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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 2022**

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022:

- The Group's revenue was RMB21,310.9 million, representing a decrease of 6.4% as compared with last year.
- The Group's gross profit was RMB13,950.6 million, representing a decrease of 12.9% as compared with last year.
- The Group's profit for the year was RMB4,948.1 million, representing a decrease of 28.4% as compared with last year.
- Basic earnings per share of the Company amounted to RMB0.55 (2021: RMB0.77).
- Diluted earnings per share of the Company amounted to RMB0.55 (2021: RMB0.75).
- The Board has proposed to declare final dividend of HK\$0.1721 per share of the Company (2021: HK\$0.1733 per share of the Company). The Company also paid an interim dividend of HK\$0.1131 per share of the Company with an aggregate amount of approximately HK\$1,005,542,725 (equalling approximately RMB876,895,600) in October 2022.

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 2022, together with the comparative amounts and explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	21,310,933	22,776,265
Cost of sales		<u>(7,360,333)</u>	<u>(6,768,676)</u>
Gross profit		13,950,600	16,007,589
Other income and gains, net	4	1,368,642	1,974,015
Selling and distribution expenses		(6,545,373)	(6,729,305)
Administrative expenses		(1,535,012)	(1,207,982)
Other expenses		(135,252)	(89,509)
Finance costs		(33,640)	(29,152)
Share of loss of an associate		(15,548)	(15,586)
Share of loss of a joint venture		(1,705)	–
Changes in fair value less costs to sell of biological assets		<u>(389,603)</u>	<u>(237,741)</u>
PROFIT BEFORE TAX	5	6,663,109	9,672,329
Income tax expense	6	<u>(1,715,003)</u>	<u>(2,757,433)</u>
PROFIT FOR THE YEAR		<u>4,948,106</u>	<u>6,914,896</u>
Attributable to:			
Owners of the parent		4,942,048	6,871,044
Non-controlling interests		<u>6,058</u>	<u>43,852</u>
		<u>4,948,106</u>	<u>6,914,896</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic (expressed in RMB per share)	8	<u>0.55</u>	<u>0.77</u>
Diluted (expressed in RMB per share)	8	<u>0.55</u>	<u>0.75</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>4,948,106</u>	<u>6,914,896</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements of group companies	<u>161,927</u>	<u>(70,280)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>5,110,033</u>	<u>6,844,616</u>
Attributable to:		
Owners of the parent	5,103,159	6,800,962
Non-controlling interests	<u>6,874</u>	<u>43,654</u>
	<u>5,110,033</u>	<u>6,844,616</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,500,435	8,436,909
Investment properties		109,812	77,469
Right-of-use assets		408,696	427,753
Goodwill		112,402	112,402
Intangible assets		18,514	20,694
Investment in a joint venture		4,578	6,187
Investment in an associate		105,824	121,372
Financial asset at fair value through other comprehensive income		1,800	1,800
Deposits		319,776	126,254
Biological assets		2,025,292	1,707,317
Deferred tax assets		438,963	473,629
Long-term bank deposits		240,000	–
Total non-current assets		13,286,092	11,511,786
CURRENT ASSETS			
Inventories		1,994,166	1,721,807
Trade and bills receivables	9	430,651	477,328
Prepayments, deposits and other receivables		506,691	575,934
Due from a director		–	80
Due from a related company		185,824	–
Structured deposits		9,746,305	7,539,583
Restricted cash		30,108	25,616
Cash and cash equivalents		9,335,936	9,629,290
Total current assets		22,229,681	19,969,638
CURRENT LIABILITIES			
Trade and bills payables	10	1,773,848	1,283,996
Other payables and accruals		4,704,704	4,220,649
Interest-bearing bank and other borrowings		446,636	312,852
Lease liabilities		66,742	62,103
Tax payable		467,759	1,062,506
Total current liabilities		7,459,689	6,942,106
NET CURRENT ASSETS		14,769,992	13,027,532
TOTAL ASSETS LESS CURRENT LIABILITIES		28,056,084	24,539,318

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		861,994	621,357
Other payables and accruals		627,962	646,750
Deferred tax liabilities		965,312	752,571
Lease liabilities		125,873	115,270
		<hr/>	<hr/>
Total non-current liabilities		2,581,141	2,135,948
		<hr/>	<hr/>
NET ASSETS		25,474,943	22,403,370
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1	1
Reserves		23,985,998	20,921,299
		<hr/>	<hr/>
		23,985,999	20,921,300
Non-controlling interests		1,488,944	1,482,070
		<hr/>	<hr/>
Total equity		25,474,943	22,403,370
		<hr/>	<hr/>

