

# 飞鹤

## 中國飛鶴有限公司

China Feihe Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6186



# 2024

## INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. LENG Youbin (*Chairman & Chief Executive Officer*)  
Mr. LIU Hua  
Mr. CAI Fangliang  
Ms. Judy Fong-Yee TU

### Non-executive Directors

Mr. GAO Yu  
Mr. Kingsley Kwok King CHAN  
Mr. CHEUNG Kwok Wah

### Independent Non-executive Directors

Ms. LIU Jinping  
Mr. SONG Jianwu  
Mr. FAN Yonghong  
Mr. Jacques Maurice LAFORGE

## AUDIT COMMITTEE

Mr. FAN Yonghong (*Chairman*)  
Mr. GAO Yu  
Mr. Jacques Maurice LAFORGE

## REMUNERATION COMMITTEE

Ms. LIU Jinping (*Chairman*)  
Mr. LIU Hua  
Mr. Jacques Maurice LAFORGE

## NOMINATION COMMITTEE

Mr. LENG Youbin (*Chairman*)  
Ms. LIU Jinping  
Mr. SONG Jianwu

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. LIU Hua (*Chairman*)  
Ms. Judy Fong-Yee TU  
Ms. LIU Jinping

## COMPANY SECRETARY

Ms. Judy Fong-Yee TU

## AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27/F, One Taikoo Place  
979 King's Road, Quarry Bay, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. LIU Hua  
Ms. Judy Fong-Yee TU

## PRINCIPAL BANK

China Construction Bank Corporation  
Qiqihar Branch  
No. 267, Yongan Avenue  
Longsha District  
Qiqihar  
Heilongjiang  
PRC

## REGISTERED OFFICE

Maricorp Services Ltd.  
P.O. Box 1103, George Town  
Grand Cayman KY1-1102  
Cayman Islands

## CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

C-16th Floor, Star City International Building  
10 Jiuxianqiao Road  
Chaoyang District  
Beijing  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maricorp Services Ltd.  
P.O. Box 1103, George Town  
Grand Cayman KY1-1102  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai  
Hong Kong

## INVESTOR RELATIONS CONTACT

Email: [ir@feihe.com](mailto:ir@feihe.com)

## CORPORATE WEBSITE

[www.feihe.com](http://www.feihe.com)

## STOCK CODE

6186

# Financial Highlights

## Key Financial Data

The table below sets out our financial highlights for the six months ended 30 June 2024.

	For the six months ended 30 June		Percentage changed
	2024	2023	
	(Unaudited)	(Unaudited)	
	(In thousands of RMB)		
Revenue	<b>10,094,947</b>	9,735,225	3.7%
Gross profit	<b>6,852,455</b>	6,359,266	7.8%
Profit for the period	<b>1,911,451</b>	1,618,682	18.1%
Earnings per share attributable to ordinary equity holders of the parent (RMB)			
– Basic	<b>0.21</b>	0.19	10.5%
– Diluted	<b>0.21</b>	0.19	10.5%

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

China has been one of the most populous countries. With continued urbanization and the rise in the number of women in the workplace, an increasing number of mothers in China have grown to realize the convenience and nutritional benefits offered by infant milk formula products as a supplement to and/or substitute for breast milk for their infants. According to the National Bureau of Statistics, China's birth rate dropped from 10.94‰ in 2018 to 6.39‰ in 2023, with number of newborns declining to approximately 9.0 million in 2023. According to Frost & Sullivan, an industry consulting firm, the number of children aging from zero to three decreased accordingly from approximately 50.1 million in 2018 to approximately 28.5 million in 2023. Despite the decline from 2018 to 2023, the decline in the number of newborns is expected to slow from 2023 to 2027, thanks to the supportive measures for the three-child policy. Due to the factors listed below, China's infant milk formula market in terms of retail sales value is expected to remain stable.

- Growth in consumers' confidence in the quality of and preference for China's infant milk formula products. With the enhancement in the quality management regime of China's dairy industry and the increased competitiveness of Chinese dairy brands, consumers' confidence in and consumption preference for China's infant milk formula products continued to increase. Such increase will drive the production and sales of China's infant milk formula products, which could in turn better satisfy consumers' diversified and unique consumption needs.
- Growth of the high-end infant milk formula segment. Due to increasing urbanization, rising disposable income and growing health awareness, the demand for high-end infant milk formula products is expected to be the driving force of the overall infant milk formula industry in China. According to the National Bureau of Statistics, China's per capita annual disposable income in 2023 reached RMB39,218, with a compound annual growth rate of 6.8% from 2018 to 2023. Such increase will in turn increase the consumption momentum of China's high-end infant milk formula products.
- Increasing urbanization and rising disposable income. The increase in the urbanization rate and the per capita annual disposable income of Chinese residents will enhance the purchasing power of consumers, allowing them to purchase more infant milk formula products. Lower-tier cities as well as rural areas in China are becoming wealthier and more urbanized, and families in such regions are increasingly able to afford higher-quality infant milk formula products. In general, these regions have larger populations and therefore higher potential for consumption growth.
- Favorable industrial policies by the PRC government:
  - o The National Development and Reform Commission of China unveiled the Action Plan for the Promotion of Domestic Infant Milk Formula (國產嬰幼兒配方乳粉提升行動方案) in May 2019, aiming to increase the portion of domestically manufactured infant milk formula in China with a target to remain a 60% self-sufficient level in the industry, and to encourage the use of fresh milk in the production of infant milk formula.

## Management Discussion and Analysis

- 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). After a transition period of two years, those standards were implemented on 22 February 2023. The new national safety standards have made stricter provisions on areas such as protein, carbohydrate, microelement, which is conducive to the innovation of leading infant milk formula enterprises and the further development of infant milk formula industry.
- o On 20 July 2021, the State Council issued the Decision on Optimizing Birth Policy to Promote Long-term Balanced Development of Population (關於優化生育政策促進人口長期均衡發展的決定), proposing the implementation of the three-child policy and supporting measures to slow down the decline of birth rate. Later, the National Healthcare Security Administration issued the Notice on Supporting Maternity Insurance under the Three-Child Policy (關於做好支持三孩政策生育保險工作的通知), and the National People's Congress Standing Committee voted to pass the decision on amending the Law of Population and Family Planning, advocating marriage and childbearing at an appropriate age, which promotes childbirths. During the National People's Congress and the Chinese People's Political Consultative Conference 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 the age of three, and development of commonly affordable childcare services.
- o On 12 November 2021, the State Administration for Market Regulation published the Announcement of the State Administration for Market Regulation on the Further Regulation of Labels and Identification of Infant Milk Formula Product (市場監管總局關於進一步規範嬰幼兒配方乳粉產品標籤標識的公告) (the "**SAMR Announcement**"), which made further stipulations on the characteristics, such as the label's main display layout, content claim, pattern, and feeding suggestion form. In addition, it is stipulated that if the product name refers to certain animal origin, all the milk protein raw materials in the product should come from such animal species. For compound ingredients in product ingredient list (excluding compound food additives), the original ingredients must be specified. From the date of the SAMR Announcement, the registration application for the infant formula products shall be carried out according to the stipulations contained therein. With effect from 22 February 2023, labels and markings on manufactured products shall comply with the requirements of the SAMR Announcement. Products manufactured prior to this date can be sold until the expiration of their shelf life.
- o On 10 July 2023, the State Administration for Market Regulation published the Amendment to the Measures for the Administration of Formula Registration of Infant Milk Formula Product (《嬰幼兒配方乳粉產品配方註冊管理辦法》), which further tightens the registration conditions of infant milk formula products and ensures the quality and food safety of infant milk formula products. The Amendment came into force on October 1, 2023.

# Management Discussion and Analysis

## BUSINESS OVERVIEW

### Dairy Products

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

### Sales and Distribution Network

The Group primarily sells its products through an extensive nationwide distribution network of over 2,800 offline customers with more than 80,000 retail points of sale as at 30 June 2024. 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 76.8% of its total revenue from dairy products for the six months ended 30 June 2024.

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 Improvement

The Group continued to optimize its production arrangements to increase its capacity and efficiency. As at 30 June 2024, the Group had 11 production facilities to manufacture its products with the designed annual production capacity exceeding 363,000 tonnes in total primarily as a result of increased production capacity for liquid milk production facility. The Group obtained its first license for infant formula production in Canada in April 2024. The Group regularly upgrades its production facilities to meet its production needs.

## Management Discussion and Analysis

### Marketing

The Group is a pioneer in China's infant milk formula market by positioning its brand as "Wise Babies Opt For Feihe" (聰明寶寶喝飛鶴) and has established a strong brand association with this message. The Group's innovative online and offline marketing strategies have enabled Feihe to become one of the most widely recognized and reputable infant milk formula brands among Chinese consumers today. The Group's marketing strategy consists of three key components:

- Face-to-face seminars, including Mother's Love seminars, Carnivals and Roadshows. During the six months ended 30 June 2024, approximately 460,000 face-to-face seminars were held in total. The number of new customers we acquired exceeded 1,430,000;
- Maximize online interactivity with consumers; and
- Targeted and result-driven exposure on media.

### Vitamin World USA

The Group acquired the retail health care business of Vitamin World in early 2018 through Vitamin World USA. Vitamin World USA engages in the retailing of vitamins, minerals, herbs, and other nutritional supplements. It operated 40 specialty stores across the United States, mostly in malls and outlet centres, and employed 191 people as at 30 June 2024. The Group also sells such products through its own website of Vitamin World USA, and e-commerce platforms. Our revenue generated from nutritional supplement products was RMB81.3 million, accounting for 0.8% of the Group's total revenue for the six months ended 30 June 2024.



## Management Discussion and Analysis

### OPERATING RESULTS AND ANALYSIS

The table below sets forth the Group's interim condensed consolidated statement of profit or loss and consolidated statement of comprehensive income in amounts and as a percentage of the Group's total revenue for the periods indicated, together with changes (expressed in percentages) from 2023 to 2024.

