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## **UNI-PRESIDENT CHINA HOLDINGS LTD.**

### **統一企業中國控股有限公司**

*(a company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 220)**

## **ANNOUNCEMENT OF 2020 FINAL RESULTS**

### **FINANCIAL HIGHLIGHTS**

- Revenue amounted to RMB22,761.8 million, up by 3.4% as compared with the previous year.
- Group gross margin was 35.4%, down by 0.6 percentage points as compared with the previous year.
- EBITDA was RMB3,674.5 million, up by 7.6% as compared with the previous year.
- Profit attributable to equity holders of the Company was RMB1,625.7 million, up by 19.0% as compared with the previous year.

### **FINAL DIVIDEND**

- Final dividend for 2020 of RMB37.64 cents per share has been proposed.

In 2020, Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together as the “Group”, “our Group”, “we”, “our” or “us”) adhered to the corporate vision of “Honesty and Diligence; Innovation and Excellence (誠實勤道、創新求進)” and upheld the principle of “Value Marketing (價值營銷)”. With a focus on operation, we were dedicated to creating brand value, pursuing steady development and striving for progressive advancement by “Healthy Practice (健康操作)”, with an aim to evolve into an enterprise boasting “Integrity (品格)”, “Brand (品牌)” and “Taste (品味)”.

In response to the widespread novel coronavirus COVID-19 in 2020, the Group has thoroughly followed the government's epidemic prevention measures. To pay tribute to healthcare staff and epidemic prevention personnel, the Group also coordinated the inventory level and logistic services in different areas to provide free instant noodles, self-heating rice meals, beverages and other supplies to healthcare staff in critical regions. Additionally, the Group maintained active communications with local governments to strive for resumption of work and production and formulated internal epidemic prevention standard operating procedures in order to cater for the market and consumer needs amidst full-scale epidemic prevention by commencing production and supply as soon as possible.

As operation remained the focus in 2020, the Group continued to invest in its brands, maintain stable prices across sale channels and implement stringent management of product freshness in order to provide customers with better product experience. Sales channels were restructured and lower-tier markets were explored to cope with the new trend of online and offline combined consumption. We continued to establish comprehensive sales channels and optimized our product mix. We always strived for better product quality to attract new generation consumers by continuously developing new types of products and enhancing our product strengths. Staying true to our original aspiration, we were dedicated to providing consumers with safe and delicious products as always.

The Group recorded a revenue of RMB22,761.8 million in 2020, representing an increase of 3.4% as compared with that of the corresponding period last year, and profits after tax of RMB1,625.7 million, representing an increase of 19.0% as compared with that of last year. We recorded a double-digit growth in the food business as the increasing brand value of daily-consumed noodles "Soup Daren (湯達人)" was highly recognized by consumers and the brand philosophy of the high-end Chinese cuisine "Kai Xiao Zao (開小灶)" was continuously promoted to create and extend the consumption scenarios, thereby contributing to such multi-fold growth in revenue. The beverages business was gradually recovering despite the impacts caused by the epidemic. "Uni Assam Milk Tea (統一阿薩姆奶茶)" was favoured by consumers as usual with a unwavering leading position in the milk tea market and positive growth in revenue. Sugar-free tea "Chai Li Won (茶裏王)" aligned with consumers' lifestyle concept of "sugar-free" to improve its brand recognition. On its road to value marketing, the Group remained steadfast in developing brands that are loved and trusted by consumers.

## **FINAL DIVIDEND**

Based on the Group's overall performance in 2020, and having accounted for, including but not limited to, the Group's surplus, overall financial condition and capital expenditures, the board (the "Board") of directors (the "Directors") of the Company will propose to declare a final cash dividend of RMB37.64 cents per share (amounting to a total dividend of approximately RMB1,625.7 million) for the year ended 31 December 2020 at the forthcoming annual general meeting of the Company.