NOTES

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through other comprehensive income and structured deposits which have been measured at fair value and biological assets and agricultural produce which have been measured at fair value less costs to sell. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (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 2022. 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, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 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 Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the “**Conceptual Framework**”) issued in March 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 International Financial Reporting Interpretations Committee (“**IFRIC**”) Interpretation 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 Interpretation 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 year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 2022

	Raw milk	Dairy products and nutritional supplements	Total
	RMB'000	RMB'000	RMB'000
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>

Year ended 31 December 2021

	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	231,261	22,545,004	22,776,265
Intersegment sales	1,545,277	–	1,545,277
	<u>1,776,538</u>	<u>22,545,004</u>	<u>24,321,542</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,545,277)</u>
Revenue			<u>22,776,265</u>
Segment results	152,582	9,256,418	9,409,000
<i>Reconciliation:</i>			
Elimination of intersegment results			(54,670)
Bank interest income			110,380
Other interest income			245,273
Share of loss of an associate			(15,586)
Finance costs (other than interest on lease liabilities)			<u>(22,068)</u>
Profit before tax			<u>9,672,329</u>
Segment assets	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>
Segment liabilities	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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	21,102,465	22,557,502
United States of America	208,468	218,763
	<u>21,310,933</u>	<u>22,776,265</u>

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

(b) Non-current assets

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	10,879,929	9,255,123
United States of America	61,670	73,054
Canada	1,663,730	1,708,180
	<u>12,605,329</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.

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 (2021: 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	<u>21,310,933</u>	<u>22,776,265</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Raw milk <i>RMB'000</i>	Dairy products and nutritional supplements products <i>RMB'000</i>	Total <i>RMB'000</i>
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>

For the year ended 31 December 2021

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

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	1,457,641	1,805,049

(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>	2022 RMB'000	2021 <i>RMB'000</i>
Bank interest income		114,657	110,380
Other interest income		234,776	245,273
Government grants related to			
– Assets		61,238	16,793
– Income	<i>(i)</i>	839,489	1,400,505
Gross rental income from investment property operating leases		21,026	13,926
Others		3,694	37,217
		1,274,880	1,824,094
Gains, net			
Fair value gains on structured deposits, net		93,605	118,821
Others		157	31,100
		93,762	149,921
Total other income and gains, net		1,368,642	1,974,015

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

5. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold*	5,791,705	5,471,463
Breeding costs to produce	1,148,864	927,758
Production costs for raw milk	419,764	369,455
	<u>7,360,333</u>	<u>6,768,676</u>
Cost of sales		
Depreciation of property, plant and equipment	543,737	461,811
Less: Capitalised in biological assets	(98,809)	(64,893)
	<u>444,928</u>	<u>396,918</u>
Depreciation recognised in the consolidated statement of profit or loss		
Depreciation of investment properties	19,700	12,474
Depreciation of right-of-use assets	27,636	32,865
Rent expense – short term leases	4,164	1,480
Rent expense – contingent rent	427	1,725
Interest expense on lease liabilities	6,963	7,084
Amortisation of intangible assets	2,180	1,095
Research and development costs [@]	493,385	425,756
Auditors' remuneration	9,900	10,326
Employee benefit expense* (excluding directors' and chief executive's remuneration):		
Wages and salaries	1,188,836	1,034,845
Pension scheme contributions (defined contribution schemes)**	218,433	141,180
Equity-settled share option expense	61,295	130,124
Less: Capitalised in biological assets	(78,529)	(54,466)
	<u>1,390,035</u>	<u>1,251,683</u>
Write-down of inventories to net realisable value [#]	26,634	15,678
Impairment/(reversal of impairment) of trade receivables, net	5,828	(19,027)
Impairment of right-of-use assets	7,423	10,449
Reversal of impairment of property, plant and equipment	–	(3,035)
Loss on disposal of items of property, plant and equipment, net	41,777	15,018
Fair value gains on structured deposits	(93,605)	(118,821)

[@] Included in “Administrative expenses” in the consolidated statement of profit or loss.

[#] Included in “Cost of sales” in the consolidated statement of profit or loss.

