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## **CHINA MENGNIU DAIRY COMPANY LIMITED**

**中國蒙牛乳業有限公司\***

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

**(Stock Code: 2319)**

### **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **HIGHLIGHTS**

- 2021 marked the commencement of the five-year strategy of the Group, “Creating a New Mengniu (再創一個新蒙牛)”. During the year, the Group continued to promote product innovations and upgrades, branding enhancement, and expanded online and offline channels for omnichannel development. For the year ended 31 December 2021, the revenue of the Group amounted to RMB88,141.5 million (2020: RMB76,034.8 million), representing a year-on-year increase of 15.9%. Due to the increase in revenue and operating efficiency, profit attributable to owners of the Company increased by 42.6% year-on-year to RMB5,025.5 million (2020: RMB3,525.0 million).
- In 2021, as the Group continued to drive product innovation, brand upgrade, and channel expansion for the room temperature, chilled, and fresh milk businesses, the revenue from the liquid milk business increased by 12.9% from last year to RMB76,514.4 million (2020: RMB67,751.0 million).
- During the year, the ice cream business segment continued to focus on brands such as *Suibian*, *Deluxe*, and *Mood for Green*, promote product innovation and upgrade, and strengthen the sales basis in modern and new retail channels. To accelerate the business expansion in the Southeast Asian market, the Group acquired *Aice*, a leading ice-cream brand in Southeast Asia, at the end of March. Revenue for this segment for the year increased by 61.0% from last year to RMB4,240.2 million (2020: RMB2,633.7 million).

\* For identification purposes only

- Yashili, the domestic milk formula platform of the Group, focused on its brands such as *Reeborne*, an infant formula brand, and *Yourui*, an adult milk powder brand, whilst *Bellamy's* adhered to its brand positioning of “True Organic”. Through market segmentation and expansion of sales channels, the revenue from the milk formula business increased by 8.2% from last year to RMB4,949.1 million (2020: RMB4,573.0 million).
- During the year, grasping the growth opportunities in the cheese industry, the Group focused on children’s cheese sticks, cheese snacks, cheese and butter for family consumption and other retail cheese products and provided professional dairy product solutions to customers in the foodservice channel. The cheese business grew rapidly in the retail and food service sectors. In July 2021, the Group became a substantial shareholder of Milkground, a leading cheese enterprise in China. In the future, through cooperating with Milkground, both the Group and Milkground will be able to gain advantages through sharing resources and together expand into the domestic and global cheese market with enormous potential.
- Mengniu actively resonates with the national goal of “carbon neutrality”, and pledged to be the first to achieve carbon neutrality in the dairy industry. The Group will announce its carbon emission reduction targets and roadmap in 2022. As of the end of the year, Mengniu had 22 factories rated as being a “National Green Factory” by the Ministry of Industry and Information Technology. Mengniu was awarded “China Charity Award”, the highest government award in the philanthropic field of China, for its outstanding contribution to poverty alleviation and the fight against the COVID-19 epidemic.

The board (the “Board”) of directors (the “Directors”) of China Mengniu Dairy Company Limited (the “Company”) is pleased to present the results of the Company and its subsidiaries (the “Group” or “Mengniu”) for the year ended 31 December 2021, together with the comparative amounts.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>REVENUE</b>	4	<b>88,141,475</b>	76,034,844
Cost of sales		<u>(55,751,561)</u>	<u>(47,405,564)</u>
<b>GROSS PROFIT</b>		<b>32,389,914</b>	28,629,280
Other income and gains	4	<b>1,617,656</b>	1,204,786
Selling and distribution expenses		<b>(23,487,674)</b>	(21,540,925)
Administrative expenses		<b>(3,524,302)</b>	(3,132,947)
Impairment losses on financial and contract assets, net		<b>(208,293)</b>	(156,876)
Loss on derecognition of financial assets measured at amortised cost		<b>(33,565)</b>	(22,385)
Other expenses	5	<b>(1,863,223)</b>	(1,764,510)
Interest income		<b>1,027,394</b>	1,084,613
Finance costs	7	<b>(743,072)</b>	(572,255)
Share of profits and losses of:			
A joint venture		<b>(34,905)</b>	(37,413)
Associates		<b>728,238</b>	463,418
<b>PROFIT BEFORE TAX</b>	6	<b>5,868,168</b>	4,154,786
Income tax expense	8	<b>(904,510)</b>	(653,193)
<b>PROFIT FOR THE YEAR</b>		<b>4,963,658</b>	3,501,593
Attributable to:			
Owners of the Company		<b>5,025,537</b>	3,525,044
Non-controlling interests		<b>(61,879)</b>	(23,451)
		<b>4,963,658</b>	3,501,593
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (EXPRESSED IN RMB PER SHARE)</b>			
Basic	10	<b>1.274</b>	0.897
Diluted		<b>1.267</b>	0.892

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2021*

	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>PROFIT FOR THE YEAR</b>	<b>4,963,658</b>	<b>3,501,593</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(607,784)	392,078
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	9,556	(56,058)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	—	(10,814)
	<u>9,556</u>	<u>(66,872)</u>
Share of other comprehensive income/(loss) of associates	<u>(72,824)</u>	<u>10,666</u>
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<u><b>(671,052)</b></u>	<u><b>335,872</b></u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	135,546	246,072
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(74,800)</u>	<u>101,289</u>
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<u><b>60,746</b></u>	<u><b>347,361</b></u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>	<u><b>(610,306)</b></u>	<u><b>683,233</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>4,353,352</b></u>	<u><b>4,184,826</b></u>
Attributable to:		
Owners of the Company	4,467,823	4,243,176
Non-controlling interests	<u>(114,471)</u>	<u>(58,350)</u>
	<u><b>4,353,352</b></u>	<u><b>4,184,826</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		17,335,240	12,546,604
Construction in progress		2,619,402	2,729,469
Investment properties		62,508	63,924
Right-of-use assets		2,142,140	1,847,675
Goodwill		4,857,687	4,883,291
Other intangible assets		7,999,443	7,717,340
Investment in a joint venture		—	103,427
Investments in associates		15,793,874	9,020,464
Deferred tax assets		1,561,308	1,276,625
Derivative financial instruments		11,119	—
Other financial assets		14,235,644	7,690,082
Long term prepayments		463,038	760,762
		<u>67,081,403</u>	<u>48,639,663</u>
<b>CURRENT ASSETS</b>			
Other financial assets		4,666,980	7,752,088
Derivative financial instruments		1,901	2,175
Inventories		6,485,485	5,512,450
Trade and bills receivables	11	4,159,688	2,988,362
Prepayments, other receivables and other assets		4,285,875	3,604,858
Pledged deposits		203,151	249,521
Cash and bank balances		11,216,861	11,397,123
		<u>31,019,941</u>	<u>31,506,577</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	8,803,902	7,969,321
Other payables and accruals		14,576,417	11,465,916
Interest-bearing bank and other borrowings		4,265,484	4,924,393
Derivative financial instruments		1,239	3,653
Income tax payable		221,206	181,013
Other financial liabilities		1,203,800	1,600,200
		<u>29,072,048</u>	<u>26,144,496</u>
<b>NET CURRENT ASSETS</b>		<u>1,947,893</u>	<u>5,362,081</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>69,029,296</u>	<u>54,001,744</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**31 December 2021*

	<b>2021</b>	2020
	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>18,786,328</b>	14,019,832
Convertible bonds	<b>3,981,115</b>	—
Deferred income	<b>477,833</b>	420,006
Deferred tax liabilities	<b>2,456,217</b>	2,279,605
Derivative financial instruments	<b>36,305</b>	34,742
Other financial liabilities	<b>1,292,066</b>	—
	<hr/>	<hr/>
Total non-current liabilities	<b>27,029,864</b>	16,754,185
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>41,999,432</b>	37,247,559
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<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	<b>359,774</b>	359,359
Treasury shares held under share award scheme	<b>(29,244)</b>	(56,916)
Other reserves	<b>12,057,667</b>	12,953,689
Retained earnings	<b>24,437,587</b>	19,726,510
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	<b>36,825,784</b>	32,982,642
Non-controlling interests	<b>5,173,648</b>	4,264,917
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<b>TOTAL EQUITY</b>	<b>41,999,432</b>	37,247,559
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*NOTES:*

**1. CORPORATE AND GROUP INFORMATION**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company is an investment holding company and its subsidiaries are engaged in the manufacture and distribution of dairy products.

**2.1. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretation) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for share options, certain financial assets, derivative financial instruments, certain other financial liabilities and certain other borrowings which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

## 2.1. BASIS OF PREPARATION *(continued)*

### Basis of consolidation *(continued)*

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) (continued)

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 0.917% and 1.268% and receives interest at a variable rate based on HIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. No reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

- (c) The Group has elected to early adopt amendments to IFRS 10 and IAS 28 starting from 1 January 2021. Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The adoption of amendments to IFRS 10 and IAS 28 would increase the profit before tax of the Group of RMB30,546,000 for the year ended 31 December 2021.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- Liquid milk products segment — manufacture and distribution of ultra-high temperature milk (“UHT milk”), milk beverages, yogurt and fresh milk;
- Ice cream products segment — manufacture and distribution of ice cream;
- Milk powder products segment — manufacture and distribution of milk powder; and
- Others segment — principally the Group’s cheese, plant-based nutrition products and trading business.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that interest income, non-lease-related finance costs, share of profits/losses of associates and a joint venture, income tax expense, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets exclude investments in associates and a joint venture, assets of a disposal group classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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.

