative development of China’s dairy industry.

***Expanding the digital ecosystem and continuing to enhance the core competitiveness for the future***

Facing the rapid development of digital economy in the future, Feihe will promote the evolution to global intelligence and wisdom based on the existing “3+2+2” digital upgrade results, build the core competitiveness in digital intelligence for the enterprise, enrich and expand the digital application scenarios centered on sales forecasting, supply-demand balance, fresh delivery, product traceability and industrial collaboration. Feihe will deeply apply big data, cloud computing, Internet of Things, 5G and other technologies, and actively explore new business growth models based on digital intelligence on the basis of the integration and sharing of data resources at the front, middle and back ends of the business, so as to achieve the whole-chain and full-dimension digital intelligence empowerment of consumers, stores, dealers, supply chain and production management.

Feihe will also increase its layout in the field of intelligent marketing and digital consumption, focus on the nutrition and health needs of mothers and infants groups, and build a new professional vertical e-commerce system integrating “people, goods and market” by relying on the members of Star Mother Association and the service platform of High-quality Selection for Star Mothers. Feihe will build a new digital consumption ecosystem integrating functions like online community, online transaction, live-streaming e-commerce, logistics and distribution, carry out the full-domain operation covering online live-streaming, mini-program public domain transformation and corporate micro-private domain sales, provide customized product services and consumption experience for consumers, meet the transformation of consumer demand from products to solutions, create a new ecological model of omni-channel operation, and lead partners to stride towards the vast market of family consumption.

***Striving to be a national famous brand and continuing to deliver the value and warmth of Chinese brands***

2022 is the 60th anniversary of Feihe’s establishment in Heilongjiang, and also the 60th year for Feihe’s dedication to nurturing Chinese babies with original intention and ingenuity. With excellent quality and strong brand, we provide more than 200 million cans of Feihe milk powder for Chinese mothers a year. Feihe is now one of the Top 500 Companies in China and one of the Top 500 Asian Brands, and has been recognized and awarded the “National Famous Brand” and “China’s Powerful Brand Project”. In the future, Feihe will insist on building the brand foundation with scientific research and innovation, winning the trust of consumers with ingenuity and quality, and delivering the brand warmth with professional services, so as to continuously boost the confidence and trust of Chinese people in domestic brands, and continue to lead the “domestic production renaissance”.

Feihe will continue to gain insight into the core needs of mothers and infants, carry out the original intention of “More Suitable for Chinese Babies” from products to services, and provide consumers with more satisfying and valuable products as well as more professional and considerate interactive services. Feihe will continue to call on the growth of both parents and children and pass on the social trend of mutual companionship through the initiative of “May 28 Babies’ Day in China”; we will continue to carry out various consumer interaction and traceability activities such as “Fresh Parenting Concept” and “Mother’s Love” to achieve emotional integration with consumers and cultivate our brand together. Feihe will integrate its three major intelligent platforms, the Star Mother Association, the High-quality Selection for Star Mothers and the Intelligent Nutrition Consultant to provide a full range of refined and professional solutions for mother groups from product service and scientific feeding to spiritual care, and deliver the value and warmth of Chinese brands with practical actions.

***Carrying out various social responsibilities and continuing to promote green and sustainable development***

Facing the future, Feihe will resolutely implement the national “30.60” goal of “peaking of carbon emissions” and “carbon neutrality”, unswervingly adhere to the path of green and low-carbon development, and strive to be a pioneer in the green and sustainable development of the industry. Feihe will promote the sustainable development strategy in a more comprehensive and profound manner, and carry out the “dual-carbon” action in a whole-chain, whole-process and integrated way by soil improvement from the source, utilization of planting and breeding wastes, emission and carbon reduction in production, and sustainable innovation at the consumption and service ends. We will create an closed loop of green and low-carbon industries centered on “green feedlots”, “green factories” and “green workshops”, and work closely with upstream and downstream partners to create social value, share social responsibility, and jointly promote the green and sustainable development of the entire industry chain.

Feihe will adhere to the corporate spirit of “Doing our Best to Repay to the Society”, actively respond to national strategies such as rural revitalization, healthy China and common prosperity aiming at transforming the poverty alleviation model from “blood-transfusion” to “hematopoietic”, and continuously carry out diverse social welfare and charity activities such as student aid and teaching assistance, helping the disadvantaged and impoverished groups, caring for mothers and infants, assisting in pandemic prevention and control. We will further give full play to the strengths of the whole industrial cluster, strive to build a “common wealth industry chain” with milk powder processing as the core, continue to create job opportunities for local people, and drive local farmers to increase their income and increase the value of cultivated land, thereby contributing to the high-quality development of the regional economy.