^{*} 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% (2021: 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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current – PRC		
Charge for the year	1,462,716	2,641,537
Current – elsewhere		
Charge for the year	11,374	–
Deferred	240,913	115,896
	<u>1,715,003</u>	<u>2,757,433</u>
Total tax charge for the year	<u>1,715,003</u>	<u>2,757,433</u>

7. DIVIDEND

Interim dividend of HK\$0.1131 (2021: HK\$0.2973) per ordinary share, equivalent to an aggregate of approximately RMB877 million (2021: RMB2.21 billion) was declared and paid during the year ended 31 December 2022.

The proposed final dividend of HK\$0.1721 (2021: HK\$0.1733) per ordinary share, equivalent to an aggregate of approximately RMB1.37 billion (2021: equivalent to approximately RMB1.26 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 2022 and 2021 (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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	4,942,048	6,871,044
	<u>4,942,048</u>	<u>6,871,044</u>

	Number of shares	
	2022	2021
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	8,941,352,894	8,923,118,425
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	178,049,475
	<u>8,941,352,894</u>	<u>9,101,167,900</u>

9. TRADE AND BILLS RECEIVABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	427,792	381,708
Bills receivable	10,701	97,634
	<u>438,493</u>	479,342
Impairment	(7,842)	(2,014)
	<u>430,651</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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	186,406	354,633
1 to 2 months	136,654	100,762
2 to 3 months	68,671	17,387
Over 3 months	38,920	4,546
	<u>430,651</u>	<u>477,328</u>

10. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and bills payables	<u>1,773,848</u>	<u>1,283,996</u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	1,728,024	1,219,732
3 to 6 months	17,524	21,591
Over 6 months	<u>28,300</u>	<u>42,673</u>
	<u>1,773,848</u>	<u>1,283,996</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

China has been the world's most populous country and one of the fastest growing infant milk formula markets in the world. With continued urbanization and the rise in the number of women in the workplace, an increasing number of mothers in China have grown to realize the convenience and nutritional benefits offered by infant milk formula products as a supplement to and/or substitute for breast milk for their infants. According to the National Bureau of Statistics, China's birth rate dropped from 12.95‰ in 2016 to 6.77‰ in 2022, with number of newborns declining to 9.6 million in 2022. According to Frost & Sullivan, an industry consulting firm, the number of children aging from zero to three decreased accordingly from 50.9 million in 2016 to approximately 32.0 million in 2022, with a CAGR of -7.4%. Despite the decline, it is expected in 2025 the number of newborns is expected to go back to the same level as in 2021, thanks to the supportive measures for the Three-Child policy. Due to the factors listed below, China's infant milk formula market in terms of retail sales value is expected to remain stable.

- Growth in consumers' confidence in the quality of and preference for China's infant milk formula products. With the enhancement in the quality management regime of China's dairy industry and the increased competitiveness of Chinese dairy brands, consumers' confidence in and consumption preference for China's infant milk formula products continued to increase. 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 2022 reached RMB36,883, with a compound annual growth rate ("CAGR") of 7.3% from 2017 to 2022. Such increase will in turn increase the consumption momentum of China's high-end infant milk formula products.
- Increasing urbanization and rising disposable income. The increase in the urbanization rate and the per capita annual disposable income of Chinese residents will enhance the purchasing power of consumers, allowing them to purchase more infant milk formula products. Lower-tier cities as well as rural areas in China are becoming wealthier and more urbanized, and families in such regions are increasingly able to afford higher-quality infant milk formula products. In general, these regions have larger populations and therefore higher potential for consumption growth.

- Favorable industry policies by the PRC government:
 - o The National Development and Reform Commission of China unveiled the Action Plan for the Promotion of Domestic Infant Milk Formula (國產嬰幼兒配方乳粉提升行動方案) in May 2019, aiming to increase the portion of domestically manufactured infant milk formula in China with a target to remain a 60% self-sufficient level in the industry, and to encourage the use of fresh milk in the production of infant milk formula.
 - o On 22 February 2021, a series of national safety standards on infant food and infant milk formula were released by the State Healthcare Commission, such as National Standard for Infant Formula Food Safety (GB10765-2021) (食品安全國家標準嬰兒配方食品) and National Standard for Larger Infant Formula Food Safety (GB 10766-2021) (食品安全國家標準較大嬰兒配方食品). The new national safety standards have made 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 common affordable childcare services.
 - o On 28 July 2021, the State Administration for Market Regulation published the Notice of the public solicitation for opinions on the Announcement of the State Administration for Market Regulation on the Further Regulation of Labels and Identification of Infant Milk Formula Product (Draft for Comment) (市場監管總局關於進一步規範嬰幼兒配方乳粉產品標籤標識的公告(徵求意見稿)), which made further stipulations on the characteristics, such as the label’s main display layout, content claim, pattern, and feeding suggestion form. In addition, it is stipulated that if the product name refers to certain animal origin, all the milk protein raw materials in the product should come from such animal species. For compound ingredients in product ingredient list (excluding compound food additives), the original ingredients must be specified. Furthermore, companies not in compliance with the above stipulations are required to rectify within 6 months upon the issuance of the announcement.