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Liquid milk products <i>RMB'000</i>	Ice cream products <i>RMB'000</i>	Milk powder products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue <i>(note 4)</i></b>					
Sales to external customers	76,514,364	4,240,151	4,949,127	2,437,833	88,141,475
Intersegment sales	543,045	46,172	14,415	1,428,142	2,031,774
	<u>77,057,409</u>	<u>4,286,323</u>	<u>4,963,542</u>	<u>3,865,975</u>	<u>90,173,249</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(2,031,774)</u>
Revenue					<u>88,141,475</u>
<b>Segment results</b>	<b>5,089,893</b>	<b>37,633</b>	<b>(1,113,768)</b>	<b>(93,106)</b>	<b>3,920,652</b>
<i>Reconciliation:</i>					
Interest income					1,027,394
Finance costs (other than interest on lease liabilities)					(717,610)
Share of loss of a joint venture					(34,905)
Share of profits of associates					728,238
Corporate and other unallocated income					<u>944,399</u>
Profit before tax					5,868,168
Income tax expense					<u>(904,510)</u>
Profit for the year					<u>4,963,658</u>
<b>Segment assets</b>	<b>59,412,030</b>	<b>4,848,683</b>	<b>17,249,238</b>	<b>2,837,561</b>	<b>84,347,512</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(27,915,033)
Corporate and other unallocated assets					25,874,991
Investments in associates					<u>15,793,874</u>
Total assets					<u>98,101,344</u>
<b>Segment liabilities</b>	<b>29,102,521</b>	<b>3,563,863</b>	<b>6,170,274</b>	<b>2,338,336</b>	<b>41,174,994</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(27,915,033)
Corporate and other unallocated liabilities					<u>42,841,951</u>
Total liabilities					<u>56,101,912</u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021 *(continued)*

	Liquid milk products <i>RMB'000</i>	Ice cream products <i>RMB'000</i>	Milk powder products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Other segment information:</b>					
Depreciation and amortisation	1,844,755	228,420	195,105	30,059	2,298,339
Unallocated amounts					<u>98,099</u>
Total depreciation and amortisation					<u><u>2,396,438</u></u>
Capital expenditure	5,688,670	664,314	232,808	346,909	6,932,701
Unallocated amounts					<u>5,201,905</u>
Total capital expenditure*					<u><u>12,134,606</u></u>
Impairment losses recognised in the consolidated statement of profit or loss	150,077	128,502	990,107	27,355	1,296,041
Impairment losses reversed in the consolidated statement of profit or loss	<u>(15,208)</u>	<u>(51,675)</u>	<u>(5,798)</u>	<u>(5,991)</u>	<u>(78,672)</u>
Impairment losses recognised in the consolidated statement of profit or loss, net	<u><u>134,869</u></u>	<u><u>76,827</u></u>	<u><u>984,309</u></u>	<u><u>21,364</u></u>	<u><u>1,217,369</u></u>
Expense relating to share option scheme and share award scheme	116,330	15,277	1,033	7,323	139,963
Unallocated amounts					<u>94,230</u>
Total non-cash expenses relating to share option scheme and share award scheme					<u><u>234,193</u></u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Liquid milk products <i>RMB'000</i>	Ice cream products <i>RMB'000</i>	Milk powder products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue <i>(note 4)</i></b>					
Sales to external customers	67,750,993	2,633,731	4,572,975	1,077,145	76,034,844
Intersegment sales	<u>648,537</u>	<u>69,917</u>	<u>16,327</u>	<u>845,294</u>	<u>1,580,075</u>
	68,399,530	2,703,648	4,589,302	1,922,439	77,614,919
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(1,580,075)</u>
Revenue					<u><u>76,034,844</u></u>
<b>Segment results</b>	3,193,020	23,956	16,638	39,861	3,273,475
<i>Reconciliation:</i>					
Interest income					1,084,613
Finance costs (other than interest on lease liabilities)					(550,475)
Share of loss of a joint venture					(37,413)
Share of profits of associates					463,418
Corporate and other unallocated expenses					<u>(78,832)</u>
Profit before tax					4,154,786
Income tax expense					<u>(653,193)</u>
Profit for the year					<u><u>3,501,593</u></u>
<b>Segment assets</b>	50,221,395	1,949,172	18,826,292	733,919	71,730,778
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(24,887,942)
Corporate and other unallocated assets					24,179,513
Investment in a joint venture					103,427
Investments in associates					<u>9,020,464</u>
Total assets					<u><u>80,146,240</u></u>
<b>Segment liabilities</b>	23,245,274	2,640,811	10,999,767	1,482,354	38,368,206
<i>Reconciliation:</i>					
Elimination of intersegment payables					(24,887,942)
Corporate and other unallocated liabilities					<u>29,418,417</u>
Total liabilities					<u><u>42,898,681</u></u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020 *(continued)*

	Liquid milk products <i>RMB'000</i>	Ice cream products <i>RMB'000</i>	Milk powder products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Other segment information:</b>					
Depreciation and amortisation	1,651,331	186,310	174,841	29,418	2,041,900
Unallocated amounts					<u>94,968</u>
Total depreciation and amortisation					<u>2,136,868</u>
Capital expenditure	4,485,830	123,154	169,155	52,465	4,830,604
Unallocated amounts					<u>1,285,553</u>
Total capital expenditure*					<u>6,116,157</u>
Impairment losses recognised in the consolidated statement of profit or loss	150,480	117,623	107,515	1,661	377,279
Impairment losses reversed in the consolidated statement of profit or loss	<u>(41,828)</u>	<u>(4,862)</u>	<u>(2,144)</u>	<u>—</u>	<u>(48,834)</u>
Impairment losses recognised in the consolidated statement of profit or loss, net	<u>108,652</u>	<u>112,761</u>	<u>105,371</u>	<u>1,661</u>	<u>328,445</u>
Expense relating to share option scheme and share award scheme	67,177	6,016	6,903	17,364	97,460
Unallocated amounts					<u>120,180</u>
Total non-cash expenses relating to share option scheme and share award scheme					<u>217,640</u>

\* Capital expenditure consists of cash paid for the purchase of property, plant and equipment, construction in progress, intangible assets, land use rights, equity interests in subsidiaries, associates and other equity investments.

### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### Geographical information

##### *a. Revenue from external customers*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	85,067,981	74,205,440
Overseas	<u>3,073,494</u>	<u>1,829,404</u>
	<u><u>88,141,475</u></u>	<u><u>76,034,844</u></u>

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

##### *b. Non-current assets*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	41,704,711	31,480,912
Overseas	<u>9,568,621</u>	<u>8,192,044</u>
	<u><u>51,273,332</u></u>	<u><u>39,672,956</u></u>

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

#### Information about major customers

There were no sales to a single customer which accounted for 10% or more of the Group's revenue for the years ended 31 December 2021 and 2020.

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

An analysis of the revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers:		
Sale of goods	88,133,815	76,025,108
Consignment processing services	7,660	9,736
	<u>88,141,475</u>	<u>76,034,844</u>

#### Other income and gains

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income and gains		
Government grants related to		
— Recognition of deferred income	90,274	50,689
— Income	241,442	313,945
Gains on disposal of subsidiaries	—	18,669
Gains on disposal of an associate	54,198	—
Gross rental income	89,587	66,214
Foreign exchange gains, net	19	299,946
Net fair value gain on forward currency contracts	2,140	—
Net fair value gain on 2020 exchangeable bonds	200,732	—
Net fair value gain on a convertible promissory note	2,629	—
Net fair value gain on unlisted equity investment at fair value through profit or loss	—	138,622
Net fair value gain on other financial liabilities	632,700	—
Gain on deemed disposal of partial interests in an associate	79,041	—
Net fair value gain on unlisted equity investment in Guangze with put options	—	12,433
Negative goodwill arising from acquisition of an associate (a)	—	106,491
Others	224,894	197,777
	<u>1,617,656</u>	<u>1,204,786</u>

Note:

- (a) On 31 July 2020, the Group increased its shareholdings in China Shengmu Organic Milk Limited (“China Shengmu”) and accounted for China Shengmu as an associate. Based on the purchase price allocation on initial recognition of investments in associates, a negative goodwill of RMB106,491,000 was recognised as other income and gains.



## 5. OTHER EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Donations	45,845	480,367
Loss on disposal of items of property, plant and equipment	59,463	13,585
Impairment of goodwill	621,230	—
Impairment of other intangible assets	204,306	3,831
Impairment of property, plant and equipment	—	49,031
Impairment of right-of-use assets	—	22,778
Write-down of inventories to net realisable value	183,540	95,929
Educational surcharges, city construction tax, and other taxes	516,374	473,262
Net fair value loss on forward currency contracts	—	9,825
Net fair value loss on unlisted equity investment at fair value through profit or loss	1,326	—
Net fair value loss on exchangeable bonds	—	401,942
Net fair value loss on warrants and subscription rights of warrants	—	11,187
Net fair value loss on unlisted equity investment in Guangze with put options	3,350	—
Loss on re-measurement of an equity interest in a joint venture upon a business acquisition	38,092	—
Loss on partial disposal of equity interests in an associate	10,584	—
Others	179,113	202,773
	<u>1,863,223</u>	<u>1,764,510</u>

## 6. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold	55,745,991	47,393,841
Realised and unrealised fair value losses of commodity futures contracts, net	—	4,568
Cost of consigned processing services	<u>5,570</u>	<u>7,155</u>
Cost of sales	<u><u>55,751,561</u></u>	<u><u>47,405,564</u></u>
Employee benefit expense (including directors' and chief executive's remuneration)		
— Wages, salaries, housing benefits and other allowances	6,636,083	5,924,474
— Retirement benefit contributions	605,832	147,957
— Share option scheme expense	60,420	52,217
— Share award scheme expense	<u>173,773</u>	<u>165,423</u>
	<u><u>7,476,108</u></u>	<u><u>6,290,071</u></u>
Impairment of financial and contract assets, net:		
— Impairment of trade receivables, net	198,086	155,397
— Impairment of financial assets included in prepayments, other receivables and other assets, net	<u>10,207</u>	<u>1,479</u>
	<u><u>208,293</u></u>	<u><u>156,876</u></u>
Impairment of goodwill	621,230	—
Impairment of other intangible assets	204,306	3,831
Impairment of right-of-use assets	—	22,778
Impairment of property, plant and equipment	—	49,031
Depreciation of property, plant and equipment	2,014,184	1,789,244
Depreciation of right-of-use assets	293,762	256,477
Depreciation of investment properties	4,567	3,882
Amortisation of other intangible assets	83,925	87,265
Research and development costs — current year expenditure	355,507	318,398
Outsourcing expense ( <i>note a</i> )	202,904	256,777
Lease payments not included in the measurement of lease liabilities ( <i>note b</i> )	173,972	141,846
Auditor's remuneration ( <i>note c</i> )	<u>15,200</u>	<u>13,580</u>

## 6. PROFIT BEFORE TAX (continued)

Notes:

- (a) For the purpose of promoting operation efficiency, the Group outsourced the production of certain products. The amounts represent the total amount paid by the Group for purchasing outsourcing services.
- (b) The Group recognised rental expenses from short-term leases of RMB134,446,000 (2020: RMB111,878,000), leases of low-value assets of RMB5,023,000 (2020: RMB4,645,000) and variable lease payments not based on index or rates of RMB34,503,000 (2020: RMB25,323,000) for the year ended 31 December 2021.
- (c) In addition to the above fees paid or payable to the auditors, Yashili International Holdings Ltd (“Yashili”, a subsidiary of the Company listed on the Main Board of the Stock Exchange of Hong Kong Limited) had an amount of RMB3,116,000 (2020: RMB2,923,000) paid/payable as auditor’s remuneration during the year.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Interest on bank loans	206,862	162,132
Interest on other borrowings (excluding lease liabilities)	510,748	388,343
Interest on lease liabilities	<u>25,462</u>	<u>21,780</u>
	<u><u>743,072</u></u>	<u><u>572,255</u></u>

## 8. INCOME TAX EXPENSE

Under the Law of the People’s Republic of China on Corporate Income Tax (“PRC CIT Law”), except for certain preferential tax treatment available to certain subsidiaries of the Group, the entities within the Group are subject to PRC corporate income tax (“CIT”) at a rate of 25% (2020: 25%) on the taxable income as reported in their statutory accounts which are prepared in accordance with the PRC accounting standards and financial regulations.