	For the six months ended 30 June				Percentage Changed
	2024		2023		
	(In thousands of RMB, except percentages) (Unaudited)				
Revenue	10,094,947	100%	9,735,225	100%	3.7%
Cost of sales	(3,242,492)	(32.1)%	(3,375,959)	(34.7)%	(4.0)%
<b>Gross profit</b>	<b>6,852,455</b>	<b>67.9%</b>	6,359,266	65.3%	7.8%
Other income and gains, net	862,259	8.5%	869,592	8.9%	(0.8)%
Selling and distribution expenses	(3,535,374)	(35.0)%	(3,459,932)	(35.5)%	2.2%
Administrative expenses	(738,708)	(7.3)%	(757,542)	(7.8)%	(2.5)%
Other expenses	(41,311)	(0.4)%	(43,078)	(0.4)%	(4.1)%
Finance costs	(26,236)	(0.3)%	(27,347)	(0.3)%	(4.1)%
Share of losses of associates	(6,739)	(0.1)%	(9,657)	(0.1)%	(30.2)%
Impairment losses on property, plant and equipment and right-of-use assets	–	–	(85,925)	(0.9)%	(100)%
Changes in fair value less costs to sell of biological assets	(336,911)	(3.3)%	(410,329)	(4.2)%	(17.9)%
<b>Profit before tax</b>	<b>3,029,435</b>	<b>30.0%</b>	2,435,048	25.0%	24.4%
Income tax expense	(1,117,984)	(11.1)%	(816,366)	(8.4)%	36.9%
<b>Profit for the period</b>	<b>1,911,451</b>	<b>18.9%</b>	1,618,682	16.6%	18.1%
<b>Other comprehensive (loss)/income</b>					
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements of group companies	(24,752)	(0.2)%	129,130	1.3%	(119.2)%
<b>Total comprehensive income for the period</b>	<b>1,886,699</b>	<b>18.7%</b>	1,747,812	17.9%	7.9%

# Management Discussion and Analysis

## Revenue

The Group's revenue increased slightly by 3.7% from RMB9,735.2 million for the six months ended 30 June 2023 to RMB10,094.9 million for the six months ended 30 June 2024.

## Cost of Sales

The Group's cost of sales decreased by 4.0% from RMB3,376.0 million for the six months ended 30 June 2023 to RMB3,242.5 million for the six months ended 30 June 2024, primarily due to the decrease of raw materials prices.

## Gross Profit and Gross Profit Margin

The Group's gross profit increased by 7.8% from RMB6,359.3 million for the six months ended 30 June 2023 to RMB6,852.5 million for the six months ended 30 June 2024.

The Group's gross profit margin increased from 65.3% for the six months ended 30 June 2023 to 67.9% for the six months ended 30 June 2024, primarily due to an increase in revenue from Astrobaby products series.

## Other Income and Gains, Net

Other income and gains, net decreased by 0.8% from RMB869.6 million for the six months ended 30 June 2023 to RMB862.3 million for the six months ended 30 June 2024, primarily due to a decrease in government grants.

## Selling and Distribution Expenses

Selling and distribution expenses increased by 2.2% from RMB3,459.9 million for the six months ended 30 June 2023 to RMB3,535.4 million for the six months ended 30 June 2024, primarily due to an increase in the expenses of online activities and promotional activities.

## Administrative Expenses

Administrative expenses decreased by 2.5% from RMB757.5 million for the six months ended 30 June 2023 to RMB738.7 million for the six months ended 30 June 2024, primarily due to a decrease in research and development costs.

## Other Expenses

Other expenses decreased by 4.1% from RMB43.1 million for the six months ended 30 June 2023 to RMB41.3 million for the six months ended 30 June 2024, primarily due to a decrease in loss of disposal of old packaging materials.

# Management Discussion and Analysis

## Finance Costs

Finance costs decreased by 4.1% from RMB27.3 million for the six months ended 30 June 2023 to RMB26.2 million for the six months ended 30 June 2024, primarily due to a decrease of the interest-bearing borrowings.

## Profit before Tax

As a result of the foregoing, the Group's profit before tax increased by 24.4% from RMB2,435.0 million for the six months ended 30 June 2023 to RMB3,029.4 million for the six months ended 30 June 2024.

## Income Tax Expense

Our income tax expense increased by 36.9% from RMB816.4 million for the six months ended 30 June 2023 to RMB1,118.0 million for the six months ended 30 June 2024 as a result of an increase in our profit before tax for the six months ended 30 June 2024.

The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, was 33.5% for the six months ended 30 June 2023 and 36.9% for the six months ended 30 June 2024.

## Profit for the Period

As a result of the foregoing, our profit for the period increased by 18.1% from RMB1,618.7 million for the six months ended 30 June 2023 to RMB1,911.5 million for the six months ended 30 June 2024.

## Liquidity and Capital Resources

For the six months ended 30 June 2024, the Group financed its operations primarily through cash flows from operations, interest-bearing bank and other borrowings, and net proceeds from 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 2024, the Group had cash and cash equivalents of RMB9,667.5 million, which primarily consisted of cash on hand and at banks, including term deposits, and assets similar in nature to cash, which were not restricted for use.

## Management Discussion and Analysis

### 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 interim report.

### Bank and Other Borrowings

As at 30 June 2024, the Group’s interest-bearing bank and other borrowings were approximately RMB1,267.8 million, of which RMB510.9 million are repayable within one year and the remaining balances are repayable within the third to fourth years. The Group’s interest-bearing bank and other borrowings were denominated in Renminbi, with an effective interest rate of 2.75% – 3.85%.

### Capital Structure

As at 30 June 2024, the Group had net assets of RMB27,043.7 million, comprising current assets of RMB22,396.0 million, non-current assets of RMB13,213.2 million, current liabilities of RMB6,712.6 million and non-current liabilities of RMB1,852.9 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 cash equivalents. 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 (0.36) as at 31 December 2023 and (0.33) as at 30 June 2024.

### 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 2024, we have not used any derivatives to hedge interest rate risk.

We have transactional currency exposures mainly with respect to (i) our bank loans denominated in U.S. dollars; and (ii) our operation of the overseas plant in Canada, which was made in Canadian dollars. During the six months ended 30 June 2024, 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 2024, 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 2024, the total pledged group assets amounted to approximately RMB416.3 million, representing a decrease of RMB2.6 million as compared to the beginning of 2024.

## Management Discussion and Analysis

### **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 2024, the Group did not have any significant contingent liabilities.

### **SUBSEQUENT EVENTS**

The Group has no material subsequent events after 30 June 2024 as of the date of this interim report.

### **FUTURE PROSPECTS**

The Group will continue to drive innovation, keeping up with market developments and closely following consumer needs. We are committed to advancing our “Brain Development Strategy” through offering tailored professional nutritional solutions for every stage of life, from infancy to the senior years, thereby bringing health and well-being to people through science and care. Meanwhile, we will constantly innovate and optimize our product portfolio to enhance consumer confidence, support the continued growth of the Chinese dairy industry, and create new opportunities for expansion and build core competitiveness, aiming to write a brilliant chapter for Feihe.

# Other Information and Corporate Governance

## 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 CG Code as set out in Appendix C1 to the Listing Rules 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 during 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 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 AND EMPLOYEES

The Company has adopted the Model Code as set out in Appendix C3 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 in the code provision C.1.3 of the CG Code.

## Other Information and Corporate Governance

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### (i) Interest in Shares/derivative shares of the Company

Name of Director/ chief executive	Nature of interest	Capacity	Long position/ Short position	Number of Shares/ derivative shares	Approximate Percentage of shareholding in the Company <sup>(1)</sup>
Leng Youbin	Corporate interest	Interest of controlled corporation	Long	587,516,458 <sup>(2)</sup>	6.48%
	Other interest	Founder of a discretionary trust	Long	3,889,911,881 <sup>(3)</sup>	42.90%
Liu Hua	Other interest	Founder of a discretionary trust	Long	345,681,920 <sup>(4)</sup>	3.81%
Cheung Kwok Wah	Beneficial interest	Beneficial owner	Long	326,000 <sup>(5)</sup>	0.00%
Cai Fangliang	Corporate interest	Interest of controlled corporation	Long	101,647,734 <sup>(6)</sup>	1.12%
Judy Fong-Yee Tu	Other interest	Founder of a discretionary trust	Long	23,717,804 <sup>(7)</sup>	0.26%
	Beneficial interest	Beneficial owner	Long	104,762 <sup>(7)</sup>	0.00%
Gao Yu	Beneficial interest	Beneficial owner	Long	7,536,151 <sup>(8)</sup>	0.08%
Kingsley Kwok King Chan	Beneficial interest	Beneficial owner	Long	3,368,918 <sup>(9)</sup>	0.04%

## Other Information and Corporate Governance

*Notes:*

- (1) The percentage has been computed based on the total number of Shares of the Company in issue as at 30 June 2024 (i.e. 9,067,251,704 Shares).
- (2) 587,516,458 Shares were held by Mr. Leng through his controlled corporation – Dasheng Limited. Two-thirds of the equity interests in Dasheng Limited were held directly by Mr. Leng.
- (3) 3,889,911,881 Shares were held by Harneys Trustees Limited as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited, which in turn holds the entire issued share capital of Garland Glory Holdings Limited. Leng Family Trust was established by Mr. Leng as the settlor and the only discretionary object. Mr. Leng was deemed to be interested in 3,889,911,881 Shares held by Garland Glory Limited by virtue of the SFO.
- (4) 345,681,920 Shares were held by Harneys Trustees Limited as the trustee of LH Family Trust, which in its capacity as trustee holds the entire issued share capital of RL Equity LLC, which in turn holds the entire issued share capital of LH Financial Holding Limited, LH Family Trust was established by Mr. Liu Hua as the settlor and the only discretionary object. Mr. Liu was deemed to be interested in 345,681,920 Shares directly held by LH Financial Holding Limited by virtue of the SFO.
- (5) 326,000 Shares were held by Mr. Cheung Kwok Wah as beneficial owner.
- (6) 101,647,734 Shares were held by Mr. Cai Fangliang through his controlled corporation – Adroit Shipping Limited. Adroit Shipping Limited is directly wholly owned by Mr. Cai Fangliang.
- (7) 23,717,804 Shares were held by J.T. Living Trust, which was established by Ms. Judy Fong-Yee Tu as the settlor and the only discretionary object. Ms. Judy Fong-Yee Tu was deemed to be interested in the 23,717,804 Shares by virtue of the SFO. 104,762 Shares were held by Ms. Judy Fong-Yee Tu as beneficial owner.
- (8) 7,536,151 Shares were held by Mr. Gao Yu, which was the result of the distribution of shares or interests of the Company from each of Morgan Stanley Private Equity Asia III, LLC and Morgan Stanley Private Equity Asia Fund III from 11 October 2022 and up until 30 June 2024.
- (9) 3,368,918 Shares were held by Mr. Kingsley Kwok King Chan, which was the result of the distribution of shares or interests of the Company by each of Morgan Stanley Private Equity Asia, Morgan Stanley Private Equity Asia Fund III and North Haven Private Equity Asia III, L.P. from 10 October 2022 and up until 30 June 2024.