Business Overview

Dairy Products

The Group'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 2,700 offline customers with approximately 94,000 retail points of sale as at 31 December 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 83.0% of its total revenue from dairy products for the year ended 31 December 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 31 December 2022, the Group had ten production facilities to manufacture its products with a designed annual production capacity of approximately 307,000 tonnes in total. The Group regularly upgrades and expands its production facilities to meet its production needs. The Group is constructing a new production facility (our Qiqihar plant).

Marketing

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

- Face-to-face seminars, including Mother's Love seminars, Carnivals and Roadshows. For the year ended 31 December 2022, over a million face-to-face seminars were held in total. The number of new customers we acquired exceeded 3 million;
- 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 57 specialty stores across the United States of America (the “**United States**”), mostly in malls and outlet centres, and employed 229 people as at 31 December 2022. The Group also sells such products through its own website Vitamin World USA, and e-commerce platforms. Revenue generated from nutritional supplement products was RMB225.3 million, accounting for 1.1% of the Group's total revenue for the year ended 31 December 2022.

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 2021 to 2022.

Consolidated statement of profit or loss

	Year Ended 31 December				Year-on-Year Change
	2022		2021		
	<i>(In thousands of RMB, except percentages)</i>				
Revenue	21,310,933	100.0%	22,776,265	100%	(6.4)%
Cost of sales	(7,360,333)	(34.5)%	(6,768,676)	(29.7)%	8.7%
Gross profit	13,950,600	65.5%	16,007,589	70.3%	(12.9)%
Other income and gains, net	1,368,642	6.4%	1,974,015	8.7%	(30.7)%
Selling and distribution expenses	(6,545,373)	(30.7)%	(6,729,305)	(29.5)%	(2.7)%
Administrative expenses	(1,535,012)	(7.2)%	(1,207,982)	(5.3)%	27.1%
Other expenses	(135,252)	(0.6)%	(89,509)	(0.4)%	51.1%
Finance costs	(33,640)	(0.2)%	(29,152)	(0.1)%	15.4%
Share of loss of an associate	(15,548)	(0.1)%	(15,586)	(0)%	(0.2)%
Share of loss of a joint venture	(1,705)	(0)%	–	0%	N/A
Changes in fair value less costs to sell of biological assets	(389,603)	(1.8)%	(237,741)	(1.0)%	63.9%
Profit before tax	6,663,109	31.3%	9,672,329	42.5%	(31.1)%
Income tax expense	(1,715,003)	(8.0)%	(2,757,433)	(12.1)%	(37.8)%
Profit for the year	4,948,106	23.2%	6,914,896	30.4%	(28.4)%
Other comprehensive income/ (loss)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	161,927	0.8%	(70,280)	(0.3)%	(330.4)%
Total comprehensive income for the year	5,110,033	24.0%	6,844,616	30.1%	(25.3)%

Revenue

The Group's revenue decreased by 6.4% from RMB22,776.3 million in 2021 to RMB21,310.9 million in 2022, primarily due to (i) a decrease of birth rate in Mainland China; (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; and (iii) the continuously increasing competition 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
	2022		2021		
	<i>(In thousands of RMB, except percentages)</i>				
Infant milk formula products	19,932,290	93.5%	21,515,256	94.4%	(7.4)%
Other dairy products*	1,153,365	5.4%	991,011	4.4%	16.4%
Nutritional supplement products	225,278	1.1%	269,998	1.2%	(16.6)%
Total revenue	21,310,933	100%	22,776,265	100.0%	(6.4)%

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

Cost of Sales

The Group's cost of sales increased by 8.7% from RMB6,768.7 million in 2021 to RMB7,360.3 million in 2022, primarily due to the increasing of raw material price and the increase in sales promotion.