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
<b>Current income tax</b>		
Current charge for the year	833,357	651,767
Adjustments recognised in the year for current tax of prior years	15,741	(12,776)
<b>Deferred income tax</b>	<u>55,412</u>	<u>14,202</u>
	<u><u>904,510</u></u>	<u><u>653,193</u></u>

## 8. INCOME TAX EXPENSE (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the year is as follows:

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Profit before tax		<b>5,868,168</b>	4,154,786
At CIT rate of 25% (2020: 25%)		<b>1,467,042</b>	1,038,697
Non-deductible items and others, net		<b>66,790</b>	48,021
Tax effect of super deduction on research and development expenses		<b>(74,216)</b>	(42,937)
Impairment of goodwill and trademarks with indefinite useful lives		<b>236,369</b>	—
Adjustment recognised in the year for current tax of prior years		<b>15,741</b>	(12,776)
Effect of lower tax rates	<i>(a)</i>	<b>(382,840)</b>	(228,534)
Effect of tax exemptions	<i>(a)</i>	<b>(565,527)</b>	(371,163)
Tax effect of share of results of associates and a joint venture		<b>(173,333)</b>	(106,501)
Tax losses utilised from previous periods		<b>(99,059)</b>	(60,468)
Tax losses not recognised		<b>410,725</b>	386,639
Effect of withholding tax at 10% on the distributable profits of the Group's certain PRC subsidiaries		<b>2,818</b>	2,215
At the effective income tax rate of 15.41% (2020: 15.72%)		<b>904,510</b>	653,193

### Notes:

- (a) Eighteen (2020: Fifteen) subsidiaries were granted lower tax rates by the state tax bureau in accordance with the PRC CIT law and the corresponding transitional tax concession policy and “The notice of tax policies relating to the implementation of the western China development strategy.”

Thirty-six (2020: Thirty-three) subsidiaries were granted tax exemptions in accordance with the policy of “The notice of preferential tax policy for preliminary processing of agriculture products”.

The total taxable profits of the subsidiaries that are subject to tax concessions amounted to approximately RMB3,517,179,000 (2020: RMB2,514,491,000) in aggregate.

- (b) The share of tax attributable to a joint venture and associates amounting to approximately RMB12,284,000 (2020: RMB3,338,000) is included in “Share of profits and losses of a joint venture and associates” in the consolidated statement of profit or loss.

## 9. DIVIDENDS

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Declared and paid during the year Equity dividends on ordinary shares		<u>1,071,002</u>	<u>706,661</u>
Proposed for approval at the AGM Equity dividends on ordinary shares: Proposed final — RMB0.381 (2020: RMB0.268) per ordinary share	<i>(a)/(b)</i>	<u>1,506,161</u>	<u>1,058,093</u>

### *Notes:*

- (a) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (the "AGM").
- (b) This dividend was not recognised as a liability in the consolidated financial statements for the year ended 31 December 2021 but will be reflected as an appropriation of the share premium account for the year ending 31 December 2022.

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

### (a) Basic earnings per share

The basic earnings per share for the year is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share amount is as follows:

	2021 <b>Number of shares '000</b>	2020 Number of shares '000
Issued ordinary shares at 1 January	3,948,108	3,935,015
Effect of share options exercised	1,581	6,053
Effect of shares purchased under share award scheme	<u>(5,179)</u>	<u>(11,803)</u>
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u>3,944,510</u>	<u>3,929,265</u>

**10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** *(continued)*

**(b) Diluted earnings per share**

The diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

A reconciliation of the weighted average number of shares used in calculating the diluted earnings per share amount is as follows:

	<b>2021</b>	2020
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<b>3,944,510</b>	3,929,265
Effect of dilution —		
Weighted average number of ordinary shares:		
Share options	<b>12,860</b>	8,306
Share awards	<b>10,526</b>	13,763
	<u>3,967,896</u>	<u>3,951,334</u>
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	<u><b>3,967,896</b></u>	<u>3,951,334</u>

**11. TRADE AND BILLS RECEIVABLES**

	<b>2021</b>	2020
	<b>RMB'000</b>	<b>RMB'000</b>
Bills receivable	<b>97,398</b>	61,530
Trade receivables	<b>4,182,414</b>	3,023,354
Impairment	<b>(120,124)</b>	(96,522)
	<u><b>4,159,688</b></u>	<u>2,988,362</u>

The Group normally allows a credit limit to its customers which is adjustable in certain circumstances. The Group closely monitors overdue balances. In view of the aforementioned and the fact that the Group's trade 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 receivables. The trade receivables are non-interest-bearing.

Based on the Group's accounting policy of financial assets, the Group measured bills receivable at fair value through other comprehensive income as at 31 December 2021.

## 11. TRADE AND BILLS RECEIVABLES (continued)

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	3,280,671	2,484,058
4 to 6 months	633,820	380,879
7 to 12 months	194,231	73,089
Over 1 year	50,966	50,336
	<u>4,159,688</u>	<u>2,988,362</u>

## 12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	7,734,901	7,183,665
4 to 6 months	701,704	725,645
7 to 12 months	91,239	40,720
Over 1 year	276,058	19,291
	<u>8,803,902</u>	<u>7,969,321</u>

The Group's trade and bills payable are unsecured except as noted below, non-interest-bearing and payable on demand.

Included in the above balances, bills payable with an aggregate balance of approximately RMB318,774,000 (2020: RMB231,000,000) were secured by the pledge of certain of the Group's deposits amounting to approximately RMB112,797,000 (2020: RMB119,521,000). Except for the above, bills payables were unsecured, non-interest-bearing and payable when due within 3 to 6 months.

## 13. EVENTS AFTER THE REPORTING PERIOD

On 16 March 2022, the Company jointly with Yashili issued an announcement that the Group is in discussion with other parties regarding its holdings in Yashili and certain other business interests, which may result in a number of potential transactions (the "Potential Transactions"), the structure and details of which are yet to be finalized but which may include a potential pre-conditional privatization offer for Yashili (the "Potential Offer"). As of the date of this announcement, no definitive agreement or arrangement in respect of any Potential Transactions has been entered into. Therefore, the Potential Transactions, including the Potential Offer, may or may not proceed. Please refer to the announcement dated 16 March 2022 for detailed information.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Business Division Performance

##### *Liquid Milk Business*

As the COVID-19 epidemic comes under effective control, the economy of China achieved growth of 8.1% in 2021 against the adverse global economic environment. The robust recovery of China's economy and the rise of health awareness under the COVID-19 epidemic has driven the consumption of dairy products, especially liquid milk. According to an industry report, the aggregate demand for dairy products in China in 2021 exceeded 60 million tons for the first time, increasing by 10.9% year-on-year, as the liquid milk market continued to expand.

The national policies have guided the dairy industry to develop towards green, low carbon, and enhanced product quality. As the COVID-19 epidemic becomes the norm, new consumption habits of consumers remain. Consumers continue to place great importance on nutrition, health, and immunity, and the market size of liquid milk continues to expand. An increasing number of consumers are placing greater importance on the consumption of white milk products and are willing to choose functional products with low sugar, low fat, or products that are beneficial to their health. This also promotes the upgrade of existing products and the birth of innovative products that address segmental needs. Apart from product functions, consumers have begun to pay more attention to the emotional experiences that come with consumption. Consumers are eager to use consumption habits to express their personalities or meet social needs, becoming brand promoters on social networking platforms.

With strong growth in demand for dairy products, raw milk costs remained elevated in 2021 and recorded a significant year-on-year growth. In face of the pressure on raw milk costs, the Group strived to improve its product mix and facilitate the upgrade of its product portfolio, while continuing to work with strategic suppliers to strengthen its milk supply layout to meet the Group's demand for high-quality raw milk.

In terms of sales channels, new channels such as community group purchase, O2O, and live streaming e-commerce expanded rapidly in 2021. As consumers seek more convenient ways of shopping, enterprises must grasp the opportunities of digital transformation to achieve faster fulfilment and more diverse ways to reach consumers.



## ***Room Temperature Product Business***

In 2021, benefiting from the diversified demand of consumers, Mengniu's room temperature product business continued to innovate with product upgrades that resulted in industry-leading growth and a continued increase in market share. In particular, the growth of *Milk Deluxe* and *Mengniu* pure milk products was significantly higher than that of the industry.

Among them, *Milk Deluxe* launched a "better organic" desert pure milk and CBP high-calcium pure milk to implement the brand's "better" proposition. *Mengniu* pure milk also launched several new products such as the Nutritious and Mellow Enjoyment pure milk series to provide consumers with more innovative products that are both delicious and nutritious. The *Just Yoghurt* brand upholds its quality principle of "It's the real thing" and newly launched a yellow peach quinoa drink during the year. At the end of the year, *Just Yoghurt* launched "Yummy Yogurt" which added a popping candy, breaking the traditional ways of yogurt consumption through new formula innovation, technology, and packaging. *Fruit Milk Drink*, *Suan Suan Ru* (酸酸乳) and other milk beverage brands have also launched first renewed packaging of the brand's staple products and successively launched a variety of new products in 2021, such as red grapefruit Sijichun (紅柚四季春), Ruciqizhi (乳此汽質), a sugar-free sparkling water with lactic acid bacteria, and *Suan Suan Ru* lemon tea (酸酸乳沏個檸檬), achieving a comprehensive brand rejuvenation to attract younger consumers.

With respect to brand strategy, *Milk Deluxe* organized a series of themed marketing campaigns, such as "Better 2021 (更好二零二一)" during Chinese New Year, "Better Youth (更好青春)" during May 4th Youth day and "Better Childhood (更好的童年)" during June 1st Children's Day, as well as membership day in August, Teacher's Day in September and a series of branding campaigns during the Mid-Autumn Festival, all to provide better performance and services to deepen the "better" brand proposition. The *Mengniu* Pure Milk brand continued to communicate with consumers around the brand proposition of "Nurture Your Greatness (營養你的要強)" and "pure nutrition with aerospace quality (濃純營養，航天品質)" during the year.