2022 marks the 60th anniversary of the establishment of 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**

### **EMPLOYEES AND REMUNERATION**

As of 30 June 2022, the Group had 9,138 full-time employees (YST: 2,092), the majority of whom are based in China.

In line with the performance of the Group and individual employees, the Group strives to offer a good working environment, various training programs as well as an attractive remuneration package to its employees. The Group provides training programs to our employees, including new hire training for new employees and regular quality control, production safety and other technical training for our personnel to enhance their skill and knowledge. The Group takes measures to promote equal opportunities, anti-discrimination and diversity among employees. In addition, the Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff with outstanding performance by way of bonuses, honorary awards, promotions, options or a combination of the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

### **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 during the six months ended 30 June 2022.

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 both 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**

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 six months ended 30 June 2022.

The Board has also established written guidelines 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 THE COMPANY’S LISTED SECURITIES**

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 (the “**Share Repurchase Plan**”), and repurchased a total of 12,000,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$89.69 million. All of these repurchased Shares were subsequently cancelled. The total number of Shares of the Company in issue as at 30 June 2022 is 8,905,216,000. 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>
29 March 2022	2,000,000	7.60	7.41
30 March 2022	1,000,000	7.56	7.56
31 March 2022	1,000,000	7.40	7.40
1 April 2022	1,000,000	8.00	7.97
6 April 2022	500,000	8.10	8.05
7 April 2022	500,000	7.68	7.68
8 April 2022	500,000	7.74	7.74
11 April 2022	500,000	7.58	7.58
12 April 2022	500,000	7.29	7.29
13 April 2022	500,000	7.40	7.40
14 April 2022	500,000	7.63	7.58
19 April 2022	500,000	7.33	7.29
21 April 2022	500,000	7.29	7.28
25 April 2022	500,000	7.11	7.11
6 May 2022	1,000,000	7.10	7.10
10 May 2022	500,000	6.99	6.93
12 May 2022	500,000	6.86	6.86
	<b>12,000,000</b>		

The Board considers that the then trading price of the Shares did not reflect their intrinsic value and business prospects of the Group. The Share Repurchase Plan 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 Plan 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 securities during the Reporting Period.

## **USE OF NET PROCEEDS**

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 dated 30 October 2019 (the "Prospectus").



As at 30 June 2022, the Company has utilized the net proceeds from the Global Offering for the following purpose: (i) HK\$1,725.1 million being used for the payment of offshore debts; (ii) HK\$280.5 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\$81.3 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.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board resolved to recommend an interim dividend of HK\$0.1131 per Share for the six months ending 30 June 2022 (the “**2022 Interim Dividend**”) with an aggregate amount of approximately HK\$1,005,542,725 (equalling approximately RMB876,895,600) to shareholders of the Company (the “**Shareholders**”) whose names are listed on the Company's register of members as at 19 October 2022. The 2022 Interim Dividend is based on (i) our dividend policy set out in the Prospectus of intending to distribute no less than 30% of our net profit for each financial year, and (ii) an approximately additional 10% of our profit for the six months ended 30 June 2022, totaling approximately 40% of our profit for the six months ended 30 June 2022 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<sup>(1)</sup>. The 2022 Interim Dividend will be declared and paid in Hong Kong dollars, and is expected to be paid on or around 28 October 2022.

In order to ascertain Shareholders' entitlement to the proposed 2022 Interim Dividend, the register of members of the Company will be closed from 18 October 2022 to 19 October 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the 2022 Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged 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 17 October 2022.

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

(1): *When calculating such percentages, the profit of YST was excluded from our profit for the six months ended 30 June 2022.*



## AUDIT COMMITTEE

The Company has established the audit committee of the Company (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 of the Company 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 interim results for the six months ended 30 June 2022.

The unaudited interim condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2022 has been reviewed by the Company’s auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The auditor’s independent review report will be included in the Company’s 2022 Interim Report to the shareholders.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the 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 2022 Interim Report of the Company 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, China, 29 August 2022

*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.*