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
	2022		2021		
	Gross Profit	Gross Profit Margin <i>(In thousands of RMB, except percentages)</i>	Gross Profit	Gross Profit Margin	
Infant milk formula products	13,713,628	68.8%	15,588,452	72.4%	(12.0)%
Other dairy products	142,556	12.4%	281,421	28.4%	(49.3)%
Nutritional supplement products	94,416	41.9%	137,716	51.0%	(31.4)%
Gross profit	13,950,600	65.5%	16,007,589	70.3%	(12.9)%

As a result of the foregoing, the Group's gross profit decreased by 12.9% from RMB16,007.6 million in 2021 to RMB13,950.6 million in 2022.

The Group's gross profit margin decreased from 70.3% in 2021 to 65.5% in 2022, primarily due to changes in product structure of infant milk formula products and the rising costs of our products.

Other Income and Gains, Net

Other income and gains, net decreased by 30.7% from RMB1,974.0 million in 2021 to RMB1,368.6 million in 2022, primarily due to a decrease in government grants.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 2.7% from RMB6,729.3 million in 2021 to RMB6,545.4 million in 2022, primarily due to the decrease in promotion expenses.

Administrative Expenses

Administrative expenses increased by 27.1% from RMB1,208.0 million in 2021 to RMB1,535.0 million in 2022, primarily due to the increase in staff costs and research and development costs.

Other Expenses

Other expenses increased by 51.1% from RMB89.5 million in 2021 to RMB135.3 million in 2022, primarily due to the increase in public donations and disposal of fixed assets.

Finance Costs

Finance costs increased by 15.4% from RMB29.2 million in 2021 to RMB33.6 million in 2022, primarily due to the increase of the Group's interest-bearing borrowings.

Profit before Tax

As a result of the foregoing, the Group's profit before tax decreased by 31.1% from RMB9,672.3 million in 2021 to RMB6,663.1 million in 2022.

Income Tax Expense

Our income tax expense decreased by 37.8% from RMB2,757.4 million in 2021 to RMB1,715.0 million in 2022 as a result of a decrease in our profit before tax in 2022.

The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, was 28.5% in 2021 and 25.7% in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 28.4% from RMB6,914.9 million in 2021 to RMB4,948.1 million in 2022.

Liquidity and Capital Resources

In 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, 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 2022, the Group had cash and cash equivalents of RMB9,335.9 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 2022, the Group’s interest-bearing bank and other borrowings were approximately RMB1,308.6 million.

Capital Structure

As at 31 December 2022, the Group had net assets of RMB25,474.9 million, comprising current assets of RMB22,229.7 million, non-current assets of RMB13,286.1 million, current liabilities of RMB7,459.7 million and non-current liabilities of RMB2,581.1 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 (0.42) as at 31 December 2021 and (0.33) as at 31 December 2022.

Cash Flow

The Group’s net cash flows from operating activities was RMB6,279.1 million in 2022, as compared with RMB6,814.9 million in 2021. The Group’s net cash flows used in investing activities was RMB4,803.7 million in 2022, as compared with RMB2,444.2 million in 2021. The Group’s net cash flows used in financing activities was RMB1,975.3 million in 2022, as compared with net cash flows used in financing activities of RMB4,245.4 million in 2021.

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 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 operation of the overseas plant in Canada, which was made in Canadian dollars. During the year ended 31 December 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.

Capital Expenditure and Commitments

For the year ended 31 December 2022, the capital expenditures incurred by the Group was approximately RMB2,585.2 million, primarily attributable to property, plant and equipment, investment properties, intangible assets and biological assets including assets from the acquisitions of subsidiaries. As at 31 December 2022, the capital commitments of the Company was approximately RMB462.1 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 2022, 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 2022, the total pledged group assets amounted to approximately RMB1,614.1 million, representing a decrease of RMB238.7 million as compared with 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 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 2022, the Group did not have any contingent liabilities.

Subsequent Events

The Group has no material subsequent events after 31 December 2022 as of the date of this announcement.

Future Prospects

In 2023, Chinese modernization will accelerate. Under the background of comprehensively expanding demand, restoring and increasing consumption, we will usher in greater development opportunities and stages. In close alignment with market changes and consumer demands, Feihe 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 a focus on the first 1,000 days of the life, based on Chinese breast milk. Based on this, Feihe 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 Feihe products is healthier.

