

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



China Feihe Limited

中國飛鶴有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6186)

CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

The board (the “**Board**”) of China Feihe Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) notes that GMT Research published a report on 21 November 2019 (the “**Report**”) which included certain allegations in respect of, among other things, the Company’s financial performance.

The Company also refers to its prospectus dated 30 October 2019 (the “**Prospectus**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Board would like to clarify that the allegations against the Company in the Report (the “**Relevant Allegations**”) are groundless or untrue statements. The Board would like to highlight that:

- 1. Due diligence:** The Joint Sponsors have conducted independent due diligence on the Group’s financial and business conditions disclosed in the Prospectus.

2. **Financial information and cash position:** The historical financial information for 2016, 2017 and 2018 and the six months ended 30 June 2019 of the Company contained in Appendix I to the Prospectus has been audited by independent auditors, Ernst & Young, who have issued an accountant’s report with an unqualified opinion. The Joint Sponsors have conducted independent due diligence on the Group’s financial information disclosed in the Prospectus. The Company has also obtained proofs for the Company’s RMB bank deposits balances as at 30 September 2019 (the “**Cash Position Proofs**”) from major PRC domestic banks in which the Company has RMB bank deposits and those banks with RMB bank deposits balances over RMB200 million are listed below, demonstrating the Company’s solid cash position.

No.	Name of Bank	RMB Bank Deposits Balance <i>(RMB in thousands)</i>
1.	China Construction Bank	2,398,530
2.	Bank of China	1,951,825
3.	China Zheshang Bank	1,509,703
4.	Qiqihar Rural Commercial Bank	1,190,086
5.	Bank of Beijing	970,119
6.	Industrial and Commercial Bank of China	209,498
	Total	<u>8,229,761</u>

3. **Tax payment certificates:** The Company has requested and obtained the tax payment certificates (the “**Tax Payment Certificates**”) from Qiqihar Taxation Bureau and Zhenlai County Taxation Bureau of the PRC State Administration of Taxation, which confirm that the tax payments (such as corporate income tax and turnover tax) made in accordance with applicable PRC laws and regulations by the Company’s principal subsidiaries located in the PRC for 2018 and the six months ended 30 June 2019 amounted to approximately RMB2.0 billion and RMB1.4 billion, respectively. In addition, the Company’s subsidiaries in Qiqihar in aggregate are grade A taxpayers who contribute the largest amount of tax payment in the city. The Group’s tax payment certificates also reflect the Group’s operating scale and conditions.

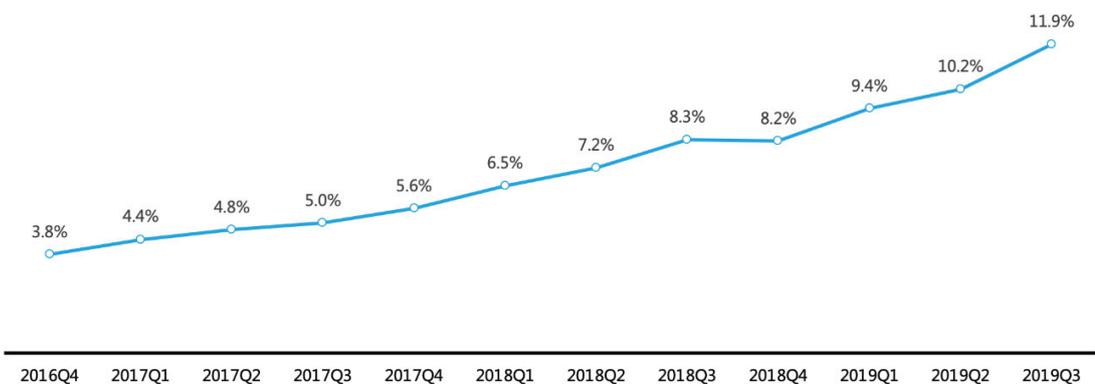
4. **Market position:** Certain information and statistics disclosed in the Prospectus relating to the dairy industry and infant milk formula market in the PRC are derived from the market research report prepared by the independent industry consultant. The Company believes that such information and statistics are true in all material respects and are not misleading. In addition, according to the annual report issued by Guangzhou Nielsen Market Research Co., Ltd. (“Nielsen”, which was not commissioned by the Company) on the PRC infant milk formula market from October 2016 to September 2019 (the “Nielsen Report”), the changes in the market share of Feihe brand during such periods are as follows, which is in line with the disclosure in the Prospectus.

Copyright © 2017 The Nielsen Company (US), LLC. Confidential and proprietary. Do not distribute.