## **PROSPECT**

The unexpected novel coronavirus COVID-19 disrupted the production and daily life of people. Yet, with a variety of policies and measures on epidemic prevention and control and economic recovery rolled out by the government, the consumption market has been recovering, giving rise to an economy worth looking forward to in China in 2021, and consumption will play a more important role in leading the domestic circular economy. In the post-epidemic era, challenges and opportunities co-exist. The Group will continue to dedicate its efforts to operation and brand building. In response to the new consumption norms such as e-commerce and otaku economy as well as a consumption trend that focuses on health and household, the Group will innovate and develop products appropriate for different consumption scenarios to the satisfaction of consumers with enhanced convenience in order to strive for better business performance and maximize interests of the shareholders.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	3	<b>22,761,822</b>	22,019,737
Cost of goods sold	4	<u>(14,695,891)</u>	<u>(14,101,447)</u>
<b>Gross profit</b>		<b>8,065,931</b>	7,918,290
Other gains – net		<b>106,695</b>	14,142
Other income		<b>366,515</b>	360,095
Other expenses	4	<b>(122,599)</b>	(111,402)
Selling and marketing expenses	4	<b>(5,350,387)</b>	(5,367,608)
Administrative expenses	4	<u>(957,882)</u>	<u>(1,007,196)</u>
<b>Operating profit</b>		<b>2,108,273</b>	1,806,321
Finance income		<b>229,626</b>	209,472
Finance costs		<u>(57,212)</u>	<u>(57,466)</u>
Finance income – net	5	<b>172,414</b>	152,006
Share of profits of investments accounted for using the equity method		<u>45,772</u>	<u>13,033</u>
<b>Profit before income tax</b>		<b>2,326,459</b>	1,971,360
Income tax expenses	6	<u>(700,756)</u>	<u>(605,148)</u>
<b>Profit for the year attributable to equity holders of the Company</b>		<u><b>1,625,703</b></u>	<u>1,366,212</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the year</b> (expressed in RMB per share)			
– Basic and diluted	7	<u><b>37.64 cents</b></u>	<u>31.63 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>Profit for the year</b>		<b>1,625,703</b>	1,366,212
<b>Other comprehensive (losses)/income:</b>			
<i>Items that may not be reclassified to profit or loss</i>			
Gain on disposal of financial assets at fair value through other comprehensive income, net of tax		–	92,058
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		<u>(3,099)</u>	<u>(929)</u>
<b>Other comprehensive (losses)/income for the year, net of tax</b>		<u>(3,099)</u>	<u>91,129</u>
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>		<u><b>1,622,604</b></u>	<u><b>1,457,341</b></u>

# CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,977,445	8,902,118
Right-of-use assets		1,759,218	1,832,541
Investment properties		294,411	313,609
Intangible assets		8,756	14,713
Investments accounted for using the equity method		793,602	780,118
Financial assets at fair value through other comprehensive income		2,546	6,027
Deferred income tax assets		371,517	344,188
Other receivables – non-current portion		15,833	15,816
Long-term time deposits		4,720,000	2,530,000
		<u>15,943,328</u>	<u>14,739,130</u>
<b>Current assets</b>			
Inventories	9	1,943,492	1,738,962
Trade and bills receivables		580,509	569,064
Prepayments, deposits and other receivables		623,109	710,983
Current income tax recoverable		39,288	45,403
Financial assets at fair value through profit or loss		1,621,634	–
Cash and bank balances		1,348,431	3,953,500
		<u>6,156,463</u>	<u>7,017,912</u>
Assets classified as held for sale		4,580	–
		<u>6,161,043</u>	<u>7,017,912</u>
<b>Total assets</b>		<u><u>22,104,371</u></u>	<u><u>21,757,042</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		39,764	39,764
Share premium account		4,829,899	4,829,899
Other reserves		3,153,570	2,767,524
Retained earnings		5,863,300	5,995,743
<b>Total equity</b>		<u><u>13,886,533</u></u>	<u><u>13,632,930</u></u>

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability		<b>297,996</b>	228,788
Lease liabilities – non-current portion		<b>16,343</b>	21,865
Other payables – non-current portion		<b>237,478</b>	232,357
		<u><b>551,817</b></u>	<u>483,010</u>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	<b>1,879,727</b>	1,723,416
Other payables and accruals		<b>2,721,287</b>	2,546,002
Contract liabilities		<b>2,426,669</b>	2,104,004
Borrowings		<b>487,072</b>	1,162,867
Lease liabilities		<b>28,973</b>	22,376
Current income tax liabilities		<b>122,293</b>	82,437
		<u><b>7,666,021</b></u>	<u>7,641,102</u>
<b>Total liabilities</b>		<u><b>8,217,838</b></u>	<u>8,124,112</u>
<b>Total equity and liabilities</b>		<u><b>22,104,371</b></u>	<u>21,757,042</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

Uni-President China Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on 4 July 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together as the “Group”) are principally engaged in the manufacturing and sale of beverages and food in the People’s Republic of China (the “PRC”) (the “PRC Beverages and Food Businesses”).

The Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 December 2007 (the “Listing”).

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

## 2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

## 2.1.1 Changes in accounting policies and disclosures

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

### (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.



### 3 Revenue and segment information

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from a product perspective as over 90% of the Group's sales and business activities are conducted in the PRC. From a product perspective, management assesses the performance of beverages, food and others. The executive directors assess the performance of operating segments based on segment profit or loss. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

The majority of the Group's sales are through distributors and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue.

#### (a) Segment information

The segment information for the year ended 31 December 2020 and 2019 is as follows:

	Beverages <i>RMB'000</i>	Food <i>RMB'000</i>	2020 Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Group <i>RMB'000</i>
<b>Segment results</b>					
Revenue	<u>12,560,400</u>	<u>9,424,487</u>	<u>776,935</u>	<u>–</u>	<u>22,761,822</u>
Segment profit/(loss)	1,814,524	517,079	72,620	(295,950)	2,108,273
Finance income – net	–	–	–	172,414	172,414
Share of profit/(loss) of investments accounted for using the equity method	58,495	–	–	(12,723)	<u>45,772</u>
Profit before income tax					2,326,459
Income tax expense					<u>(700,756)</u>
Profit for the year					<u>1,625,703</u>
Depreciation and amortisation	<u>852,301</u>	<u>275,655</u>	<u>53,675</u>	<u>109,939</u>	<u>1,291,570</u>
Assets	8,225,632	3,588,544	873,447	8,623,146	21,310,769
Investments accounted for using the equity method	608,918	–	–	184,684	<u>793,602</u>
Total assets	8,834,550	3,588,544	873,447	8,807,830	<u>22,104,371</u>
Liabilities	3,823,565	2,811,846	267,865	1,314,562	<u>8,217,838</u>
Total liabilities					<u>8,217,838</u>
Addition to non-current assets	<u>10,835</u>	<u>173,932</u>	<u>43,214</u>	<u>157,156</u>	<u>385,137</u>

	Beverages RMB'000	Food RMB'000	2019 Others RMB'000	Unallocated RMB'000	Group RMB'000
<b>Segment results</b>					
Revenue	<u>12,730,490</u>	<u>8,500,711</u>	<u>788,536</u>	<u>–</u>	<u>22,019,737</u>
Segment profit/(loss)	1,614,295	490,015	48,964	(346,953)	1,806,321
Finance income – net	–	–	–	152,006	152,006
Share of profit/(loss) of investments accounted for using the equity method	44,441	–	–	(31,408)	<u>13,033</u>
Profit before income tax					1,971,360
Income tax expense					<u>(605,148)</u>
Profit for the year					<u>1,366,212</u>
Depreciation and amortisation	<u>940,322</u>	<u>274,030</u>	<u>61,753</u>	<u>108,852</u>	<u>1,384,957</u>
Assets	8,354,300	3,421,359	934,238	8,267,027	20,976,924
Investments accounted for using the equity method	575,533	–	–	204,585	<u>780,118</u>
Total assets	8,929,833	3,421,359	934,238	8,471,612	<u>21,757,042</u>
Liabilities	3,612,398	2,857,772	259,295	1,394,647	<u>8,124,112</u>
Total liabilities					<u>8,124,112</u>
<b>Addition to non-current assets</b>	<u>43,999</u>	<u>245,461</u>	<u>5,845</u>	<u>113,677</u>	<u>408,982</u>

Assets grouped under unallocated category consisted primarily of deferred income tax assets, FVOCI, FVPL, cash and banks, investment properties and related right-of-use assets.

Liabilities grouped under unallocated category comprised primarily of deferred income tax liabilities, current income tax liabilities and borrowings.

Capital expenditure comprised additions to land use rights, property, plant and equipment, right-of-use assets, investment properties and intangible assets.