## Other Information and Corporate Governance

### (ii) Interest in associated corporations

Name of Director/ chief executive	Nature of interest	Capacity	Associated corporation	Number of ordinary shares	Percentage of shareholding in the associated corporation
Cai Fangliang	Beneficial interest	Beneficial owner	Jilin Green Energy Ecological Livestock Co., Limited <sup>(1)</sup>	N/A <sup>(2)</sup>	7.66%

*Notes:*

- (1) Jilin Green Energy Ecological Livestock Co., Limited is held as to 40% by the Company and therefore is an associated corporation of the Company under the SFO.
- (2) Jilin Green Energy Ecological Livestock Co., Limited is a limited liability company incorporated in the PRC and does not issue any shares.

Save as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company have an interest in the Shares or debentures of the Company or any interests in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which: (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange. As at 30 June 2024, neither the Directors nor chief executive of the Company have any short position in the Shares or the debentures of the Company, or in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO).

## Other Information and Corporate Governance

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2024, the following persons (other than the Directors and chief executive of the Company) had interest or short positions in the Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name of shareholder	Nature of interest	Long position/ Short position	Number of Shares/ derivative shares	Percentage of shareholding in the Company <sup>(1)</sup>
Harneys Trustees Limited	Trustee of a trust	Long	4,461,740,357 <sup>(2)</sup>	49.21%
LYB International Holding Limited	Interest in a controlled corporation	Long	3,889,911,881 <sup>(2)</sup>	42.90%
Garland Glory Holdings Limited	Beneficial owner	Long	3,889,911,881 <sup>(2)</sup>	42.90%
Mr. Liu Shenghui	Interest in a controlled corporation and founder of a discretionary trust	Long	813,663,014 <sup>(3)</sup>	8.97%
Dasheng Limited	Beneficial owner	Long	587,516,458 <sup>(4)</sup>	6.48%

Notes:

- (1) The percentage has been computed based on the total number of Shares of the Company in issue as at 30 June 2024 (i.e. 9,067,251,704 Shares).
- (2) Harneys Trustees Limited is deemed to be interested in 4,461,740,357 Shares in aggregate by virtue of the SFO:
- (a) 3,889,911,881 Shares were held by Harneys Trustees Limited as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited, which in turn holds the entire issued share capital of Garland Glory Holdings Limited. Leng Family Trust is a discretionary trust established by Mr. Leng as the settlor and the only discretionary object. Accordingly, Harneys Trustees Limited is deemed to be interested in 3,889,911,881 Shares directly held by Garland Glory Holdings Limited;
- (b) 345,681,920 Shares were held by Harneys Trustees Limited, the trustee of LH Family Trust, in its capacity as trustee holds the entire issued share capital of LH Capital Holding Limited, which in turn holds the entire issued share capital of LH Financial Holding Limited. LH Family Trust is a discretionary trust established by Mr. Liu Hua as the settlor and the only discretionary object. Accordingly, Harneys Trustees Limited is deemed to be interested in 345,681,920 Shares directly held by LH Financial Holding Limited; and
- (c) 226,146,556 Shares were held by Harneys Trustees Limited, the trustee of Liu Family Trust, in its capacity as trustee holds the entire issued share capital of LSH International Holding Limited, which in turn holds the entire issued share capital of LSH Investment Holding Limited. Liu Family Trust is a discretionary trust established by Mr. Liu Shenghui as the settlor and the only discretionary object. Accordingly, Harneys Trustees Limited is deemed to be interested in 226,146,556 Shares directly held by LSH Investment Holding Limited.

## Other Information and Corporate Governance

- (3) 813,663,014 Shares include 226,146,556 Shares held by Harneys Trustees Limited as trustee (as described in note (2c) above) and 587,516,458 Shares through Mr. Liu Shenghui's controlled corporation – Dasheng Limited (as described in note (4) below).
- (4) Dasheng Limited holds 587,516,458 Shares. Mr. Leng holds two-thirds of and Mr. Liu Shenghui holds one-third of the equity interest in Dasheng Limited. Therefore, Mr. Leng and Mr. Liu Shenghui are deemed to be interested in the Shares held by Dasheng Limited.

Save as disclosed above, as at 30 June 2024, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

### EMPLOYEES AND REMUNERATION

As at 30 June 2024, the Group had 9,436 full-time employees (YST: 2,423), the majority of whom are based in China.

In compliance with the CG Code, the Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

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.

As at 30 June 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

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

During the Reporting Period, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares (as defined in the Listing Rules)). As at the end of the Reporting Period, the Company did not hold any treasury shares (whether held or deposited in the Central Clearing and Settlement System, or otherwise).

## Other Information and Corporate Governance

### 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. For the unutilized amounts of HK\$1,582.6 million as at 30 June 2024, the Company will bring them forward from prior period and apply the remaining net proceeds in the manner set out in the Prospectus. It is expected that the remaining net proceeds from the Global Offering will be fully utilized by 31 December 2025.

The following table sets forth a breakdown of the utilization of the net proceeds as at 30 June 2024.

Intended use of proceeds	Initial intended allocation (HK\$ million)	Unutilized amount as at 31 December 2023 (HK\$ million)	Utilized amount for the six months ended 30 June 2024 (HK\$ million)	Unutilized amount as at 30 June 2024 (HK\$ million)	Expected timeline for utilizing the remaining proceeds <sup>(1)</sup>
Repayment of offshore debts	2,621.9	208.3	–	208.3	Before 31 December 2025
Potential merger and acquisition opportunities	1,310.9	–	–	–	–
Operation of the Company's Kingston Plant	655.5	574.9	63.3	511.6	Before 31 December 2025
Research and development activities of overseas infant milk formula and nutritional supplement products	655.5	655.5	–	655.5	Before 31 December 2025
Expansion of Vitamin World USA operations	327.7	–	–	–	–
Marketing initiatives	327.7	226.3	19.6	206.7	Before 31 December 2025
Working capital and general corporate purposes	655.5	0.5	–	0.5	Before 31 December 2025
	6,554.7	1,665.5	82.9	1,582.6	

Note:

- (1) The Company expects that the use of part of net proceeds will be delayed by two years from the originally expected time. The delay is mainly due to the macroeconomic environment in the PRC being affected by social and economic factors, in particular, changes in the market environment of the infant formula industry in the PRC.

### INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare an interim dividend of HK\$0.1632 per Share for the six months ended 30 June 2024 (the "2024 Interim Dividend") with an aggregate amount of approximately HK\$1,479,775,478 (equalling approximately RMB1,352,852,176) to the Shareholders whose names are listed on the Company's register of members as at 13 September 2024 (except for the holders of treasury shares, if any). The 2024 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 40% of our profit for the six months ended 30 June 2024, totaling approximately 70% of our profit for the six months ended 30 June 2024 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 28 August 2024. For the avoidance of doubt, such profit for the six months ended 30 June 2024 does not include the profit/loss of YST. The 2024 Interim Dividend will be declared and paid in Hong Kong dollars, and is expected to be paid on or around 30 September 2024.

## Other Information and Corporate Governance

In order to ascertain the Shareholders' entitlement to the 2024 Interim Dividend, the register of members of the Company was closed from 12 September 2024 to 13 September 2024 (both days inclusive), during which period no transfer of Shares of the Company was registered. In order to qualify for the 2024 Interim Dividend, 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 11 September 2024.

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.

### AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three members, namely Mr. FAN Yonghong, Mr. GAO Yu and Mr. Jacques Maurice LAFORGE. Mr. FAN Yonghong is the chairman of the Audit Committee.

The financial information for the six months ended 30 June 2024 set out in this interim report is unaudited. 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 interim results for the six months ended 30 June 2024 and this interim report.

### PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 14 October 2019 and a summary of the principal terms of the Pre-IPO Share Option Scheme is set out as below.

#### Purposes

The purposes of the Pre-IPO Share Option Scheme are to: (i) replace the DIF Share Option Schemes; (ii) attract and retain the best available personnel for positions of substantial responsibility; (iii) provide additional incentive to the Directors and employees of the Group (the "**Employee(s)**," together with the Directors, the "**Pre-IPO Service Providers**"); and (iv) promote the success of the business of the Group.

#### Pre-IPO Participants

A grant of the Pre-IPO Share Option under the Pre-IPO Share Option Scheme (the "**Pre-IPO Award**") may be made to the Pre-IPO Service Providers selected by the Board (including any committee of Directors or of other individuals appointed by the Board or by the compensation committee of the Board satisfying relevant requirements of applicable laws) of the Company (the "**Pre-IPO Administrator**"). A holder of an outstanding Pre-IPO Award will be a participant (the "**Pre-IPO Participant**") under the Pre-IPO Share Option Scheme. For the avoidance of doubt, Pre-IPO Awards may be granted to any holder of the outstanding DIF Share Options, who is a company wholly owned, directly or indirectly, by (i) one or more Pre-IPO Service Providers or (ii) any trusts, if all of the beneficiaries consist only of the Pre-IPO Service Providers (in the case of a discretionary trust, all discretionary objects consist only of the Pre-IPO Service Providers).

## Other Information and Corporate Governance

### Maximum Number of Shares in Respect of Which Pre-IPO Awards May Be Granted

The maximum number of the Shares that may be subject to Pre-IPO Awards and issued under the Pre-IPO Share Option Scheme is 190,190,704, representing approximately 2.10% of the total number of the issued shares of the Company as at the date of this interim report.

### Grant of Options

Subject to the terms and provisions of the Pre-IPO Share Option Scheme, the Pre-IPO Administrator may grant Pre-IPO Share Options in such amounts as the Pre-IPO Administrator, in its sole discretion, will determine; provided that, no Pre-IPO Share Option authorized by the Pre-IPO Share Option Scheme shall be granted upon and following the Listing.

The date of grant of an Pre-IPO Award will be, for all purposes, the date on which the Pre-IPO Administrator makes the determination granting such Pre-IPO Award, or such other later date as is determined by the Pre-IPO Administrator. Notice of the determination will be provided to each Pre-IPO Participant within a reasonable time after the date of such grant.

### Exercise Price

The per Share exercise price for the Shares to be issued pursuant to the exercise of the Pre-IPO Share Option shall be determined by the Pre-IPO Administrator, provided that such exercise price shall be no less than one hundred percent of the fair market value (the “**Fair Market Value**”) per Share on the date of grant. For the avoidance of doubt, for the per Share exercise price for the Shares to be issued upon the exercise of the Pre-IPO Share Option granted in order to replace the existing DIF Share Options as of the date of adoption of the Pre-IPO Share Option Scheme, the relevant Fair Market Value per Share shall be with reference to that of the respective date of grant of such outstanding DIF Share Options.