With firm strategic direction and investment, Feihe 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. Feihe 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.

In the future, Feihe will strive to build a brand with higher international competitiveness, and consistently and stably move towards the goal of building an “evolutionary and high-net-worth” and over-100-year-old enterprise.

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 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 2022 (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 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 27,155,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$175.9 million (the “Share Repurchase”). The total number of Shares in issue as at 31 December 2022 is 9,083,406,704 (including a total of 15,155,000 Shares having been repurchased but not yet cancelled). As at the date of this announcement, all of these Shares repurchased during the Reporting Period have been cancelled and the total number of Shares in issue is 9,068,251,704. Details of the repurchase of Shares are summarized as follows:

Date of repurchases	Number of Shares repurchased	Highest price paid HK\$	Lowest price paid HK\$
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
Sub total	4,000,000		
01 April 2022	1,000,000	8.00	7.97
06 April 2022	500,000	8.10	8.05
07 April 2022	500,000	7.68	7.68
08 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
Sub total	6,000,000		
06 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
Sub total	2,000,000		
25 July 2022	545,000	7.90	7.90
Sub total	545,000		

Date of repurchases	Number of Shares repurchased	Highest price paid HK\$	Lowest price paid HK\$
06 September 2022	1,000,000	5.88	5.85
07 September 2022	610,000	5.90	5.88
08 September 2022	1,000,000	5.90	5.89
09 September 2022	1,000,000	6.00	5.98
13 September 2022	1,000,000	6.10	6.08
14 September 2022	1,000,000	5.95	5.91
15 September 2022	1,000,000	6.05	6.03
16 September 2022	1,000,000	6.10	6.03
Sub total	7,610,000		
03 October 2022	1,000,000	5.30	5.26
07 October 2022	1,000,000	5.30	5.30
10 October 2022	1,000,000	5.10	5.08
11 October 2022	1,000,000	5.25	5.15
12 October 2022	1,000,000	5.21	5.20
13 October 2022	1,000,000	5.10	5.08
17 October 2022	1,000,000	5.00	4.97
Sub total	7,000,000		
Total	27,155,000		

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 2022, the Company has utilized the net proceeds from the Global Offering for the following purpose: (i) HK\$1,721.2 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\$3.6 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 CG Code. The Audit Committee comprises three members, namely Mr. FAN Yonghong, Mr. GAO Yu and Mr. Jacques Maurice LAFORGE. Mr. FAN Yonghong is the chairman of the Audit Committee.

The Audit Committee has reviewed with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control, whistleblowing policy and system and financial reporting matters, including the review of the Group's financial statements and annual results for the year ended 31 December 2022.

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 2022 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\$0.1721 per Share for the year ended 31 December 2022 (the “**2022 Final Dividend**”) with an aggregate amount of approximately HK\$1,560,732,507 (equalling approximately RMB1,365,591,000) to the Shareholders whose names are listed on the Company’s register of members as at 15 June 2023, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”). The 2022 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 2022 and an additional approximately 20% of our profit for the six months ended 31 December 2022, totalling approximately 50% of our profit for the six months ended 31 December 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. For the avoidance of doubt, such profit for the six months ended 31 December 2022 does not include the profit of YuanShengTai Dairy Farm Limited. The 2022 Final Dividend will be declared and paid in Hong Kong dollars. Once the relevant resolution is passed at the AGM, the 2022 Final Dividend is expected to be paid on or around 23 June 2023. The Company also paid an interim dividend of HK\$0.1131 per Share with an aggregate amount of approximately HK\$1,005,542,725 (equalling approximately RMB876,895,600) in October 2022.

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 8 June 2023, for considering, among other things, the 2022 Final Dividend. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course. In order to ascertain Shareholders’ entitlement to attend and vote at the AGM and to the proposed 2022 Final Dividend, the register of members of the Company will be closed from 5 June 2023 to 8 June 2023 (both days inclusive) and from 14 June 2023 to 15 June 2023 (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 2 June 2023. Shareholders whose names appear on the register of members of the Company on 8 June 2023 will be entitled to attend and vote at the AGM.

In order to qualify for the 2022 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 13 June 2023. The 2022 Final Dividend will be paid to the Shareholders whose names are listed on the Company's register of members on 15 June 2023.

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 2022 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 2023

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.