The total of non-current assets located in different countries is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The total of non-current assets other than financial instruments and deferred income tax assets		
– Mainland China	10,822,018	11,822,042
– Overseas countries and territories	11,414	21,057
Financial instruments	4,738,379	2,551,843
Deferred income tax assets	371,517	344,188
	<u>15,943,328</u>	<u>14,739,130</u>

**(b) Liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities – Beverages	1,387,816	1,162,607
Contract liabilities – Food	1,021,763	880,946
Contract liabilities – Others	17,090	60,451
	<u>2,426,669</u>	<u>2,104,004</u>

**(i) Significant changes in contract liabilities**

The increase in contract liabilities in 2020 was due to several campaigns occurring at the beginning of 2021, which caused the increase of the down payments from the customers.

**(ii) Revenue recognised in relation to contract liabilities**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior year.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Beverages	1,162,607	1,020,291
Food	880,946	605,065
Others	60,451	73,630
	<u>2,104,004</u>	<u>1,698,986</u>

(iii) *Unsatisfied performance obligations*

The Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

**4 Expenses by nature**

Expenses included in cost of goods sold, selling and marketing expenses, administrative expenses and other expenses are analysed as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials, packaging materials, consumables and purchased commodity used	<b>12,740,627</b>	12,312,220
Changes in inventories of finished goods	<b>(128,339)</b>	(339,321)
Manufacturing outsourcing expenses	<b>67,681</b>	54,617
Promotion and advertising expenses	<b>1,743,963</b>	1,680,128
Employee benefit expenses, including directors' emoluments	<b>3,371,825</b>	3,416,132
Transportation expenses	<b>855,578</b>	851,598
Depreciation of property, plant and equipment	<b>1,168,684</b>	1,271,799
Amortisation of right-of-use assets	<b>93,051</b>	85,300
Depreciation of investment properties	<b>19,273</b>	19,747
Amortisation of intangible assets	<b>10,562</b>	8,111
Operating lease expenses in respect of buildings	<b>49,373</b>	81,667
City construction tax, property tax and other tax surcharges	<b>229,502</b>	247,104
Provision for impairment of right-of-use assets	<b>13,000</b>	–
Provision of inventories to net realisable value	<b>1,217</b>	3,939
Provision for impairment of trade receivables	<b>1,500</b>	2,020
Auditors' remunerations		
– Audit services	<b>7,901</b>	8,809
Others	<b>881,361</b>	883,783
Total	<b><u>21,126,759</u></b>	<b><u>20,587,653</u></b>

## 5 Finance income– net

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance income		
– Interest income on cash and banks	<u>229,626</u>	<u>209,472</u>
Finance cost		
– Interest expenses on borrowings	(54,779)	(64,033)
– Interest expenses on lease liabilities	(1,861)	(2,115)
– Net foreign exchange losses	(771)	(132)
– Less: amounts capitalized on qualifying assets	<u>199</u>	<u>8,814</u>
	<u>(57,212)</u>	<u>(57,466)</u>
Finance income – net	<u><u>172,414</u></u>	<u><u>152,006</u></u>

## 6 Income tax expenses

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– Current income tax on profit for the year	586,877	523,130
Deferred income tax	<u>113,879</u>	<u>82,018</u>
	<u><u>700,756</u></u>	<u><u>605,148</u></u>

### (a) Mainland China corporate income tax (“CIT”)

Subsidiaries established in Mainland China are subject to CIT at rate of 25% (2019: 25%) during the year.

According to the Caishui (2011) No. 58 “The notice on the tax policies of further implementation of the western region development strategy issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs” (財稅 [2011]58號“關於深入實施西部大開發戰略有關稅收政策問題的通知”), companies set up in the western region and falling into certain encouraged industry catalogue promulgated by the PRC government will be entitled to a preferential tax rate of 15%. Some of the Group’s subsidiaries in the PRC set up in the western development region are entitled to the above mentioned preferential tax rate of 15% during the year.

(b) *Other income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Subsidiaries incorporated in Taiwan are subject to income tax at the prevailing rates of 20% (2019: 20%).

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department, the first HK\$2 million of assessable profits of subsidiaries incorporated in Hong Kong is subject to a tax rate of 8.25% during the year ended 31 December 2020 (2019: 8.25%). The remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5% (2019: 16.5%).