FEIHE’S MARKET SHARE (ONLINE+OFFLINE)

Infant Milk Formula | online+offline national total | Feihe | value share | 16Q4-19Q3

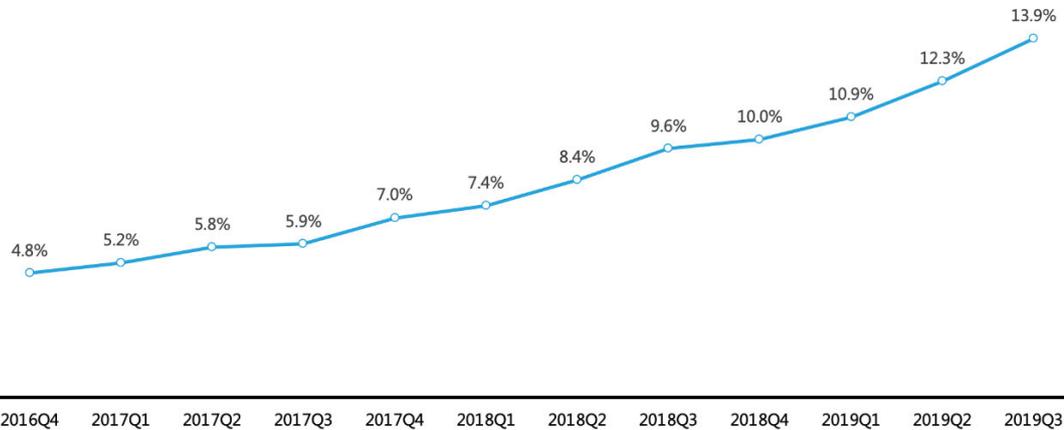


Data Source: Nielsen Retail Index. The data covers Hyper market, Super market, Mini market, CVS, Grocery, Baby stores and E-commerce.

¹ Feihe calculations are based in part on data reported by The Nielsen Company through its Retail Index Service for the defined Infant Milk Formula Category for the 12-quarter period ended September 2019 for the China total market. (Copyright © 2019 The Nielsen Company)

FEIHE'S MARKET SHARE (OFFLINE)

Infant Milk Formula | offline national total | Feihe | value share | 16Q4-19Q3



Data Source: Nielsen Retail Index. The data covers Hyper market, Super market, Mini market, CVS, Grocery, Baby stores and E-commerce.

5. **Dividend distribution:** After the FCUS Privatization, the Company did not distribute any dividend for several years in order to facilitate the Group's business development and fund management. As disclosed in the Prospectus, (i) as returns to the Shareholders, the Company declared a special dividend of HK\$3 billion out of its historical retained profits to the Shareholders on 14 October 2019 which was distributed before the Listing. Such practice is not uncommon in the Hong Kong capital market; and (ii) the Company intends to distribute to the Shareholders no less than 30% of its net profit for each financial year after the Listing, subject to its future investment plans. Such dividend policy also reflects the Board's confidence in the Group's future cash flow and cash position, and there has not been any change to such dividend policy as at the date of this announcement.
6. **Use of proceeds:** The Company has disclosed in the Prospectus the use of proceeds from the Global Offering. As at the date of this announcement, the Company has no plan to change such use of proceeds.
7. **Investments in fixed assets:** The Company has strengthened its management, and as disclosed in the Prospectus, the utilization rate of the Group's production facilities have been steadily increasing.
8. **Profit margin:** The Company has maintained a relatively high profit margin, primarily because the Group responded to industry trends and led the focus on high-end infant formula products, which have relatively high gross profit margins and have contributed an increasingly larger portion of the Group's sales. In addition, the Company has strived to promote more efficient management and has strengthened its cost control.
9. **Canadian plant:** The Company has disclosed in the Prospectus the relevant arrangements of the Kingston Plant, including the plan to launch the cow milk and goat milk infant formula products from the Group's Kingston Plant in the Chinese market once the construction is completed, and to expand into the North American and Southeast Asian markets in the future.

10. Reasons for the Listing on the Stock Exchange: The Company has disclosed in the Prospectus the reasons for the Listing on the Stock Exchange, including promoting corporate governance and international profile, and providing additional capital for the Group's expansion and potential mergers and acquisitions.

The Company has made copies of the Tax Payment Certificates, the Cash Position Proofs and the Nielson Report available for inspection by the Shareholders and potential investors during 10:00 a.m. to 5:00 p.m. on business days at (i) the Company's headquarters at C-16th Floor, Star City International Building, 10 Jiuxianqiao Road, Chaoyang District, Beijing, the PRC, and (ii) the office of Freshfields Bruckhaus Deringer (the Company's Hong Kong legal advisers) at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong. Shareholders and potential investors may contact the Company for reservation through ir@feihe.com.

Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Board confirms that it is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

It is important for the Shareholders to be aware that the Relevant Allegations are the opinions of GMT Research whose interests may not be aligned with those of the Shareholders in general, and that who may intend to undermine confidence in the Company and its management, and to harm the Company's reputation. Accordingly, the Shareholders should treat the Relevant Allegations with caution. The Company reserves its rights to take legal actions (including commencing litigation) in connection with the Report.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 22 November 2019 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 25 November 2019.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Feihe Limited
LENG Youbin
Chairman

Beijing, China, 22 November 2019

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