### Duration of Pre-IPO Share Option Scheme

Unless sooner terminated in accordance with the terms of the Pre-IPO Share Option Scheme, it will continue in effect for a term of seven years from the effective date. The term of each Pre-IPO Share Option will be stated in the Award Agreement and will be no more than five years from the date of grant thereof.

### Time of Vesting and Exercise of Pre-IPO Share Options

Any Pre-IPO Share Option granted will be exercisable according to the terms of the Pre-IPO Share Option Scheme and at such times and under such conditions as determined by the Pre-IPO Administrator and set forth in the Award Agreement. A Pre-IPO Share Option may not be exercised for a fraction of a Share.

In respect of any particular Pre-IPO Share Option, the exercise period shall commence on the later of:

- (1) the business day immediately following the expiry of six months from the Listing Date, or
- (2) where the exercise of such Pre-IPO Share Option is subject to any performance target being met, the date of such performance target being proved (to the reasonable satisfaction of the Pre-IPO Administrator) to have been met.

## Other Information and Corporate Governance

### Details of the Pre-IPO Share Options Granted under the Pre-IPO Share Option Scheme

All the Pre-IPO Share Options representing 190,190,704 Shares were granted to Dasheng Limited on 14 October 2019 under the Pre-IPO Share Option Scheme with a term of five years. Dasheng Limited is not required to pay for the grant of any Pre-IPO Share Option. On 29 September 2022, Dasheng Limited exercised all of the Pre-IPO Share Options granted for a total of 190,190,704 Shares. There was no outstanding Pre-IPO Share Option available for grant at the beginning and at the end of the Reporting Period.

During the Reporting Period, no option was granted under the Pre-IPO Share Option Scheme, and none of the options granted under the Pre-IPO Share Option Scheme had been exercised, cancelled or lapsed.

Further details of the Pre-IPO Share Option Scheme are set out in appendix IV to the Prospectus.

### 2020 SHARE OPTION SCHEME

The Company adopted the 2020 Share Option Scheme on 22 June 2020 and a summary of the principal terms of the 2020 Share Option Scheme is set out as below.

#### Purposes

The purposes of the 2020 Share Option Scheme are (i) to attract and retain skilled and experienced personnel for positions of substantial responsibility, (ii) to provide additional incentive to directors of the Company and its subsidiaries, key employees and other stakeholders of the Group, and (iii) to promote the success of the Company's business.

#### Participants

Participants (the "**Participant(s)**") include:

- (a) any Eligible Employee;
- (b) any director (including executive director, non-executive director and independent non-executive director) of the Company or the subsidiaries; and
- (c) any consultant, adviser, agent, business partner, joint venture partner, service provider, contractor of the Company or the subsidiaries.

The basis of eligibility of any of the class of Participants to the grant of any 2020 Share Options shall be determined by the Board from time to time.

#### Maximum Number of Shares in Respect of Which Awards May Be Granted

The maximum number of the Shares that may be subject to awards and issued under the 2020 Share Option Scheme is 134,000,100, representing 1.48% of the total number of the issued shares of the Company as at the date of this interim report.

## Other Information and Corporate Governance

### Maximum Entitlement of Each Participant under the 2020 Share Option Scheme

The total number of Shares issued and to be issued upon exercise of the 2020 Share Options granted to each eligible Participant (including exercised, cancelled and outstanding 2020 Share Options) in any 12-month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”).

### Grant of 2020 Share Options

On and subject to the terms of the 2020 Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years after 22 June 2020 to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, a 2020 Share Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (the “**Offer**”).

An Offer shall be made to a Participant by an Offer Letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the 2020 Share Option on the terms on which it is to be granted and to be bound by the terms of the 2020 Share Option Scheme and any other terms and conditions as contained in the Offer Letter and shall remain open for acceptance by the Participant concerned for such time to be determined by the Board, provided that no such Offer shall be open for acceptance after the expiry of ten (10) years after 22 June 2020 or after the 2020 Share Option Scheme has been terminated in accordance with the terms hereof or after the Participant to whom the Offer is made has ceased to be a Participant. The Offer Letter shall specify the terms on which the 2020 Share Option is to be granted.

An Offer shall be deemed to have been accepted and the 2020 Share Option to which such Offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of offer duly signed by the Grantee, together with the payment of HK\$1.00 to the Company as the consideration for the grant thereof is received by the Company. Such payment shall in no circumstances be refundable. Once accepted, the 2020 Share Option is granted as from the Offer Date.

### Exercise of Options

A 2020 Share Option may, subject to the terms and conditions upon which such 2020 Share Option is granted, be exercised in whole or in part in the manner as set out below by the Grantee (or, as the case may be, his or her legal personal representative(s)) giving notice in writing to the Company stating that the 2020 Share Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given. The aggregate Subscription Price shall be paid by cash, cheque or any other means deemed acceptable by the Board. Any exercise of a 2020 Share Option by a Grantee shall be subject to the applicable laws, regulations, rules and requirements of any relevant country or jurisdiction. Within ten (10) business days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the auditors or the independent financial adviser retained by the Company, the Company shall allot and issue, and shall instruct the Share Registrar to issue, the relevant Shares to the Grantee (or his or her legal personal representative(s)) credited as fully paid and issue to the Grantee (or his or her legal personal representative(s)) a share certificate in respect of the Shares so allotted. Subject to the terms and conditions upon which such 2020 Share Option was granted and any restrictions applicable under the Listing Rules, a 2020 Share Option may be exercised by the Grantee (or their legal personal representatives) at any time during the Option Period, provided that it satisfies the requirements as set out in the supplemental circular of the Company dated 5 June 2020.



## Other Information and Corporate Governance

### Vesting Period

The Options shall vest on the vesting date as determined by the Board in its absolute discretion. The periods over which the Options will vest may exceed any minimum vesting periods prescribed by any laws, regulations or rules to which the 2020 Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the 2020 Share Option Scheme may or may not at the discretion of the Board, be subject to any retention period.

There is no general requirement for any performance target that has to be achieved before the exercise of any Option except as otherwise imposed by the Board in the offer letter by which an offer to grant an Option is made to a Participant.

### Subscription Price

The Subscription Price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant 2020 Share Option (and shall be stated in the Offer Letter), but in any case the Subscription Price shall not be less than the higher of:

- (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day;
- (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

### Duration of the 2020 Share Option Scheme

The 2020 Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on 22 June 2020. After the expiry of the ten (10) year period, no further Options will be offered or granted but in all other aspects the provisions of the 2020 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any 2020 Share Option granted prior thereto. 2020 Share Options granted hereunder shall continue to be exercisable subject to the terms of the 2020 Share Option Scheme and in accordance with their terms of grant after the end of the ten (10) year period of the 2020 Share Option Scheme until the end of the Option Period.

Further details of the 2020 Share Option Scheme are set out in the supplemental circular of the Company dated 5 June 2020.

## Other Information and Corporate Governance

Movements of the share options under the 2020 Share Option Scheme during the six months ended 30 June 2024 are as follows:

Grantees <sup>(1)</sup>	Date of grant	Date of expiry <sup>(2)</sup>	Vesting period	Exercise Price (HK\$)	Number of underlying ordinary shares comprised in the options outstanding as at 1 January 2024	Number of underlying ordinary shares comprised in the options granted during the six months ended 30 June 2024	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the six months ended 30 June 2024 <sup>(3)</sup>	Number of underlying ordinary shares comprised in the options exercised during the six months ended 30 June 2024	Number of underlying ordinary shares comprised in the options outstanding as at 30 June 2024
<b>February 2021 Grant</b>									
Employees	2 February 2021	1 February 2031	2 February 2022 to 2 February 2026	23.80	7,421,000	-	7,421,000	-	0
<b>July 2021 Grant</b>									
Employees	15 July 2021	14 July 2031	15 July 2022 to 15 July 2026	16.84	829,800	-	829,800	-	0
<b>January 2022 Grant</b>									
Employees	24 January 2022	23 January 2032	24 January 2023 to 24 January 2027	11.76	1,892,000	-	1,892,000	-	0

Notes:

- (1) None of the Grantees were directors, chief executives or substantial Shareholders of the Company or any of their respective associate (as defined in the Listing Rules).
- (2) The relevant 2020 Share Options can be exercised prior to the date of expiry upon vesting.
- (3) 56,800 share options granted under the 2020 Share Option Scheme have lapsed upon the resignation of the relevant employees of the Company, and 10,086,000 share options granted under the 2020 Share Option Scheme have been cancelled.

During the Reporting Period, no share option has been granted under the 2020 Share Option Scheme. Save as disclosed above, during the Reporting Period, no other share options under the 2020 Share Option Scheme had been exercised, cancelled nor lapsed.

As at the beginning of the Reporting Period, 80,696,300 share options were available for grant under the 2020 Share Option Scheme, representing approximately 0.89% of the total number of the issued shares of the Company as at the date of this interim report. As at the end of the Reporting Period, 80,696,300 share options were available for grant under the 2020 Share Option Scheme, representing approximately 0.89% of the total number of the issued shares of the Company as at the date of this interim report.

## Other Information and Corporate Governance

All the grantees being granted the share options under the 2020 Share Option Scheme on 2 February 2021, 15 July 2021 and 24 January 2022 are employees of the Company working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance. None of the numbers of the share options granted to each of such grantees in any 12-month period exceeds the Individual Limit.

For more details, please refer to the announcements of the Company dated 2 February 2021, 15 July 2021 and 24 January 2022.

### 2023 SHARE AWARD PLAN

The Company adopted the 2023 Share Award Plan on 25 May 2023 and a summary of the principal terms of the 2023 Share Award Plan is set out as below.

#### Purposes

The 2023 Share Award Plan aims at (i) recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group and give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

#### Participants

Eligible Participant is any person belonging to the following classes of participants: (i) Employee Participant; (ii) Related Entity Participant; and (iii) Service Provider. The eligibility of any of the Eligible Participants to a Share Award shall be determined by the Board or the Committee from time to time on the basis of the Board’s or the Committee’s opinion as to his contribution and/or future contribution to the development and growth of the Group.

#### Shares Pool

The Shares Pool is comprised of the following: (i) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the Group Contribution and other distributions in accordance with the terms of the 2023 Share Award Plan; (ii) such Shares which remain unvested and revert to the Trustee pursuant to the terms of the 2023 Share Award Plan; (iii) such Shares which any person or company recommended by the Company may irrevocably donate or transfer to or irrevocably vest or caused to be vested in the Trustee to be held upon trusts and with and subject to the powers and provisions in the Trust Deed; and (iv) the Returned Shares.