In terms of sales management, the Group continued to increase the coverage of offline stores, achieving growth in both the number of POS and sales volume. In addition, adjusting to the development of the new retail model, the room temperature product business division accelerated the development of the e-commerce and O2O platform business to promote the integration of online and offline transformation. During the 618 Shopping Festival, Mengniu ranked first in the sales of liquid milk on both the JD.com and Tmall platforms. On 18 June, the total online sales exceeded RMB100 million. During the year, the total number of online members of Mengniu doubled to over 30 million from over 15 million in 2020, ranking first among all brands on JD.com and all dairy product brands on Tmall.

Regarding channel penetration, Mengniu continued to expand and develop the markets in towns and villages through its “Penetration into Towns and Villages” initiative. Through the establishment of a digital management platform, Mengniu has achieved the online management of business, expenses settlement, sales terminal, and membership, thereby improving its customer operation capabilities, accelerating the penetration of products and services, and further increasing Mengniu’s share of room temperature liquid milk in the rural market. As of the end of December, the “Penetration into Towns and Villages” initiative had directly controlled over 600,000 town and village outlets, achieving growth in both the number of outlets and sales volume.

In terms of strengthening channel management, the room temperature product business unit accelerated the digitalization of its channel. Following the realization of integrated system management of customer business and finance, upgrades were made to enable customers to directly connect to a sales terminal, perform online streaming, distribute online coupons, order and pay online for shop owners, and thus sales terminals were activated continuously. In May 2021, the Group leveraged AI image recognition technology for the first time and successfully applied image recognition on products in different stores, digitally assisting the management of stores to improve the efficiency of product shelving, enhancing customer satisfaction, and making products more accessible to consumers by creating a seamless purchase experience. Mengniu will continue to deepen the potential of its digital system for the room temperature business channel, develop standardized mini-programs to achieve true business operation integration, and perform well in the B2B channels precision marketing to improve market coverage and sales.

### ***Chilled Product Business***

According to market data, the offline sales of chilled dairy products continued to record negative growth in 2021 as compared with 2020. However, the decline has narrowed which indicates a positive trend for a turnaround. Meanwhile, the e-commerce sales of chilled dairy products have maintained a rapid year-on-year growth of 28%.

The chilled product business of Mengniu continued to record volume growth and expanded its market leadership during the year. Its chilled products have ranked first in the industry for the 17th consecutive year in terms of market share. In 2021, the Group took advantage of the rapidly growing zero-sugar product category, supported the “Three Reductions & Three Kinds of Health (三減三健)” campaigns launched by the Chinese government, and met the growing demand of lower sugar intake of consumers by introducing the *Champion* zero sucrose and sugar-reduced product series which performed well in terms of sales. To meet the rapidly growing household demand for mid-to-high-end yogurt, the Group also launched a new 1-liter packaged silky yogurt with refined formula. *Yoyi C* launched a new 100ml reduced-sugar product and a new 330ml zero sucrose product. At the end of the year, *Yoyi C* launched a probiotic powder product with 100 billion high compound probiotics which set an industry benchmark. During the year, the brand of *Champion* and *Yoyi C* was further enhanced through product and sales enhancement.

In terms of brand marketing, *Yoyi C* focused on marketing in key cities. Through placing advertisements in outdoor media and targeting core consumers of *Yoyi C*, the Group promoted *Yoyi C* products to more than 3 million households and over 1.0 billion person times. *Yoyi C* also cooperated with Xiaohongshu (小紅書) and organized marketing campaigns with the theme of “Everything is digestible with good luck in the Year of Ox (牛運到家，萬物皆可消化)” and “Energetic C (活力C位)”. The overall campaign significantly increased the exposure rate and strengthened the recognition of “probiotic” and “healthy digestion” properties of its products.

With respect to sales channels, the chilled product business unit collaborated with Sam’s Club (山姆會員店) for the first time to provide new customized yogurt products and develop a business model exclusively for direct sales. These new customized yogurt products became the annual major product of Sam’s Club immediately following its launch and have ranked among the top of the best-selling list for e-commerce chilled milk. In addition, Mengniu launched a series of dairy products tailored for students which were exclusively supplied through campus sales channels. These dairy products tailored for students have expanded to 60 markets which cover 1,376 schools and over 770,000 students since its launch.

During the year, the chilled product business continued to promote RTM strategic innovation and commenced strategic cooperation with Dingdong Maicai (叮咚買菜) and carried out innovative strategies such as Sam’s Direct Sale (山姆直營) and exclusive franchise with Qdama (錢大媽).

### ***Fresh Milk Business***

The fresh milk industry maintained rapid growth in 2021, ahead of the overall liquid milk industry. Mengniu’s fresh milk business has been developing strongly. Through strategies such as launching innovative products, strengthening brand building, expanding channels, and enhancing its supply chain deployment, Mengniu has driven high-quality revenue growth of its dual core brands *Shiny Meadow* and *Modern Meadow* and further increased its market share.

By gaining insights into market demands, *Shiny Meadow* launched Youhu A2 fresh milk product featuring “first fresh milk for babies (寶寶的第一口鮮奶)” in 2021, the e-commerce repurchase rate surpassed the average of the industry. 4.0g fresh milk protein was launched on the Mengniu-JD super brand day and again set a new benchmark for nutrition. Mengniu also introduced a co-branded mini packaged milk tea with high-end street store beverage brand “Nayuki” to explore fresh milk+ category opportunities.

In 2021, *Shiny Meadow* maintained strong growth, and has established leading positions in core cities. In terms of product quality, *Shiny Meadow* adheres to the core values of “consumers are at the heart of all our decisions” and continued to upgrade its fresh milk supply, product nutrition, texture, quality, and standard. In June, *Shiny Meadow* has become the first fresh milk product in China certified by SGS to meet the European Union quality standard. With fresh milk innovation and key technology integration, Mengniu was awarded the “Science and Technology Progress Award — Second-Class Prize (科學技術進步獎二等獎)” by the State Council during the year. In December, *Shiny Meadow* won the 2021 Chilled Dairy Product Gold Prize by JD and the Most Popular Brand of 2021 by Dingdong Maicai.

With respect to sales channels, Mengniu’s fresh milk products ranked top nationally among all fresh milk products sold in Yonghui Superstores and Sam’s Club in terms of sales volume, far surpassing other brands. In addition, driven by the rapid growth of the cold chain and the trend of household consumption, the home delivery business achieved impressive results with rapid year-on-year growth in fresh product e-commerce platforms and home delivery business platforms such as Jingdong Daojia (京東到家).

The fresh milk business supply chain has achieved a nationwide layout of seven factories to rapidly cover core and potential markets. The Group also innovated and digitalized its supply chain facilities and consolidated its cold chain business to refine its delivery system and improve its dispatch and transportation efficiency. The fresh milk division also further reduced cost, enhanced efficiency, and streamlined the management of businesses along the entire supply chain.

### ***Milk Formula Business***

On 18 March 2021, the National Health Commission of the PRC promulgated three standards, namely Food Safety National Standard for Infant Formula (《食品安全國家標準嬰兒配方食品》) (GB10765–2021), Food Safety National Standard for Older Infant Formula (《食品安全國家標準較大嬰兒配方食品》) (GB10766–2021) and Food Safety National Standard for Young Children Formula (《食品安全國家標準幼兒配方食品》) (GB10767–2021), which imposed stricter requirements on raw material purchase, supply chain, production processes, research and development, and production stability, whereby promoting the industry upgrade and product quality improvement.

Since the end of May 2021, China has gradually rolled out the three-child policy and support measures for parents. As the three-child fertility policy has been promulgated and implemented in numerous provinces, it may boost the consumption of infant milk formula. With the economic recovery of China, per capita income growth, and the continuous updating and promulgation of policies, regulations, and standards, it is expected that the quality of infant milk formula will further be improved and the industry structure will continue to be optimized.

With the improvement of Chinese residents' living standards and greater health awareness, as well as the aging of the population, the nutritional product industry catering to the "silver economy" has seen great development opportunities. Nutritional products will trend towards the strategic upgrading of simple nutritional supplements towards formula and functional products, which will drive the structural upgrade of adult formula products and promotes the rapid omnichannel growth of adult formula.

### ***Milk Formula Business of Yashili***

The milk formula business of Yashili International Holdings Ltd ("Yashili", stock code: 1230.HK), in which Mengniu holds 51% equity interest, recorded a steady increase in sales, mainly due to (i) the increasing penetration of adult milk powder and nutritional products, driven by the development of new functional products shifting focus to high-end products while developing new market segments; (ii) optimization of its infant formula product portfolio and rebranding efforts; and (iii) enhanced brand exposure and credibility through a variety of advertising methods to boost online and offline sales volume growth.

In 2021, Yashili leveraged its professional research and development team, responded to the market development trend and consumers' needs. Yashili made good progress on infant formula registration and the research and development of adult nutritional products. Yashili further differentiated its products and continued to develop infant formula products with nutritional elements based on the scientific standards of breast milk. Yashili also developed a series of children, women, adults, middle-aged, and elderly milk formulas to suit various nutrition needs of different consumer groups.

As of the end of December 2021, Yashili and its partner, Arla, had a total of 51 products in 17 series that were approved to register as infant formula powder. To enhance and consolidate its product differentiation advantages, Yashili continued to upgrade its existing infant formula products and conduct research in lipids, proteins, and oligosaccharides to develop new infant milk powder. Yashili also launched an R&D project to refresh and upgrade the packaging on the entire product line based on the insights of the needs of the infant feeding population.

In addition, Yashili developed and launched several kinds of children's milk powder to meet various nutritional needs in the first half of 2021 through the innovative application of M8 breast milk-derived probiotics. In 2021, Yashili developed a series of upgraded Yourui milk powder for the middle-aged and the elderly, which has been launched with a brand-new functional portfolio and a new product image. Yashili developed products with different functions according to the physical characteristics and nutritional supplement needs of the middle-aged and the elderly. Added ingredients such as strains and dietary fibers serve to enhance the absorption capabilities of the intestines of the middle-aged and the elderly, and ingredients such as calcium and colostrum basic protein powder supplement the gradual loss of nutritional ingredients in the middle-aged and the elderly. In addition, Yashili launched a series of baked cereal, yam powder, and goji berry drinks to further enrich its product offerings.

### ***Bellamy's Business***

*Bellamy's*, an Australian organic infant milk formula and baby food provider, was acquired by the Group at the end of 2019. *Bellamy's* has adhered to the “Pursuing Organic, Naturally Organic” brand positioning and actively expanded its portfolio of high-end organic products.

During the year, *Bellamy's* expanded the offline sales network and e-commerce platform of its Equi-pure milk powder. During the year, the global innovation unit was established to integrate global resources, refine product structure and accelerate the development of new products. It will also accelerate local research and development and production to cater to the needs of local consumers and expand its product categories to cover fast-growing infant complementary foods and snacks as well as enhance the innovation of complementary food and snack product and accelerate the launch of new products. *Bellamy's* cross-border version of the classic blue canned milk powder will be upgraded globally to further strengthen *Bellamy's* leading position in the organic baby food industry.