#### Duration

The 2023 Share Award Plan shall be valid and effective for a term of 10 years commencing from 25 May 2023, and after the expiry of such 10-year term no further Share Awards may be made but the terms of the 2023 Share Award Plan shall remain in full force and effect to the extent necessary to give effect to any Share Awards made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

#### Administration

The 2023 Share Award Plan shall be subject to the administration by the Board or the Committee in accordance with the terms of the 2023 Share Award Plan and the Trust Deed.

## Other Information and Corporate Governance

### Maximum Grant Limit

The Board or the Committee shall not make any further Share Awards which will result in the number of Shares awarded by the Board or the Committee under the 2023 Share Award Plan exceeding 10 per cent (10%) of the issued share capital of the Company as at 25 May 2023 (i.e. 906,825,170 Shares) (the “**Plan Mandate Limit**”). The Board or the Committee shall not make any further Share Awards to any Service Provider which will result in the number of Shares awarded by the Board or the Committee to all Service Providers under the 2023 Share Award Plan exceeding 0.5 per cent (0.5%) of the issued share capital of the Company as at 25 May 2023 (i.e. 45,341,258 Shares) (the “**Service Provider Sub-limit**”). The Board or the Committee shall not instruct the Trustee to purchase any Shares for the purpose of the 2023 Share Award Plan when such purchase will result in the Plan Mandate Limit or the Service Provider Sub-limit being exceeded. As at 1 January 2024, the number of Shares that may be awarded under Share Awards available for grant under the Plan Mandate Limit and Service Provider Sub-limit are 906,825,170 Shares and 45,341,258 Shares, respectively. As at 30 June 2024, the number of Shares that may be awarded under Share Awards available for grant under the Plan Mandate Limit and Service Provider Sub-limit are 886,444,086 Shares and 45,341,258 Shares, respectively.

In particular, any grant of Share Awards to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee of the Board and the independent non-executive Directors of the Company (excluding anyone who is a proposed recipient of the grant of the Share Award).

In addition, (i) where any grant of Share Awards (excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all Share Awards granted (excluding any Share Awards lapsed in accordance with the terms of the 2023 Share Award Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or (ii) where any grant of Share Awards to an independent non-executive Director or substantial Shareholder of the Company or any of their respective associates would result in the number of Shares issued and to be issued upon exercise of all Share Awards already granted (excluding any Share Awards lapsed in accordance with the terms of the 2023 Share Award Plan) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% of Shares in issue at the date of such grant, such further grant of Share Awards must be approved by Shareholders in general meeting in the manner as required under the Listing Rules.

### Vesting and Vesting Period

Pursuant to the terms of the 2023 Share Award Plan, the Trustee shall vest in and transfer to any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Share Awards as soon as practicable after the latest of: (i) the earliest vesting date as specified in the Award Notice to which such Share Awards relates; (ii) the receipt by the Trustee of the requisite information and documents stipulated by the Trustee within the stipulated period; and (iii) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related Award Notice having been attained or paid and notified to the Trustee by the Board or the Committee in writing.

## Other Information and Corporate Governance

### Rights Contained in the Share Award

The Trustee shall not exercise the voting rights in respect of any Shares held under the trust constituted by the Trust Deed. In particular, the Trustee holding unvested Shares under the 2023 Share Award Plan, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The Selected Participants shall not have any right to receive any Awarded Shares set aside for them pursuant to the terms of the 2023 Share Award Plan unless and until the Trustee has vested and transferred the legal and beneficial ownership of such Awarded Shares in and to the Selected Participants in accordance with the terms of the 2023 Share Award Plan. Prior to the vesting of any Awarded Shares, a Selected Participant is not entitled to any interest or rights attaching to the unvested Awarded Shares, including but not limited to voting rights and rights to receive dividends.

### Lapse of Awards and Returned Shares

In the event (i) a Selected Participant ceases to be an Employee Participant or Related Entity Participant other than for reason as provided in certain terms of the 2023 Share Award Plan, or (ii) the subsidiary or Related Entity by which a Selected Participant is employed or, in respect of a deceased or retired Selected Participant under certain terms of the 2023 Share Award Plan, was employed immediately prior to his death or retirement, ceases to be a subsidiary or Related Entity of the Company (or of a member of the Group), or (iii) the Board or the Committee shall at its absolute discretion determine in respect of a Service Provider that (a) the Service Provider or his associate has committed any breach of any contract entered into between the Service Provider or his associate on one part and any member of the Group or any Related Entity on the other part as the Board or the Committee may in its absolute discretion determine; or (b) the Selected Participant has been guilty of misconduct, or has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, or has been convicted any criminal offence involving his integrity or honesty; or (c) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group or the Related Entity by reason of the cessation of its relationship with the Group or its Related Entity or by any other reasons whatsoever; or (iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company) (each of these, an event of "**Total Lapse**"), the Share Award shall automatically lapse forthwith and all the Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares and the dividends and other distributions declared and made in respect of the deemed vested Awarded Shares shall form part of the income of the trust fund for the purposes of the 2023 Share Award Plan.

In the event (i) a Selected Participant is found to become an Excluded Participant or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee (or such later date as may be determined by the Board or the Committee at its sole and absolute discretion having to all relevant circumstances) for the relevant Awarded Shares within the stipulated period (each of these, an event of "**Partial Lapse**"), the relevant part of a Share Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares and the dividends and other distributions declared and made in respect of the deemed vested Awarded Shares shall form part of the income of the trust fund for the purposes of the 2023 Share Award Plan.

## Other Information and Corporate Governance

### Termination

The 2023 Share Award Plan shall terminate on the earlier of: (i) the 10th anniversary date of the 25 May 2023; and (ii) such date of early termination as determined by the Board or the Committee and notified to the Trustee in writing, provided that such termination shall not affect any subsisting rights of any Selected Participant. Subject to the decision of the Board or the Committee and the terms of the 2023 Share Award Plan, all the Awarded Shares shall become vested in the Selected Participant on such date of termination, save in respect of any event of Total Lapse.

### Details of the Share Awards under the 2023 Share Award Plan

Movements of the Share Awards under the 2023 Share Award Plan during the six months ended 30 June 2024 are as follows:

Selected Participants <sup>(1)</sup>	Date of grant	Vesting Date	Purchase Price (HK\$)	Number of underlying ordinary shares comprised in the Share Awards outstanding as at 1 January 2024	Number of underlying ordinary shares comprised in the Share Awards granted during the six months ended 30 June 2024 <sup>(2)</sup>	Number of underlying ordinary shares comprised in the Share Awards lapsed or cancelled during the six months ended 30 June 2024	Number of underlying ordinary shares comprised in the Share Awards vested during the six months ended 30 June 2024 <sup>(3)</sup>	Number of underlying ordinary shares comprised in the Share Awards outstanding as at 30 June 2024
Ms. Judy Fong-Yee Tu	24 January 2024	24 January 2024	Nil	0	104,762	0	104,762	0
Employees	24 January 2024	24 January 2024	Nil	0	20,276,322	0	20,276,322	0

#### Notes:

- (1) Other than Ms. Judy Fong-Yee Tu, none of the Selected Participants were Directors, chief executives or substantial Shareholders of the Company or any of their respective associate (as defined in the Listing Rules).
- (2) The closing price of the Shares immediately before the date of grant was HK\$3.68. The fair value of the Share Awards was HK\$76,225,000, based on the closing prices of the Shares at the date of grant of HK\$3.74 per Share. For accounting policy relating to the Share Awards, please refer to note 2.4 to the consolidated financial statements in the Company's 2023 Annual Report.
- (3) The weighted average closing price of the Shares immediately before the dates on which the Share Awards were vested was HK\$3.68.

Save as disclosed above, during the Reporting Period, no other Share Awards under the 2023 Share Award Plan had been granted, vested, cancelled or lapsed.

The number of Shares that may be awarded in respect of Share Awards granted under the 2023 Share Award Plan during the Reporting Period divided by the weighted average number of the Shares in issue (excluding treasury shares) for the Reporting Period was 0.2%. For more details, please refer to the announcements of the Company dated 25 May 2023.

### CHANGE OF DIRECTORS' INFORMATION

During the Reporting Period and as at the Latest Practicable Date, there was no change in the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# Independent Review Report



**Ernst & Young**  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

**To the board of directors of China Feihe Limited**

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 63, which comprises the condensed consolidated statement of financial position of China Feihe Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

28 August 2024

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>10,094,947</b>	9,735,225
Cost of sales		<b>(3,242,492)</b>	(3,375,959)
Gross profit		<b>6,852,455</b>	6,359,266
Other income and gains, net	4	<b>862,259</b>	869,592
Selling and distribution expenses		<b>(3,535,374)</b>	(3,459,932)
Administrative expenses		<b>(738,708)</b>	(757,542)
Other expenses		<b>(41,311)</b>	(43,078)
Finance costs	7	<b>(26,236)</b>	(27,347)
Share of losses of associates		<b>(6,739)</b>	(9,657)
Impairment losses on property, plant and equipment and right-of-use assets	6	–	(85,925)
Changes in fair value less costs to sell of biological assets		<b>(336,911)</b>	(410,329)
<b>PROFIT BEFORE TAX</b>	5	<b>3,029,435</b>	2,435,048
Income tax expense	8	<b>(1,117,984)</b>	(816,366)
<b>PROFIT FOR THE PERIOD</b>		<b>1,911,451</b>	1,618,682
Attributable to:			
Owners of the parent		<b>1,875,011</b>	1,695,913
Non-controlling interests		<b>36,440</b>	(77,231)
		<b>1,911,451</b>	1,618,682
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (expressed in RMB per share)	10	<b>0.21</b>	0.19
Diluted (expressed in RMB per share)	10	<b>0.21</b>	0.19



# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>1,911,451</b>	1,618,682
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements of group companies	<b>(24,752)</b>	129,130
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,886,699</b>	1,747,812
Attributable to:		
Owners of the parent	<b>1,849,752</b>	1,826,755
Non-controlling interests	<b>36,947</b>	(78,943)
	<b>1,886,699</b>	1,747,812

# Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	<i>Notes</i>	<b>30 June 2024 RMB'000 (Unaudited)</b>	<b>31 December 2023 RMB'000 (Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	9,443,554	9,494,034
Investment properties		45,190	211,741
Right-of-use assets		366,560	395,097
Goodwill		112,402	112,402
Intangible assets		15,244	16,334
Investment in a joint venture		3,308	3,338
Investments in associates		110,261	99,866
Financial asset at fair value through other comprehensive income		1,800	1,800
Deposits		127,886	110,873
Biological assets	12	2,304,520	2,252,706
Deferred tax assets		382,475	402,216
Long-term bank deposits		300,000	540,000
<b>Total non-current assets</b>		<b>13,213,200</b>	<b>13,640,407</b>
<b>CURRENT ASSETS</b>			
Inventories	13	2,139,247	2,258,059
Trade and bills receivables	14	308,472	431,184
Prepayments, deposits and other receivables		854,264	694,959
Structured deposits		9,405,533	8,670,910
Restricted cash		20,972	58,218
Cash and cash equivalents		9,667,497	10,440,941
<b>Total current assets</b>		<b>22,395,985</b>	<b>22,554,271</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	1,642,060	1,838,223
Other payables and accruals	16	4,268,066	4,660,948
Interest-bearing bank and other borrowings		510,909	504,914
Lease liabilities		28,807	87,402
Tax payable		262,775	290,743
<b>Total current liabilities</b>		<b>6,712,617</b>	<b>7,382,230</b>
<b>NET CURRENT ASSETS</b>		<b>15,683,368</b>	<b>15,172,041</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>28,896,568</b>	<b>28,812,448</b>

# Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	<i>Notes</i>	<b>30 June 2024 RMB'000 (Unaudited)</b>	<b>31 December 2023 RMB'000 (Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	16	<b>659,928</b>	620,756
Interest-bearing bank and other borrowings		<b>756,896</b>	872,836
Deferred tax liabilities		<b>383,970</b>	813,250
Lease liabilities		<b>52,067</b>	171,260
<b>Total non-current liabilities</b>		<b>1,852,861</b>	2,478,102
<b>Net assets</b>		<b>27,043,707</b>	26,334,346
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	17	<b>1</b>	1
Reserves		<b>25,617,272</b>	24,944,858
<b>Total equity attributable to owners of the parent</b>		<b>25,617,273</b>	24,944,859
<b>Non-controlling interests</b>		<b>1,426,434</b>	1,389,487
<b>Total equity</b>		<b>27,043,707</b>	26,334,346

**LIU Hua**  
*Director*

**Judy Fong-Yee TU**  
*Director*

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent												
	Notes	Issued capital	Treasury shares	Share	Capital	Reserve funds	Share	Exchange	Retained profits	Other reserves	Non-controlling interests	Total equity	
				premium account	contribution reserve		option reserve	fluctuation reserve					Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At 1 January 2024</b>		1	(123,010)	6,447,770	80,346	860,472	284,939	24,153	17,495,325	(125,137)	24,944,859	1,389,487	26,334,346
Profit for the period		-	-	-	-	-	-	-	1,875,011	-	1,875,011	36,440	1,911,451
Other comprehensive loss for the period:													
Exchange differences on translation of financial statements of group companies		-	-	-	-	-	-	(25,259)	-	-	(25,259)	507	(24,752)
Total comprehensive income for the period		-	-	-	-	-	-	(25,259)	1,875,011	-	1,849,752	36,947	1,886,699
Final 2023 dividend declared	9	-	-	-	-	-	-	-	(1,245,322)	-	(1,245,322)	-	(1,245,322)
Equity-settled share option arrangements		-	-	-	-	-	24,754	-	-	-	24,754	-	24,754
Shares withheld for a share award plan		-	(23,870)	-	-	-	-	-	-	-	(23,870)	-	(23,870)
Exercise of shares under share award scheme		-	67,100	-	-	-	-	-	-	-	67,100	-	67,100
Cancellation of share options		-	-	-	-	-	(309,693)	-	309,693	-	-	-	-
<b>At 30 June 2024 (unaudited)</b>		1	(79,780)*	6,447,770*	80,346*	860,472*	-	(1,106)*	18,434,707*	(125,137)*	25,617,273	1,426,434	27,043,707
<b>At 1 January 2023</b>		1	(74,775)	6,526,637	80,346	839,773	189,163	(129,307)	16,679,298	(125,137)	23,985,999	1,488,944	25,474,943
Profit for the period		-	-	-	-	-	-	-	1,695,913	-	1,695,913	(77,231)	1,618,682
Other comprehensive income for the period:													
Exchange differences on translation of financial statements of group companies		-	-	-	-	-	-	130,842	-	-	130,842	(1,712)	129,130
Total comprehensive income for the period		-	-	-	-	-	-	130,842	1,695,913	-	1,826,755	(78,943)	1,747,812
Final 2022 dividend declared	9	-	-	-	-	-	-	-	(1,416,761)	-	(1,416,761)	-	(1,416,761)
Equity-settled share option arrangements		-	-	-	-	-	24,798	-	-	-	24,798	-	24,798
Cancellation of shares repurchased	17	-	74,775	(74,775)	-	-	-	-	-	-	-	-	-
<b>At 30 June 2023 (unaudited)</b>		1	-	6,451,862*	80,346*	839,773*	213,961*	1,535*	16,958,450*	(125,137)*	24,420,791	1,410,001	25,830,792

\* These reserve accounts comprise the consolidated reserves of RMB25,617,272,000 (30 June 2023: RMB24,420,790,000) in the interim condensed consolidated statement of financial position.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,029,435	2,435,048
Adjustments for:			
Finance costs	7	26,236	27,347
Interest income	4	(179,072)	(161,682)
Impairment of property, plant and equipment	6	–	85,575
Impairment of right-of-use assets	6	–	350
Depreciation of property, plant and equipment	5	298,677	259,403
Depreciation of investment properties		8,195	10,511
Depreciation of right-of-use assets	5	12,775	14,766
Amortisation of intangible assets		1,090	1,090
Loss on disposal of items of property, plant and equipment, net		2,082	315
Fair value gains on structured deposits	4	(139,955)	(148,817)
Changes in fair value less costs to sell of biological assets		336,911	410,329
Write-down/(reversal of write-down) of inventories to net realisable value	5	15,740	(28,541)
Reversal of impairment of trade receivables	5	(169)	(3,781)
Gain on termination of leases		(635)	(174)
Loss on lease modification		–	139
Amortisation of deferred income	4	(35,126)	(21,371)
Share of losses of associates		6,739	9,657
Gain on disposal of a subsidiary	4	(19,078)	–
Equity-settled share option expense		24,754	24,798
		<b>3,388,599</b>	2,914,962
Decrease in inventories		102,725	14,134
Decrease/(increase) in trade and bills receivables		123,240	(88,937)
Increase in prepayments, deposits and other receivables		(130,847)	(84,863)
Decrease in trade and bills payables		(194,339)	(79,308)
Decrease in other payables and accruals		(322,173)	(342,363)
Cash generated from operations		<b>2,967,205</b>	2,333,625
Interest received		180,525	151,047
Interest paid		(24,268)	(30,750)
Income taxes paid		(1,555,491)	(1,317,360)
Net cash flows from operating activities		<b>1,567,971</b>	1,136,562

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment and right-of-use assets	(332,762)	(358,406)
Proceeds from disposal of items of property, plant and equipment and right-of-use assets	32,096	8,997
Proceeds from disposal of a subsidiary	9,196	–
Additions to biological assets	(429,945)	(446,144)
Proceeds from disposal of biological assets	78,975	111,022
Purchases of structured deposits	(4,645,000)	(2,420,000)
Proceeds from redemption of structured deposits	4,050,332	5,262,798
Placement of restricted cash	(6,005)	(48,222)
Withdrawal of restricted cash	43,251	56,617
Receipt of government grants	67,609	9,005
Deposits paid for purchases of items of property, plant and equipment	(37,444)	(16,502)
Placement of time deposits with original maturity of more than three months when acquired	(599,100)	(7,085,727)
Withdrawal of time deposits with original maturity of more than three months when acquired	1,404,931	7,237,837
Net cash flows (used in)/from investing activities	(363,866)	2,311,275
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	158,046	287,247
Repayment of bank and other loans	(267,990)	(266,924)
Shares withheld for a share award plan	(23,870)	–
Dividend paid	(1,245,322)	(1,416,761)
Principal portion of lease payments	(28,713)	(37,796)
Net cash flows used in financing activities	(1,407,849)	(1,434,234)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(203,744)</b>	<b>2,013,603</b>
Cash and cash equivalents at beginning of period	7,447,381	5,579,482
Effect of foreign exchange rate changes, net	(33,397)	(12,217)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7,210,240</b>	<b>7,580,868</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9,988,469	11,489,944
Less: Long-term bank deposits	(300,000)	(340,000)
Less: Restricted cash	(20,972)	(21,713)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	9,667,497	11,128,231
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(2,457,257)	(3,547,363)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	7,210,240	7,580,868

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

## 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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.



# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 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 losses of associates 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.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2024 (unaudited)

	Dairy products and nutritional supplements		Total RMB'000 (Unaudited)
	Raw milk RMB'000 (Unaudited)	products RMB'000 (Unaudited)	
<b>Segment revenue</b>			
Sales to external customers	38,685	10,056,262	10,094,947
Intersegment sales	1,166,091	–	1,166,091
	1,204,776	10,056,262	11,261,038
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,166,091)
Revenue			10,094,947
<b>Segment results</b>	129,208	2,894,421	3,023,629
<i>Reconciliation:</i>			
Elimination of intersegment results			(142,259)
Bank interest income			138,364
Other interest income			40,708
Share of losses of associates			(6,739)
Finance costs (other than interest on lease liabilities)			(24,268)
Profit before tax			3,029,435
<b>Segment assets</b>	6,901,272	8,820,691	15,721,963
<i>Reconciliation:</i>			
Corporate and other unallocated assets			19,887,222
Total assets			35,609,185
<b>Segment liabilities</b>	1,868,236	4,782,692	6,650,928
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			1,914,550
Total liabilities			8,565,478

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2023 (unaudited)

	Raw milk RMB'000 (Unaudited)	Dairy products and nutritional supplements products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue</b>			
Sales to external customers	23,309	9,711,916	9,735,225
Intersegment sales	1,058,572	–	1,058,572
	1,081,881	9,711,916	10,793,797
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,058,572)
Revenue			9,735,225
<b>Segment results</b>	(266,021)	2,561,633	2,295,612
<i>Reconciliation:</i>			
Elimination of intersegment results			11,744
Bank interest income			112,069
Other interest income			49,613
Share of loss of an associate			(9,657)
Finance costs (other than interest on lease liabilities)			(24,333)
Profit before tax			2,435,048
<b>As at 31 December 2023 (audited)</b>			
<b>Segment assets</b>	7,374,703	8,593,488	15,968,191
<i>Reconciliation:</i>			
Corporate and other unallocated assets			20,226,487
Total assets			36,194,678
<b>Segment liabilities</b>	2,232,003	5,146,586	7,378,589
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			2,481,743
Total liabilities			9,860,332