Confident about the prospects of high-end organic milk powder and complementary baby food and snack products, *Bellamy's* will further enhance its brand influence and brand image of organic+ to convey the concept and value of organic products, targeting young mothers through innovative brand communications. In the coming year, *Bellamy's* will put more resources into developing Equi-pure, platinum organic A2 high-end milk formula and complementary foods and snacks with high potential, to further establish its high-end organic brand image and enhance brand awareness.

*Bellamy's* will focus on the cultivation of key markets and continue to efficiently empower its channels. *Bellamy's* will also closely cooperate with Tmall, JD.com, and other major e-commerce platforms to penetrate lower-tier markets and live streaming sales channels such as Tik Tok and Kuaishou. Through continuous innovation, *Bellamy's* aims to become the first choice of organic products. And with the launching of children's milk powder and complementary food and snack products, *Bellamy's* has expanded its market from infant milk formula to children's milk powder.

### ***Ice Cream Business***

With the consumption upgrade trends, innovation of ice cream products has trended towards more high-end, healthy, and trendy products. The rapid growth of in-home consumption of ice cream products and the e-commerce and new retail channels further promoted the growth of ice cream products. In 2021, the entire product lines of brands such as *Suibian*, *Mood for Green*, and *Deluxe* were innovated and upgraded. The Group accelerated the development of new retail channels through deep channel cultivation, further expanding network coverage and strengthening sales terminals control, driving good growth in the ice cream business.

During the year, the ice cream business division continued to focus on its brands, such as *Suibian*, *Deluxe*, and *Mood for Green*, promote product innovation and upgrade, and strengthen the sales basis of modern and new retail channels. During the year, *Suibian* successfully launched trendy products such as caramel pearl, rum flowing core, and nuts flavored products. Adhering to its brand proposition of “A Bite of Nature (一口大自然)”, *Mood for Green* introduced the herbal “Zhiqing (植輕)” ice cream series, offering new products such as enzyme green plum flavored ice cream with dietary fibers added, barley leaf flavored ice cream with controlled sweetness formula and refreshing sweet and lemongrass jasmine pineapple flavored ice cream. *Deluxe* launched ice cream cup products and the individual-sized “Qingchong (傾寵)” milk ice cream series. In addition, *Deluxe* co-branded with *Xiao Guan Cha* (小罐茶) to launch the Chinese teacup product series, including Tieguan Yin Flavored Ice Cream (秋曦漫語), White Tea Flavored Ice Cream (若雪之森) and Jasmine & Green Tea Flavored Ice Cream (茉上未央). *Deluxe* also launched the “Dongfang Yun (東方韻)” product series, offering warm winter series ice cream such as ejiao and walnut milk flavored ice cream and bamboo red bean milk flavored ice cream, leading the industry to launch new ice cream products in line with new Chinese trend Guochao (國潮).

In terms of channels, the ice cream business division furthered its RTM strategy by establishing “Qingxin (傾心)” ice cream flagship stores on mainstream e-commerce platforms such as Tmall and JD.com, to accelerate the deployment into new retail channels. During the year, the ice cream business division further accelerated the development of digital marketing, expanded convenience store channels, accelerated network coverage, and increased the proportion of direct sales to effectively improve its product turnover and supply chain efficiency. In addition, benefiting from the rapid growth of home and online consumption after the epidemic, the ice cream business achieved a diversified development of e-commerce and new retail channels, fully covering all major home delivery business platforms and effectively achieving synergistic development of online and offline integration.

To accelerate the deployment into the Southeast Asian market, the Group acquired *Aice*, a leading ice-cream brand in Southeast Asia at the end of March 2021. *Aice* has established an extensive ice cream sales network in Indonesia.

### ***Cheese Business***

In 2021, grasping the growth opportunities in the cheese industry, the Group focused on children’s cheese sticks, cheese snacks, cheese and butter for family consumption and other retail cheese products and provided dairy product solutions to customers in the foodservice channel. The cheese business grew rapidly in the retail and food service sectors.

During the year, through in-depth consumer insights, the cheese business launched the additive-free children's cheese sticks, leading the transformation and innovation of children's cheese products. The cheese business also launched China's first organic cheese stick and room temperature cheese sticks at the end of the year, expanding more consumption scenarios and providing higher standards of nutrition and health, which were well received by mothers and children. In addition, the Group accelerated the layout of its cheese snack business, leveraging its consumer insight and great product innovation capabilities, the Group led the market by launching a series of new casual cheese snacks which cater to the taste of the China market. These products innovatively combine cheese with dried fruit, puffed food, and other snacks. Cheese triangle (芝士三角), cheese milk stick (芝士奶條) and cheese raspberry (芝士莓莓) and other new products have all achieved a remarkable market response.

Benefitting from the rise of home baking, the sales of domestic table cheese and butter products have been growing steadily. Mengniu's retail cheese segment has two product lines, imported and domestically produced products, to cater to the different needs of consumers in China. 愛氏晨曦 (*Ai Shi Chen Xi*), a brand under Mengniu, launched a series of domestically produced butter products in 2020 and the sales volume doubled in 2021. With respect to the imported line of butter products, Mengniu Group collaborated with Sam's Club (山姆會員店) to launch a customized product, creating a new business model of customized business.

Mengniu's 愛氏晨曦 (*Ai Shi Chen Xi*) cheese foodservice business provides dairy products and solutions for professional users, it markets its products through specialized exhibitions and the launching of co-branding campaigns. In 2021, the cheese foodservice segment completed co-branding promotions with brands such as Freshhema, Daselea, Tous Les Jours.

On 9 July 2021, the Group became a substantial shareholder of Shanghai Milkground Food Tech Co., Ltd. (600882.SH) ("Milkground"), a leading Chinese cheese company with the strongest research and development team and the largest production capacity in China. The Group will utilize Milkground as the operating platform of its cheese business and will inject the Group's cheese business including the trading of cheese products and related raw materials such as butter, vegetable oil, cream, and cream cheese into Milkground within the next two years.

## **Quality Management**

In 2021, the Group implemented a three-year strategic plan for quality management under the core concept of "consumers are at the heart of all our decisions". The Group continued to promote the implementation of the Quality Management System 3.0 through the three core programs of Quality Culture, Quality Design, and Perfect Products.



During the year, the Group became the first company in China to adopt BRCGS Global Assessment Tool for Food Safety Culture Excellence Assessment (advanced version) to conduct food safety culture evaluation. Mengniu's overall score fell within the Grade A range of 85%–100%, the highest level, far exceeding the global average score of 75% in the same industry, fully demonstrating that Mengniu's quality management has reached international and industry-leading level.

The Group continuously upgraded its management system based on eight advanced international standards and continued to carry out management system certifications such as ISO9001, HACCP, FSSC22000, and GMP. The Group carried out BRC certification for the first time during the year and successfully obtained the certification certificate. In terms of product certifications, the Group continued to push forward the certification for student milk products and 18 organic products, with a 100% passing rate, in particular, cheese business division, successfully obtained its first Chinese organic product certification. Six of the Group's major product categories, including pasteurized milk and fermented milk, were the first in China to pass the EU standard product certification for food.

In addition, the Group's product standards for beverage, cheese, and infant milk formula have completed the upgrade to EU standards and obtained product certifications, with product quality comparable to international standards.

### **Milk Source Management**

The demand for dairy products recovered strongly after the epidemic and the upstream supply of milk is tight. To achieve the strategic goal of "To Create a New Mengniu" in five years, Mengniu has focused on the construction of high-quality milk source bases mainly in areas where it has a competitive edge and green low-carbon development by the national requirements of dairy industry revitalization and optimization of milk source layout. In addition, Mengniu is actively advancing the strategic cooperation project of China Dairy Industrial Park, focusing on the layout of industrial clusters along the Yellow River basin, Nen River basin, and Xiliao River basin. The project aims to establish quality milk source bases that feature "one million dairy cattle, one million *mu* (畝) of pasture, one million tons of milk (百萬頭奶牛、百萬畝草場、百萬噸牛奶)" in the next five years to alleviate the problem of insufficient growth in raw milk to meet consumer demand and promote the high-quality development of the dairy industry.

Since the outbreak of the COVID-19 epidemic, Mengniu has continued to implement the five protective measures of "Securing Procurement, Ensuring Supply, Guaranteeing Delivery, Maintaining Sufficient Capital, and Securing Operations" to protect the interests of dairy farmers from losses and promote the rapid recovery of the dairy industry which is highly recognized by the industry. In 2021, Mengniu continued to implement the five protective measures, actively assisting in the disaster relief during the floods in Henan Province and the rare snowstorm disasters in Tongliao of Inner Mongolia and Liaoning, helping dairy farms solve problems and difficulties in fresh milk

transportation, forage, farm operation and funding after the disasters, as well as cooperating with the media to call on the society to provide assistance to help the disaster-stricken farms in Tongliao, Chifeng, Xinganmeng, Inner Mongolia and Liaoning to resume their operations. In 2021, Mengniu cooperated with several financial institutions to contribute to upstream support funds, meeting the funding needs of partners to purchase additional cattle, transform and upgrade operations, and continuously support the growth of small and medium-sized farms. During the year, Mengniu collaborated with China Agricultural University to launch the “Precision Nutrition” project, which provides comprehensive, low-cost, high-quality, professional, systematic technology upgrades services for dairy farms, ensuring the growth of Mengniu’s high-quality milk supply in terms of quality and quantity.

With the support of the Chinese and Danish governments, Mengniu and Arla Foods jointly established the Sino-Danish Center (中丹中心), an international dairy cooperation and exchange platform, to popularize and promote excellent dairy knowledge and practical techniques to the Chinese dairy industry through training, providing onsite guidance by dairy experts and empowering dairy farms to reduce costs and increase efficiency through technology. In 2021, the center launched 10 “Milk Cow Technical Demonstrations” in central China, western China, Inner Mongolia, northeast China, and northern China. Over 40 dairy industry experts participated in the field visits to evaluate dairy farms on dairy operations, nutrition, breeding, milking, herd health management, and feed management. Evaluation reports and correction plans were prepared and on-site guidance was provided to the ranches. A total of 498 dairy farm staff and technicians participated in and benefited from the demonstrations. With respect to online training, the center organized 26 training sessions on current hot topics in the dairy industry to more than 124,900 participants. In terms of publications, Mengniu issued seven bilingual editions of “Sino-Danish Golden Milk Source Report (《中丹黃金奶源簡報》)” to popularize dairy farming expertise to domestic and international readers, and published seven articles in the international publication DAIRY GLOBAL to share the development of Chinese dairy farming with the world.

During the year, the Dairy Cattle Research Institute of Mengniu led and participated in the preparation of six local standards and one group standard, which were approved for official implementation to help improve upstream management. The seven approved standards are for smart farming and information exchange, quality traceability systems, application of intelligent monitoring systems for cow estrous cycle, diagnosis, control and prevention of calf diarrheal diseases and viral infectious diseases, and promotion of cattle welfare. In addition, Mengniu independently compiled the first “Ranch Safety Management Guidebook (《牧場安全管理指導手冊》)” in the industry, which specifies the safety management methods and cases in each aspect of ranch operation process, establishing a set of systematic, professional, and practical safety management guidelines to improve the production safety of ranches. In accordance with the Cow Welfare Promotion and Implementation System (《牧場奶牛福利推廣實施體系》), Mengniu cooperated with Modern Dairy to promote a certification system for ranches that meet animal welfare criteria during the year.

Mengniu established advanced ranches with better standards and intensive management for higher quality milk production. The milk source business division promotes raw milk quality management, SOP, and digitalized platforms to improve all aspects of farm construction, cattle feeding, milk production, storage and transportation, and procurement management. These measures enabled further enhancement in farm output and efficiency, allowing quality indicators such as milk somatic cells and microorganisms to reach the level of developed countries. Mengniu consistently achieved a 100% passing rate in randomized inspections of the Group's milk bases conducted by governmental authorities.

### **Corporate Digital Strategy**

2021 was the first year of Mengniu's digital transformation. Adhering to its principles of "Increasing revenue with customer insight, increasing volume and profit by refined omnichannels management, improving quality and efficiency with supply chain going online and reducing costs and enhancing efficiency with dedicated management", the Group further promoted the digitalization and transformation of Mengniu.

With respect to "Consumers Going Online", Mengniu analyzed and studied online and offline consumer data to provide data support for precision marketing, effectively improving consumer operation efficiency, promoting member repurchase, and achieving accurate marketing and digital media placement.

Regarding "Channels Going Online", version 2.0 of the "Smart Network" was officially launched in 2021, and "Channels Smart Network 2.0" was upgraded in the same year to realize digital management, digital marketing, and digital connection and empowerment of terminal stores. The upgrade of "Channels Smart Network 2.0" also strengthened the capability of comprehensive system processing and external interfacing of each business segment to improve the overall efficiency of the business.

In terms of "Supply Chain Going Online", core business capabilities have been established and empowered through the help of information technology, such as processes standardization, quality traceability, integration of production and marketing synergies, and full visualization of logistics. As such, our business development is now fully empowered and supported by digital technology. With data intelligence to drive supply chain system synergy, the overall costs of the supply chain are optimized, achieving the objectives of its data-driven optimization strategy.

"Management Going Online" covers the management of finance, human resources management, administration and logistics, management collaboration, and other business areas. Through the information systems for internal management of enterprises, the Group realizes the core capabilities of process standardization, management digitization, online collaboration, and full-process visualization, optimizing efficiency in administration and internal approvals.

## FINANCIAL REVIEW

### Revenue

With the accelerated development of greater health awareness following the pandemic and the Group's active response to consumption growth opportunity to continuously upgrade its product portfolio, stimulating the strong growth in the sales of mid- and high-end products, as well as the active development of various online and offline channels, the revenue of the Group amounted to RMB88,141.5 million for the year ended 31 December 2021 (2020: RMB76,034.8 million), representing a year-on-year increase of 15.9%. In particular, revenue from the liquid milk business, milk powder business, and ice cream business increased by 12.9%, 8.2% and 61.0%, respectively, as compared with last year, and the other business including cheese business increased significantly by 126.3% as compared with last year.

### Gross Profit

The Group's gross profit for the year increased to RMB32,389.9 million (2020: RMB28,629.3 million), driven by growth in revenue and significant optimization of the product mix. Gross profit margin decreased by 1.0 percentage point to 36.7% as compared with the last year (2020: 37.7%), due to the impact of the increased raw milk price.

### Operating Expenses

Operating expenses of the Group for the year increased by 9.4% to RMB29,117.1 million (2020: RMB26,617.6 million), accounting for 33.0% (2020: 35.0%) of the Group's revenue. The decrease in the percentage of revenue was mainly due to the measures adopted by the Group in the first quarter of 2020 that increased extra costs, including (i) additional expenses by the Group for epidemic prevention and control to safeguard the health and safety of workers and to resume normal work and production; (ii) additional sales and promotional expenses by the Group to reduce its channel inventories as soon as possible; and (iii) donations of cash and products to actively fulfill the Group's social responsibilities. Related additional expenses have been limited as the epidemic was generally under control in China during the year.

During the year, selling and distribution expenses increased by 9.0% to RMB23,487.7 million (2020: RMB21,540.9 million), accounting for 26.6% of the Group's revenue (2020: 28.3%).

Product and brand marketing expenses during the year increased by 6.0% to RMB7,207.9 million (2020: RMB6,803.1 million), accounting for 8.2% of the Group's revenue (2020: 8.9%).

Administrative and other operating expenses, including impairment losses on financial and contract assets and loss on disposal of financial assets measured at amortized cost, increased by 10.9% to RMB5,629.4 million (2020: RMB5,076.7 million), accounting for 6.4% (2020: 6.7%) of the Group's revenue, down by 0.3 percentage points, which was mainly due to improvement in operating efficiency and cost control during the year.

### **Profit from Operating Activities and Net Profit**

During the year, due to the increase in the overall revenue of the Group and increase in operating efficiency, the Group's earnings before interest, taxes, depreciation, and amortization ("EBITDA") improved by 38.1% to RMB7,980.3 million (2020: RMB5,779.3 million) with EBITDA margin at 9.1% (2020: 7.6%).

Profit attributable to owners of the Company increased by 42.6% year-on-year to RMB5,025.5 million (2020: RMB3,525.0 million). Basic earnings per share were RMB1.274 (2020: RMB0.897), up by 42.0% year-on-year.

### **Income Tax Expenses**

For the year ended 31 December 2021, income tax expenses of the Group totaled RMB904.5 million (2020: RMB653.2 million), representing a 38.5% increase year-on-year. The effective income tax rate was 15.4% (2020: 15.7%), down by 0.3 percentage points year-on-year, which was mainly due to increase in revenue contribution from subsidiaries that enjoy tax exemption for preliminary processing of agricultural products.

### **Capital Expenditure**

For the year ended 31 December 2021, the capital expenditure of the Group amounted to RMB12,134.6 million (2020: RMB6,116.2 million), representing an increase of 98.4% year-on-year. Of the total, RMB6,220.3 million was spent on building new production facilities and modifying existing ones as well as related investments, and RMB5,914.3 million was invested in equities.

### **Working Capital, Financial Resources, and Capital Structure**

For the year ended 31 December 2021, the Group recorded net cash inflow from operating activities of RMB7,544.7 million (2020: RMB5,347.7 million), representing an increase of 41.1% as compared with last year.

As of 31 December 2021, outstanding interest-bearing bank and other borrowings of the Group increased to RMB27,033.0 million (31 December 2020: RMB18,944.3 million), of which interest-bearing bank and other borrowings repayable within one year amounted to RMB4,265.5 million (31 December 2020: RMB4,924.4 million). More than 80% of the interest-bearing bank and other borrowings were bearing interest at fixed rates. The increase in interest-bearing bank and other borrowings was mainly due to the increase in equity investment during the year.

Net borrowings (total amount of interest-bearing bank and other borrowings net of cash and bank balances) of the Group as of 31 December 2021 were RMB15,816.1 million (31 December 2020: RMB7,547.2 million).

The Group's total equity as of 31 December 2021 amounted to RMB41,999.4 million (31 December 2020: RMB37,247.6 million). Its debt-to-equity ratio (total amount of interest-bearing bank and other borrowings over total equity) was 64.4% (31 December 2020: 50.9%).

Finance costs of the Group were RMB743.1 million (2020: RMB572.3 million), or approximately 0.8% when expressed as a percentage of revenue (2020: 0.8%).

## **PRODUCTS**

Leveraging its rich resources and international-leading technologies, Mengniu continued to innovate around product differentiation and premiumization, leading the industry with superior products and driving sales volume growth. During the year, Mengniu put forward and adopted the DTV (Design to Value) concept, which is a consumer-centric product development concept that aims to design products that meet the needs of consumers, while simplifying product complexity to reveal the true value of its products, driving the sustainable development of Mengniu. The principal businesses of the Group are liquid milk, ice cream, milk formula, and cheese products with their performance during the year outlined as below:

### **Liquid milk**

Revenue amounted to RMB76,514.4 million (2020: RMB67,751.0 million), accounting for 86.8% of Mengniu's total revenue (2020: 89.1%).

### **UHT milk**

The *Milk Deluxe* 3.0 era began following the launch of its products in the upgraded "DreamCap™" packaging in 2019. In May and June 2020, the upgraded organic pure milk and pure milk of "DreamCap™" was launched, containing 3.8 g of natural high-quality milk protein and 125 mg of natural calcium per 100 ml. In satisfying the health needs of consumers, the *Milk Deluxe* organic pure milk has been awarded dual certifications for organic products from China and the European Union. Such achievements further reinforced the premium position of the *Milk Deluxe* brand. In 2021, *Milk Deluxe* launched the "better organic" dessert organic pure milk and the CBP high-calcium pure milk. The "better organic" dessert organic pure milk uses limited raw milk from Ulan Buh Dessert oasis and contains 3.8 g of protein per 100 ml. The CBP high-calcium pure milk contains 135 mg of calcium from a high-quality milk source per 100 ml and has rich Vitamin D that can promote better absorption of calcium.

Mengniu's comprehensive UHT pure milk line includes *Mengniu* pure milk, high-calcium milk, low-fat high-calcium milk, and skimmed milk. In August 2020, *Mengniu's* Nutritious and Mellow Enjoyment pure milk series was launched. The product contains 3.3 g of protein per 100 ml and has a very rich taste.

Key Products:

- *Milk Deluxe*
- *Mengniu pure milk*
- *Mengniu breakfast milk*
- *Student's Milk*

### ***Room Temperature Yogurt***

*Just Yoghurt's* light flavor fruit yogurt launched a new yellow peach and quinoa flavored product this year, which contains more protein and less sugar content, providing consumers with a healthier and tastier yogurt. At the end of the year, the Group's popular product, Yummy Yoghurt, was launched. With its new formula, upgraded technology, and brand-new packing and adhering to the brand concept of "made with real ingredients", Yummy Yoghurt achieved a breakthrough by combining snacks with yogurt and turning room temperature yogurt into spoon eating yogurt. In January 2022, the Brand launched the new generation healthy yogurt products. Through Mengniu's precise insight of demands of the new generation women, the Group launched a series of yogurt products featuring zero calorie and delicious taste, leading the trend of room temperature healthy yogurt products.