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 3. OPERATING SEGMENT INFORMATION (Continued)

### Geographical information

#### (a) Revenue from external customers

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Chinese Mainland	9,987,364	9,629,346
United States of America	81,305	105,879
Canada	26,278	–
	<b>10,094,947</b>	9,735,225

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

#### (b) Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	Chinese Mainland	10,862,114
United States of America	37,427	42,901
Canada	1,629,384	1,681,631
	<b>12,528,925</b>	12,696,391

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

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers	10,094,947	9,735,225

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Type of goods</b>		
Sales of goods	10,094,947	9,735,225
<b>Geographical markets</b>		
Chinese Mainland	9,987,364	9,629,346
United States of America	81,305	105,879
Canada	26,278	–
	10,094,947	9,735,225
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	10,094,947	9,735,225

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 4. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

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

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Other income</b>			
Bank interest income		138,364	112,069
Other interest income		40,708	49,613
Government grants related to			
– Assets	(i)	35,126	21,371
– Income	(ii)	401,255	517,622
Others		69,160	18,352
		<b>684,613</b>	719,027
<b>Gains, net</b>			
Fair value gains on structured deposits		139,955	148,817
Gain on disposal of a subsidiary		19,078	–
Foreign exchange differences, net		17,352	179
Others		1,261	1,569
		<b>177,646</b>	150,565
Total other income and gains, net		<b>862,259</b>	869,592

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 Chinese Mainland. There are no unfulfilled conditions or contingencies relating to these grants.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of inventories sold	2,483,448	2,551,174
Breeding costs to produce	556,981	618,343
Production costs of raw milk	202,063	206,442
Cost of sales	3,242,492	3,375,959
Depreciation of property, plant and equipment	351,116	309,261
Less: Capitalised in biological assets	(52,439)	(49,858)
Depreciation recognised in the interim condensed consolidated statement of profit or loss	298,677	259,403
Depreciation of right-of-use assets	12,775	14,766
Rent expense – short term leases	1,667	4,151
Interest expense on lease liabilities	1,968	3,014
Write-down/(reversal of write-down) of inventories to net realisable value	15,740	(28,541)
Reversal of impairment of trade receivables	(169)	(3,781)
Gain on disposal of a subsidiary	(19,078)	–
Foreign exchange differences, net	(17,352)	(179)

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 6. IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, an impairment loss of RMB85,925,000 was recognised for property, plant and equipment and right-of-use assets as a result of the loss of a subsidiary of the Group incurred. The recoverable amount was nil which had been determined at the level of the cash-generating unit based on a value-in-use calculation using cash flow projections. The recoverable amount was based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers. The cash-generating unit mainly consisted of property, plant and equipment and right-of-use assets allocated to the subsidiary. The discount rate applied to the cash flow projections was 14%.

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on:		
Bank loans	26,907	18,715
Other loans	9	11,843
Lease liabilities	1,968	3,014
Total interest expense on financial liabilities not at fair value through profit or loss	28,884	33,572
Less: Interest capitalised	(2,648)	(6,225)
	26,236	27,347



# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 8. INCOME TAX

Taxes on profits assessable in Chinese Mainland have been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% (six months ended 30 June 2023: 25%) during the period. 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.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current – PRC		
Charge for the period	969,775	774,604
Current – elsewhere		
Charge for the period	5,868	5,815
Withholding tax	553,700	260,000
	<b>1,529,343</b>	1,040,419
Deferred	<b>(411,359)</b>	(224,053)
Total tax charge for the period	<b>1,117,984</b>	816,366

## 9. DIVIDEND

During the six months ended 30 June 2024, the Company declared a final dividend of HK\$0.1484 per ordinary share, equivalent to a total of approximately RMB1.25 billion for the year ended 31 December 2023 to its shareholders. During the six months ended 30 June 2023, the Company declared a final dividend of HK\$0.1721 per ordinary share, equivalent to a total of approximately RMB1.42 billion for the year ended 31 December 2022 to its shareholders.

Subsequent to the end of the reporting period, the board of directors declared an interim dividend of HK\$0.1632 per ordinary share for the six months ended 30 June 2024, amounting to a total of approximately RMB1.35 billion. For the year ended 31 December 2023, the Company also declared an interim dividend of HK\$0.1349 per ordinary share for the six months ended 30 June 2023, amounting to a total of approximately RMB1.12 billion.

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

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

The calculation of the basic and diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024.

The computation of diluted earnings per share does not assume the exercise of the Company's share options for the six months ended 30 June 2023 because the exercise price of those share options was higher than the average market price of the Company's share during that period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	<b>1,875,011</b>	1,695,913

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share calculation	9,048,107,529	9,068,251,704

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment of RMB332,733,000 (six months ended 30 June 2023: RMB342,296,000).

Assets with a net book value of RMB33,396,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB9,312,000), resulting in a loss on disposal of RMB2,082,000 (six months ended 30 June 2023: RMB315,000).

At 30 June 2024, certain of the Group's plant and machinery and construction in progress with an aggregate net carrying amount of approximately RMB27,090,000 (31 December 2023: RMB27,626,000 (audited)) were pledged to secure loans borrowed from a third party and a bank.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 12. BIOLOGICAL ASSETS

### (a) Nature of activities

Dairy cows and goats owned by the Group are primarily held to produce milk.

The quantity of dairy cows owned by the Group as at 30 June 2024 and 31 December 2023 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held at 30 June 2024 and 31 December 2023 were dairy cows that have not had their first calves.

	30 June 2024 Heads (Unaudited)	31 December 2023 Heads (Audited)
Dairy cows		
Milkable cows	49,231	39,861
Heifers and calves	60,465	62,636
Total dairy cows	109,696	102,497

The Group is exposed to fair value risks arising from changes in prices of the cow's dairy products. The Group does not anticipate that the price of the cow's dairy products will decline significantly in the foreseeable future and the Directors are of the view that there are no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the cow's dairy products.

In general, the heifers are inseminated with semen when they reached approximately 16 months old. After approximately nine months following a successful insemination, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days before an approximately 60 days' dry period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the estimated fair value on the date of transfer. The sale of dairy cows is not one of the Group's principal activities and the proceeds are not included as revenue.

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 12. BIOLOGICAL ASSETS (Continued)

#### (a) Nature of activities (Continued)

As at 30 June 2024, the Group did not own any dairy goats due to the disposal of a subsidiary. As at 31 December 2023, the Group's dairy goats contained lambs, young goats and milkable goats of which, lambs and young goats held at 30 June 2024 were dairy goats that have not had their first lambs.

	30 June 2024 Heads (Unaudited)	31 December 2023 Heads (Audited)
Dairy goats		
Milkable goats	–	3,257
Lambs and young goats	–	1,495
Total dairy goats	–	4,752

#### (b) Value of dairy cows and goats

The value of dairy cows at the end of the reporting period was:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Dairy cows	2,304,520	2,235,220

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 12. BIOLOGICAL ASSETS (Continued)

#### (b) Value of dairy cows and goats (Continued)

	Heifers and calves RMB'000	Milkable cows RMB'000	Total RMB'000
Balance as at 1 January 2023 (audited)	931,309	1,065,382	1,996,691
Increase due to raising (feeding costs and others)	922,635	–	922,635
Increase due to purchase	248,835	–	248,835
Transfer (out)/in	(677,378)	677,378	–
Decrease due to sales	(41,376)	(160,104)	(201,480)
Loss arising from changes in fair value less costs to sell	(117,805)	(613,656)	(731,461)
Balance as at 31 December 2023 and 1 January 2024 (audited)	<b>1,266,220</b>	<b>969,000</b>	<b>2,235,220</b>
Increase due to raising (feeding costs and others)	<b>477,920</b>	–	<b>477,920</b>
Transfer (out)/in	<b>(440,470)</b>	<b>440,470</b>	–
Decrease due to sales	<b>(25,146)</b>	<b>(51,742)</b>	<b>(76,888)</b>
Loss arising from changes in fair value less costs to sell	<b>(204,814)</b>	<b>(126,918)</b>	<b>(331,732)</b>
Balance as at 30 June 2024 (unaudited)	<b>1,073,710</b>	<b>1,230,810</b>	<b>2,304,520</b>

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 12. BIOLOGICAL ASSETS (Continued)

#### (b) Value of dairy cows and goats (Continued)

The value of dairy goats at the end of the reporting period was:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Dairy goats	–	17,486

	Lambs and young goats RMB'000	Milkable goats RMB'000	Total RMB'000
Balance as at 1 January 2023 (audited)	5,840	22,761	28,601
Increase due to raising (feeding costs and others)	8,798	–	8,798
Transfer (out)/in	(1,260)	1,260	–
Decrease due to sales	(524)	(588)	(1,112)
Loss arising from changes in fair value less costs to sell	(7,465)	(11,336)	(18,801)
Balance as at 31 December 2023 and 1 January 2024 (audited)	<b>5,389</b>	<b>12,097</b>	<b>17,486</b>
Increase due to raising (feeding costs and others)	<b>7,112</b>	–	<b>7,112</b>
Transfer (out)/in	<b>(1,299)</b>	<b>1,299</b>	–
Decrease due to sales	<b>(204)</b>	<b>(1,883)</b>	<b>(2,087)</b>
Loss arising from changes in fair value less costs to sell	<b>(2,023)</b>	<b>(3,156)</b>	<b>(5,179)</b>
Disposal of a subsidiary	<b>(8,975)</b>	<b>(8,357)</b>	<b>(17,332)</b>
Balance as at 30 June 2024 (unaudited)	–	–	–

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 12. BIOLOGICAL ASSETS (Continued)

#### (c) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's biological assets:

	Fair value measurement using significant unobservable inputs (Level 3) RMB'000
As at 30 June 2024 (unaudited)	2,304,520
As at 31 December 2023 (audited)	2,252,706

As at 30 June 2024, the biological assets of RMB389,207,000 (31 December 2023: RMB391,283,000 (audited)) was pledged for the interest-bearing bank borrowings.