Key Products:

- *Just Yogurt light flavor yogurt*
- *Just Yoghurt fruit pulp flavor yogurt*
- *Just Yoghurt Yummy Yoghurt*
- *Just Yoghurt Just Yoghurt*

### ***Room Temperature Milk Beverage***

Milk beverage brands including *Fruit Milk Drink* and *Suan Suan Ru* launched a variety of new products, such as red grapefruit Sijichun, Ruciqizhi sugar-free sparkling water with lactic acid bacteria, and Suan Suan Ru lemon tea, and achieved a comprehensive brand rejuvenation upgrade, leading the innovation and trend in the industry.

Key Products:

- *Fruit Milk Drink*
- *Fruit Milk Drink high-end colorful fruit pulp series*
- *Suan Suan Ru yogurt-flavored drink*

***Chilled Yogurt***

*Champion* introduced zero sucrose yogurt series containing no cane sugar, no artificial sweeteners, and no preservatives. To satisfy the rapidly growing demand for household consumption of mid-to-high end yogurt, the Group has launched a new silky concise formula yogurt product. In addition, as the only yogurt in China that has received national health food certification, the “*Champion Yogurt Approved Health Food*” series contains BB-12, a very active Danish Bifidobacterium which can effectively regulate the bacteria population in the digestive system.

To support the “Three Reduction and Three Health (三減三健)” campaigns launched by the Chinese government and to fulfill the increasing demand for lower sugar intake of consumers, Mengniu launched a series of low-sugar and zero sucrose yogurt products in 2021, satisfying the needs for nutrient consumption of household while eliminating consumers’ concern about sugar, making yogurt suitable for the whole family.

Key Products:

- *Champion*
- *Mengniu Zero Sucrose Yogurt*

***Chilled Milk Beverage***

The small-bottle LC-37 series is the major series of the *Yoyi C* brand. Each bottle of the product contains 50 billion active probiotics with low sugar, zero fat, and high calcium. Even with the presence of gastric acid and bile and under the body temperature of 37 °C, this product still has a sufficient amount of probiotics remaining active to effectively regulate the condition of the digestive system. In addition, Mengniu introduced *Yoyi C* Probiotics Powder which created a benchmark of 100 billion high compound probiotics in the industry. The two new products were launched in December 2021.

Key Products:

- *Yoyi C*
- *Yoyi C LC-37*



## ***Fresh Milk***

Mengniu's *Shiny Meadow* fresh milk was launched as a premium brand. It is produced using low-temperature membrane concentration technology and Swedish milk fat separation technology, enabling it to retain the highest proportion of natural nutrients in quality fresh milk. In the first half of 2021, *Shiny Meadow* recognized the opportunities from insights of market demands and launched the new Youhu A2 fresh milk product featuring “first fresh milk for babies (寶寶的第一口鮮奶)”. *Shiny Meadow* also launched a fresh milk product that is rich in original high-quality milk protein (4.0g/100ml) and calcium (130mg/100ml). *Shiny Meadow* introduced mini packaged milk tea to explore fresh milk+ category opportunities and to strengthen its leading position in the high-end fresh milk market.

Key Products:

- *Shiny Meadow fresh milk*
- *Modern Meadow fresh milk*

## ***Ice Cream***

Revenue from the ice cream business amounted to RMB4,240.2 million (2020: RMB2,633.7 million), accounting for 4.8% of Mengniu's total revenue (2020: 3.5%).

In the year, *Suibian* launched trendy products like the caramel pearl and rum flowing core products, which successfully attracted young consumers.

Adhering to its brand proposition of “A Bite of Nature (一口大自然)”, *Mood for Green* introduced the herbal “Zhiqing (植輕)” ice cream series, offering more healthy product choices to its consumers.

As a new generation brand of high-end ice cream and in line with its brand proposition of “Less is More”, *Deluxe* launched the “Qingchong (傾寵)” milk ice cream series. During the year, it also co-branded with Xiao Guan Cha (小罐茶) to launch the Chinese teacup product series, leading the industry to launch new ice cream products in line with new Chinese trend Guochao (國潮).

Key Products:

- *Suibian*
- *Deluxe*
- *Mood for Green*
- *Mengniu Ice+*

## **Milk Formula**

Revenue from the milk formula business amounted to RMB4,949.1 million (2020: RMB4,573.0 million), accounting for 5.6% of Mengniu's total revenue (2020: 6.0%). The revenue of milk formula business mainly included the revenue from Yashili and Bellamy's.

### ***Yashili***

Products of Yashili are classified into two categories, namely infant milk formula and nutritional products. Its milk powder, organic milk powder, and goat milk powder comprehensively cover the super high-end, high-end, and mid-end markets.

Since 2020, Yashili has renewed the brand proposition of *Reeborne*. As a high-end infant milk formula brand of the Group, with the brand positioning of having a lighter taste and more nutritious ingredients. The product series includes seven products catering to the different needs of infant nutrition function of its target customers.

*Reeborne Kieember* is the signature product of *Reeborne* and is manufactured in the factory of Yashili in New Zealand. By adopting internationally advanced MSD drying technology, the *Reeborne Kieember* series can retain the active nutrients of its ingredients. With double premium proteins (lactoferrin and alpha-lactalbumin), OPO structured lipid, and highly active CPP and prebiotics (GOS&FOS and DHA&AA) that are mixed in the golden ratio, the product provides babies with all kinds of nutrition that can be easily absorbed with a light flavor. *Reeborne Qinyou* organic milk powder adopts the pure organic milk from free-range dairy cows that are grass-fed for 300 days in the Alps, in a way to provide milk powder with protein content and organic content of up to 20% and 98%, respectively, for infants. It passes the WIT organic certification and adopts the "One Can, One Code" tracking system to provide quality assurance. *Reeborne TruYn* goat milk powder selects high-quality small molecule goat milk protein and specifically adds rare ingredients such as lactoferrin, the body-friendly OPO structured lipid, and probiotics and prebiotics to provide babies with high-quality nutrients that can be easily digested and absorbed.

*Arla*, a world-famous organic dairy producer with over 140 years of brand history, is an authorized purveyor of dairy products to the Danish royal family due to their high quality. Baby & Me under *Arla* has three product lines, "Organic", "Lanxi" and "Milex". The organic milk formula of *Arla* Baby & Me has obtained three major organic certifications and selects rare pure organic A2 milk. The organic milk formula also contains key nutrients, including high DHA, prebiotics that is in the golden ratio, and organic whole lactose. As for *Arla* Baby & Me Lanxi, it contains the NutriCollab formula featuring MFGM milk fat globule membrane. The product contains MFGM milk fat globule membrane, DHA and GOS/FOS prebiotics in the golden ratio, and premium nutrients such as choline, taurine, and nucleotide. In addition, *Arla* Milex is a Pro Plus nutrition formula that contains OPO structured lipid, BB-12 probiotics, and prebiotics in the golden ratio hence can satisfy those seeking easy absorption and natural products.

Especially added with breast milk probiotics Probio-M8 and 28 kinds of fruit and vegetable powders, *Mengniu* M8 children's growth milk formula is rich in dietary fiber to support the growth of picky eating children.

Yashili's products also include various milk formula products for adults and multiple series of dissolvable products. Based on physical characteristics and nutritional supplement needs of the middle-aged and the elderly, Yashili developed Yourui Guyi (悠瑞骨宜), Yourui Liyi (悠瑞力宜), Yourui Shunyi (悠瑞順宜), Yourui Yitian (悠瑞怡添), Yourui Xinpei (悠瑞心沛), Yourui selenium rich and high calcium goat milk powder, Yourui probiotic powder, Yourui probiotic formula camel milk powder, Yourui whole pure camel milk powder, and other products.

### ***Bellamy's***

In August 2020, Bellamy's launched the Chinese-labelled organic Equi-pure infant milk formula with the addition of a nucleotide. The product contains six major nutrients, namely DHA, ARA, choline, taurine, inositol, and L-carnitine. In addition, the product has new ingredients of organic GOS/FOS, a combination of prebiotics, which can enhance the protection function of the micro ecosystem of the intestines of infants.

*Bellamy's* super high-end organic A2 milk formula series is made from a 1% rare organic milk source and contains BB-12 active probiotics, algae oil DHA and lutein. The super high-end organic goat milk formula series, being awarded dual Australia organic certifications, contains 100% pure goat milk protein, D-Geni-XTM probiotics and prebiotics, over 20 types of nutrients, and a full lactose formula. *Bellamy's* also sells other supplementary foods for infants, including organic baby rice and rice cereal, organic dried fruits, and organic puree.

#### Key Products:

- *Reeborne*
- *Yourui*
- *Bellamy's organic milk powder*
- *Bellamy's organic baby rice*

#### **Other Products**

Revenue from other products amounted to RMB2,437.8 million (2020: RMB1,077.1 million), accounting for 2.8% of Mengniu's total revenue (2020: 1.4%).

## ***Cheese***

In 2021, Mengniu mainly focused on the development of children's cheese sticks and introduced additive-free children's cheese sticks with no artificial flavors, color additives and preservative, which further consolidated the leading position of Mengniu in the nutritious and healthy dairy products industry. The first organic cheese stick in China was also introduced in June 2021, which contains 51% of organic cheese, including three kinds of imported organic cheese and no artificial flavors, color additives and preservative. With such products, Mengniu expanded its business into children's cheese stick market to meet the needs of consumers in China for upgrading dairy products.

Mengniu's cheese R&D team has achieved a breakthrough in room temperature technology of cheese and introduced Mengniu brand cheese sticks at the end of 2021 and expanded its business into more consumption scenarios. The main cheese stick product features six times milk calcium, low sugar and sodium, higher calcium content and less health burden. The product can be stored and carried at room temperature, so as to provide children with nutrition and deliciousness of cheese anytime and anywhere. Mengniu also launched a series of new casual cheese snacks which cater to the taste of the China market. These products, including new snacks like cheese triangle (芝士三角), cheese milk stick (芝士奶條) and cheese raspberry (芝士莓莓) etc., innovatively combine cheese with dried fruit, puffed food and other snacks.

Key products:

- *Mengniu high calcium cheese stick*
- 愛氏晨曦 (Ai Shi Chen Xi) children's cheese stick
- 愛氏晨曦 (Ai Shi Chen Xi) shredded mozzarella

## **PRODUCTION**

Mengniu deploys its production capacity according to the potential of relevant markets and its product strategy. As of 31 December 2021, Mengniu had 41 production bases in China, two production bases in Indonesia, two production bases in Australia and one production base in New Zealand, respectively. It had a total annual production capacity of 11.66 million tons (December 2020: 9.9 million tons).

## SUSTAINABLE DEVELOPMENT

In line with the sustainable development goal of the United Nations and as a part of the strategy of “Creating a new Mengniu by 2025”, Mengniu unveiled its new 2025 GREEN sustainable development strategy, a set of industry-based “high-quality green development” solutions model during the year. Being committed to its long-term objective of “Protecting the Health of Mankind and the Earth”, Mengniu will persist on its five major strategies, including Governance — Sustainability, Responsibility — Collaborative Prosperity, Environment — Carbon Net zero, Ecosystem — Collaborative & Accountable and Nutrition — Supreme & Inclusive, and strives to position itself as the most trustworthy enterprise in China with the vision of providing nutritious products, improving quality of people’s life and maintaining the sustainability of the Earth.

To demonstrate its commitments to low-carbon and green development, Mengniu is actively addressing climate change and partners with well-known third-party consultancies to commence the strategic tasks on double-carbon (carbon emission peak and carbon neutrality). During the year, Mengniu actively cooperated with international organizations such as the Food and Agriculture Organization of the United Nations (FAO), the Global Dairy Platform (GDP), and the International Dairy Federation (IDF) to explore a carbon-neutral path for the dairy industry in China. In September 2021, the global “Pathways to Dairy Net Zero (PDNZ)” climate initiative was officially launched, and Mengniu became the first Chinese dairy company to join the PDNZ initiative. According to the latest green manufacturer list of 2021, five factories of Mengniu were awarded the title of “National Green Supply Chain Management Enterprise”. Currently, Mengniu has 22 national green factories.

In September 2021, during the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) of the United Nations, Mengniu issued its first Biological Diversity Report. Mengniu made eight commitments, aiming to unite the strength of the whole society to participate in the protection of biodiversity through solemn commitments and practical actions.

In addition, Mengniu carried out industrial chain support actions to maintain the stable supply of dairy products in China. It continued to actively participate in the fight against the epidemic to deliver various free supplies to the affected areas and provide nutritional supplies to frontline personnel. At the 11th “China Charity Award” ceremony of the Charity Day of China on 5 September 2021, Mengniu was awarded the highest government award in the philanthropic field of China for its outstanding contribution to the fight against the COVID-19 epidemic. During the year, Mengniu’s MSCI ESG Rating was upgraded from “BB” to “BBB”, being the highest ESG rating so far in China’s food industry.

## HUMAN RESOURCES

As of 31 December 2021, the Group had a total of approximately 44,629 employees in Mainland China, Hong Kong, Oceania, and Southeast Asia, including around 2,762 employees working for Yashili. During the year, the total cost of employees (including the salaries of directors and senior management personnel) amounted to approximately RMB7,476.1 million (2020: RMB6,290.1 million).

In 2021, guided by the Group's strategic goal of "Creating a new Mengniu", and to ensure the efficient implementation of its strategies, the human resources team of the Group cooperated with top international consultancies to identify the future-oriented "6+1" organizational skills of Mengniu, including brands, digitalization, innovation, strategic integration, internationalization, and talent.

With respect to talent development, Mengniu has built a talent development system to accelerate the establishment of five future-oriented talent teams: (1) building a team of leading management talent and reserving backup management talent; (2) developing top-notch young talent, boldly selecting and appointing young talent to stimulate organizational innovation capabilities; (3) cultivating elite professional talent, strengthening professional capabilities and cultivating professional talent in high-grade, precision and advanced industries; (4) introducing scarce high-end talent; and (5) stimulating breakthrough innovative talent and organizing entrepreneurial talent training camps to accelerate internal innovation.

Mengniu is the first enterprise in the dairy industry of China qualified for vocational skill level certification. Its employees will obtain rating certificates after being assessed and certified by the Group. Such certificates have the same effect as national vocational qualification certificates and are included in the national skilled personnel statistics and certification system.

Moreover, to help China's dairy industry compete for talent, during the year, Mengniu established a global dairy industry talent training center to continuously provide China's dairy industry with professional elites to meet the most urgent talent needs of China's dairy industry in the new development stage.

During the year, the Group received numerous awards in respect of human resources, including Mengniu's "2020 Zhidde Online Learning Platform", winning the "TOP 10 Chinese Corporate Digital Learning Award" in the BOOAO Awards of the China E-learning Forum & Exhibition (CEFE) 2020, and the "Excellent Workplace" award issued by the Employer Branding Institute. In respect to talent management, the Group was honored with the "China Talent Management Excellence Model". In respect of upgrading talent resources shared services, the Group received the "Shared Services Center Value Award of HR Excellence Center".

Given the implementation of the new five-year strategic plan, the Group had started the reformation of its remuneration incentive system in 2021 by optimizing the remuneration structure and enhancing incentives. 4,503,205 restricted shares were granted to employees under the share award scheme during the year. In addition, the Group also issued up to an aggregate principal amount of the HK\$ equivalent of RMB4,000,000,000 fixed-rate 5-year convertible bonds as part of a new employee incentive scheme, under which the incentives to be received by the participants are tied to the performance of the shares of the Group.

## **PROSPECTS**

2021 was the beginning of the Group's five-year strategic plan of "Creating a new Mengniu". The Group steadily promoted the development of five core capabilities of milk source control, research and development and innovation, digital marketing, route-to-market development, and organization safeguard, and has achieved good results. In the next few years, the Group will continue to promote product and technology innovation to meet the different needs of consumption upgrades. The Group will accelerate the transformation and upgrade of its digitalization strategy and improve the efficiency of operation and management. Through consumer data analysis, digital precision marketing will be realized. The Group will promote the establishment of quality milk source bases and improve the economic benefits of farms, and continue to focus on the dairy industry, strengthen investment, acquisition, and integration capabilities to develop driving forces for business growth. It will strive to become the consumer's first choice, by becoming a digitalized and internationalized Mengniu and a Mengniu with strong cultural genes and social responsibility.

With respect to products, the increasing attention of Chinese consumers to nutrition and health after the epidemic, the economic recovery of China under the effective control of the epidemic, and the guidance of national policies have stimulated the demand for dairy products and driven the upgrade and transformation of the dairy industry. In response to the need for consumption upgrade, Mengniu will adhere to the values of "consumers are at the heart of all our decisions", and strive to promote the further product and technological innovations and become a well-loved brand of consumers.

2021 was also a critical beginning for Mengniu's digital transformation. The Group is committed to comprehensively promoting the transformation and upgrade of its digitalization strategy in all aspects, including sales, supply chain, channels, and internal management. It will also encourage its different businesses to further use the "Smart Network" system, to reach target consumers, improve internal efficiency and equip Mengniu with digital intelligence.

As for channel strategies, in addition to the vigorous development of online sales channels including traditional e-commerce, O2O home delivery, and community group marketing, Mengniu will continue to push forward with route-to-market development and implement channel penetration strategies including its “Penetration into Towns and Villages” initiative.

Looking forward, the Group believe that the dairy industry continues to have huge growth opportunities. Based on the development of its five core capabilities, Mengniu will promote the long-term, sustainable, and high-quality development of the Group, and lead the industry to upgrade and transform, contributing to the overall growth of China’s dairy industry.

## **CORPORATE GOVERNANCE CODE**

The Stock Exchange of Hong Kong Limited has announced amendments to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which shall apply to corporate governance reports for financial years commencing on or after 1 January 2022. Appendix 14 of the Listing Rules has been restructured and renamed from “Corporate Governance Code and Corporate Governance Report” to “Corporate Governance Code” and the code provision numbers are updated. As such, the code provision numbers mentioned in this announcement are referring to the code provision numbers in the predecessor Appendix 14 to the Listing Rules unless otherwise stated.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules as its own code of corporate governance practices.

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the then-effective CG Code during the year ended 31 December 2021, except that the Company has deviated from the Code Provision A.5.1 with the reasons explained below.

Code Provision A.5.1 of the CG Code provides that an issuer should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company deviated from this provision as less than half of the members of the Nomination Committee were independent non-executive Directors from 1 January 2021 to 30 November 2021. The Directors are of the view that from 1 January 2021 to 30 November 2021, Mr. Simon Dominic Stevens was able to carry out his responsibilities as a member of the Nomination Committee in the best interest of the Shareholders notwithstanding that he is not an independent non-executive director as required under Code Provision A.5.1. Following the appointment of Mr. Yih Dieter (alias Yih Lai Tak, Dieter), Mr. Li Michael Hankin and Mr. Ge Jun as independent non-executive Directors and members of the Nomination Committee on 1 December 2021, the Company has since complied with the Code Provision A.5.1.



## **SECURITIES TRANSACTIONS OF DIRECTORS**

The Company has adopted, in terms no less exacting than, the standards required by the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the Company’s code of conduct and rules governing dealings by all Directors in the securities of the Company. The Directors have confirmed, following the specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the Company’s management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control, whistleblowing policy and system and financial reporting matters, including the review of the Group’s financial statements for the year ended 31 December 2021.

## **SCOPE OF WORK OF ERNST & YOUNG**

The financial information in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2021 has been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **PROPOSED FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of RMB0.381 (2020: RMB0.268) per ordinary share for the year ended 31 December 2021. Upon shareholders’ approval at the forthcoming AGM, the proposed final dividend will be paid on or about Wednesday, 22 June 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 14 June 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed (i) from Thursday, 2 June 2022 to Wednesday, 8 June 2022, both days inclusive, for determining shareholders' eligibility to attend and vote at the AGM, and (ii) on Tuesday, 14 June 2022, for determining shareholders' entitlement to the proposed final dividend, during such periods no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM of the Company to be held on Wednesday, 8 June 2022, all transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 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 Wednesday, 1 June 2022.

In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 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 Monday, 13 June 2022.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Company at [www.mengniu.com](http://www.mengniu.com) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company will be despatched to shareholders and available at the aforesaid websites in due course.

## **BOARD OF DIRECTORS**

As of the date of this announcement, the executive directors of the Company are Mr. Jeffrey, Minfang Lu, Ms. Wang Yan and Mr. Zhang Ping; the non-executive directors of the Company are Mr. Chen Lang, Mr. Wang Xi and Mr. Simon Dominic Stevens; and the independent non-executive directors of the Company are Mr. Yih Dieter (alias Yih Lai Tak, Dieter), Mr. Li Michael Hankin and Mr. Ge Jun.

## **APPRECIATION**

The Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support, and to all staff for their hard work and commitment.

By order of the Board  
**China Mengniu Dairy Company Limited**  
**Jeffrey, Minfang Lu**  
*Chief Executive Officer and Executive Director*

Hong Kong, 30 March 2022