### 13. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Feed	424,418	760,127
Raw materials	188,620	304,880
Work in progress	1,054,892	676,838
Finished goods	448,828	481,875
Others	22,489	34,339
	<b>2,139,247</b>	2,258,059



## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 14. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	278,301	423,743
Bills receivable	38,805	16,244
	<b>317,106</b>	439,987
Impairment	<b>(8,634)</b>	(8,803)
	<b>308,472</b>	431,184

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:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	208,792	231,086
1 to 2 months	47,165	144,011
2 to 3 months	19,457	30,321
Over 3 months	33,058	25,766
	<b>308,472</b>	431,184

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 15. TRADE AND BILLS PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade and bills payables	<b>1,642,060</b>	1,838,223

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:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	<b>1,505,086</b>	1,730,387
3 to 6 months	<b>92,624</b>	68,854
Over 6 months	<b>44,350</b>	38,982
	<b>1,642,060</b>	1,838,223

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

### 16. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Deferred income	<b>672,501</b>	632,893
Other payables	<b>1,660,305</b>	1,666,270
Accruals	<b>2,173,182</b>	2,299,214
Contract liabilities	<b>422,006</b>	683,327
	<b>4,927,994</b>	5,281,704
Non-current portion	<b>(659,928)</b>	(620,756)
Current portion	<b>4,268,066</b>	4,660,948

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 17. SHARE CAPITAL

	Number of shares			
	30 June 2024	31 December 2023	30 June 2024 RMB'000	31 December 2023 RMB'000
<b>Authorised</b>				
2,000,000,000,000 ordinary shares of US\$0.000000025 each	2,000,000,000,000	2,000,000,000,000	303	303
<b>Issued and paid-up</b>				
At the beginning of the period/year	9,067,251,704	9,083,406,704	1	1
Cancellation of shares repurchased (Note)	-	(16,155,000)	-	-
At the end of the period/year	9,067,251,704	9,067,251,704	1	1

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

*Note:* During the six months ended 30 June 2023, the Company cancelled 15,155,000 repurchased shares and the premium paid on the repurchases of these shares of RMB74,775,000 has been charged to the share premium account.

During the year ended 31 December 2023, the Company repurchased 1,000,000 ordinary shares on the Stock Exchange of Hong Kong Limited at total consideration of approximately RMB4,092,000, all of which were cancelled during the year ended 31 December 2023 and the premium paid on the repurchase of these shares has been charged to the share premium account.

# Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

## 18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Construction and purchases of items of property, plant and equipment	460,158	294,011

## 19. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Companies controlled by the controlling shareholder:		
Sales of raw milk	7,607	3,183
Purchase of goods	9,709	–

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

### (b) Other transaction with related parties:

As at 30 June 2024, the subsidiary's vice president (31 December 2023: chief executive officer) and his wife have provided guarantees to certain of the Group's bank loan facilities up to RMB831,000,000 (31 December 2023: RMB875,000,000 (audited)), of which an amount of RMB480,026,000 (31 December 2023: RMB574,346,000 (audited)) has been utilised.

As at 30 June 2024, a director of a subsidiary and his wife have provided guarantees to the Group's bank loan facilities up to RMB100,000,000 (31 December 2023: Nil (audited)), of which an amount of RMB44,977,000 (31 December 2023: Nil (audited)) has been utilised.

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 19. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	21,781	21,923
Post-employment benefits	132	125
<b>Total compensation paid/payable to key management personnel</b>	<b>21,913</b>	<b>22,048</b>

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>Financial assets</b>				
Financial asset at fair value through other comprehensive income	1,800	1,800	1,800	1,800
Structured deposits	9,405,533	8,670,910	9,405,533	8,670,910
	<b>9,407,333</b>	8,672,710	<b>9,407,333</b>	8,672,710
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	1,267,805	1,377,750	1,260,282	1,377,054

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2024 and 31 December 2023 were assessed to be insignificant.

The fair values of the structured deposits are determined in accordance with discounted cash flow analysis. The fair values of financial assets and financial liabilities carried at amortised cost approximate to their carrying amounts.

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At 30 June 2024 (unaudited)				
Financial asset at fair value through other comprehensive income	–	–	1,800	1,800
Structured deposits	–	9,405,533	–	9,405,533
	–	9,405,533	1,800	9,407,333
At 31 December 2023 (audited)				
Financial asset at fair value through other comprehensive income	–	–	1,800	1,800
Structured deposits	–	8,670,910	–	8,670,910
	–	8,670,910	1,800	8,672,710

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 (31 December 2023: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (year ended 31 December 2023: Nil).

The fair value of the financial asset at fair value through other comprehensive income was estimated using the market approach, with an unobservable input as the price-to-book ratio of comparable companies. A 20% (31 December 2023: 20%) increase/decrease in the price-to-book ratio of comparable companies would result in an increase/decrease in fair value by approximately RMB360,000 (31 December 2023: RMB360,000).

## Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

#### Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At 30 June 2024 (unaudited)				
Interest-bearing bank and other borrowings	–	1,260,282	–	1,260,282
At 31 December 2023 (audited)				
Interest-bearing bank and other borrowings	–	1,377,054	–	1,377,054

### 21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2024.



# Definitions

“Audit Committee”	the audit committee under the Board
“Award Notice”	the notice to be sent to the Trustee upon the making of a Share Award containing the particulars referred to in the 2023 Share Award Plan
“Awarded Share(s)”	the Share(s) provisionally awarded to a Selected Participant pursuant to a Share Award
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules
“China” or “PRC” or “Chinese Mainland”	the People’s Republic of China, and for the purposes of this interim report for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
“Committee”	the person(s) from time to time delegated by the Board with the power and authority to administer the 2023 Share Award Plan in accordance with the terms of the 2023 Share Award Plan
“Company,” “us,” “China Feihe” or “we”	China Feihe Limited (中國飛鶴有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 October 2012, whose Shares are listed on the main board of the Stock Exchange
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands
“DIF Holding”	Diamond Infant Formula Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on 24 October 2012
“DIF Share Option(s)”	option(s) granted under the DIF Share Option Schemes to subscribe for DIF Ordinary Shares
“DIF Share Option Schemes”	collectively, the First DIF Share Option Scheme and the Second DIF Share Option Scheme
“Director(s)”	director(s) of the Company
“Eligible Employee”	any employee (whether full time or part time) of the Group

## Definitions

“Eligible Participants”	any person belonging to the following classes of participants: <ul style="list-style-type: none"><li>(a) Employee Participant;</li><li>(b) Related Entity Participant; and</li><li>(c) Service Provider</li></ul>
“Employee Participant”	any director and employee of the Group
“Excluded Participant”	any person who is resident in a place where the award of the Awarded Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the 2023 Share Award Plan is not permitted under the laws and regulations of such place or where in the view of the Board or the Committee or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person
“First DIF Share Option Scheme”	the first pre-IPO share option scheme adopted by DIF Holding on 18 December 2013
“Global Offering”	the offer of the Shares for subscription as described in the section headed “Structure of the Global Offering” in the Prospectus
“Grantee”	any Participant who accepts the offer of the grant of any 2020 Share Option in accordance with the terms of the 2020 Share Option Scheme or (where the context so permits) any person entitled to any such 2020 Share Option in consequence of the death or incapacitation of the original Grantee, or the legal personal representative of such person
“Group” or “we” or “our” or “us”	the Company and its subsidiaries
“Group Contribution”	such contribution in the form of money or otherwise made by the Company or any of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	the International Financial Reporting Standards, which include all International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB)
“Kingston Plant”	the Company’s production facility in the city of Kingston, Ontario, Canada

## Definitions

“Latest Practicable Date”	11 September 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report prior to its publication
“Listing”	the listing of the Shares on the main board of the Stock Exchange
“Listing Date”	13 November 2019, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Offer Date”	the date on which such 2020 Share Option is offered to a Participant under the 2020 Share Option Scheme
“Offer Letter”	the letter by which an offer to grant a 2020 Share Option is made to a Participant
“Option Period”	the period to be determined and notified by the Board to each Grantee at the time of making an offer of any 2020 Share Option, which shall not be longer than ten (10) years from the date of grant of the 2020 Share Option
“Pre-IPO Share Option”	the pre-IPO share option(s) granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 14 October 2019
“Prospectus”	the prospectus of the Company dated 30 October 2019 in connection with the Hong Kong public offering of the Company
“Related Entity”	the holding companies, fellow subsidiaries or associated companies of the Company
“Related Entity Participant”	directors and employees of the Related Entity
“Remuneration Committee”	the remuneration committee under the Board

## Definitions

“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the period commencing from 1 January 2024 and ending on 30 June 2024
“Returned Shares”	such Awarded Shares which are not vested and/or forfeited in accordance with the terms of the 2023 Share Award Plan (whether as a result of a Total Lapse or a Partial Lapse or otherwise), or such Shares being deemed to be Returned Share
“Second DIF Share Option Scheme”	the second pre-IPO share option scheme adopted by DIF Holding on 1 January 2017
“Selected Participant”	any Eligible Participant for whom Shares have been provisionally set aside pursuant to a Share Award or his personal representative
“Service Provider”	any supplier, distributor, contractor, adviser (professional or otherwise) or consultant in any area of business or business development of any member of the Group, who provided its services to any member of the Group on a continuing and recurring basis
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of US\$0.000000025 each
“Share Award(s)”	a provisional award of the Awarded Shares made in accordance with the terms of the 2023 Share Award Plan
“Shares Pool”	the appropriate number of Awarded Shares set aside by the Trustee, at any time during the continuation of the 2023 Share Award Plan and the Trust Deed, out of a pool of issued Shares, fully paid or credited as fully paid, for the time being and from time to time held by the Trustee pursuant to the Trust Deed
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of a 2020 Share Option granted under the 2020 Share Option Scheme

## Definitions

“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere, and “subsidiaries” shall be construed accordingly
“Trust Deed”	the trust deed dated 25 May 2023 entered into by the Company as settlor and the Trustee as trustee in respect of Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof, as amended from time to time
“Trustee”	the original trustee or other trustee or trustees as shall be appointed pursuant to and in accordance with the terms of the Trust Deed
“United States” or “U.S.”	the United States of America and its territories
“US\$”	the lawful currency of the United States
“Vesting Date”	in relation to any Selected Participant, the date on which the legal and beneficial ownership of the Awarded Shares are vested in such Selected Participant pursuant to a Share Award
“Vitamin World USA”	Vitamin World USA Corporation, a corporation incorporated in the State of Delaware, the United States on 13 December 2017 and a wholly-owned subsidiary of the Company
“YST”	YuanShengTai Dairy Farm Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1431)
“%”	per cent.
“2020 Share Option”	an option to subscribe for Shares granted pursuant to the 2020 Share Option Scheme
“2020 Share Option Scheme”	the share option scheme adopted by the Company on 22 June 2020
“2023 Share Award Plan”	the share award plan adopted by the Company on 25 May 2023