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% (2019: 25%) applicable to profits of the consolidated entities as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before income tax	<u>2,326,459</u>	<u>1,971,360</u>
Tax calculated at the statutory tax rate in the PRC	581,615	492,840
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	(19,244)	(14,887)
Tax losses and temporary differences for which no deferred income tax asset was recognized	8,284	10,149
Income not subject to tax	(11,443)	(3,258)
Expenses not deductible for tax purpose	26,541	28,985
Additional deduction of research and development expenses	(7,997)	(7,181)
Withholding tax on dividends from PRC subsidiaries	<u>123,000</u>	<u>98,500</u>
Income tax expense	<u>700,756</u>	<u>605,148</u>

The income tax charge relating to components of other comprehensive income is as follows:

	2020		2019			
	Before tax <i>RMB'000</i>	Tax charge <i>RMB'000</i>	After tax <i>RMB'000</i>	Before tax <i>RMB'000</i>	Tax charge <i>RMB'000</i>	After tax <i>RMB'000</i>
Other comprehensive income:						
– Net fair value losses from fair value through other comprehensive income ("FVOCI")	(3,099)	–	(3,099)	(929)	–	(929)
– Gains on disposal of FVOCI	<u>–</u>	<u>–</u>	<u>–</u>	<u>122,295</u>	<u>(30,237)</u>	<u>92,058</u>
Income tax expense		<u>–</u>			<u>(30,237)</u>	

## 7 Earnings per share

### *Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	1,625,703	1,366,212
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	4,319,334	4,319,334
Basic earnings per share ( <i>RMB per share</i> )	<u>37.64 cents</u>	<u>31.63 cents</u>

Diluted earnings per share is the same as basic earnings per share as there are no potential dilutive ordinary shares of the Company.

## 8 Dividends

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB37.64 cents (2019: RMB31.63 cents) per ordinary share	<u>1,625,703</u>	<u>1,366,212</u>

The dividends paid by the Company in 2020 and 2019 for the years ended 31 December 2019 and 2018 amounted to RMB1,369,001,000 and RMB1,046,718,000 respectively.

A dividend in respect of the year ended 31 December 2020 of RMB37.64 cents per share, amounting to a total dividend of RMB1,625,703,000, was proposed by the directors on the board of directors meeting on 19 March 2021 and is to be proposed for approval at the annual general meeting to be held on 21 May 2021. These financial statements do not reflect this dividend payable.

## 9 Trade and bills receivables

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– from third parties	574,249	570,075
– from related parties	<u>13,110</u>	<u>10,505</u>
	587,359	580,580
<i>Less: provision for impairment</i>	<u>(14,804)</u>	<u>(13,304)</u>
Trade receivables, net	572,555	567,276
Bills receivables		
– from third parties	<u>7,954</u>	<u>1,788</u>
Trade and bills receivables	<u>580,509</u>	<u>569,064</u>

The credit terms granted to customers by the Group are usually 60 to 90 days (2019: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	<b>541,809</b>	541,169
– 91 to 180 days	<b>42,021</b>	36,124
– 181 to 365 days	<b>2,290</b>	2,189
– Over one year	<b>1,239</b>	1,098
	<u>587,359</u>	<u>580,580</u>
	<b><u>587,359</u></b>	<b><u>580,580</u></b>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables, gross		
– RMB	<b>583,025</b>	575,972
– USD	<b>1,303</b>	1,213
– HKD	<b>3,031</b>	3,395
	<u>587,359</u>	<u>580,580</u>
	<b><u>587,359</u></b>	<b><u>580,580</u></b>

The carrying amounts of trade and bills receivables approximated their fair values as at the balance sheet dates.

The maximum exposure of the Group to credit risk at the reporting date is the carrying value of trade and bills receivables as mentioned above. The Group does not hold any collateral as security.



## 10 Trade payables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables		
– to third parties	1,455,650	1,303,927
– to related parties	<u>424,077</u>	<u>419,489</u>
	<u><b>1,879,727</b></u>	<u><b>1,723,416</b></u>

The credit terms granted by suppliers to the Group are usually 30 to 90 days. The ageing analysis of trade payables is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables		
– Within 30 days	1,511,910	1,427,797
– 31-90 days	282,239	233,981
– 91-180 days	25,499	10,699
– 181 to 365 days	18,102	13,864
– Over 1 year	<u>41,977</u>	<u>37,075</u>
	<u><b>1,879,727</b></u>	<u><b>1,723,416</b></u>

All the trade payables are denominated in RMB. Their carrying amounts approximated their fair values as at the balance sheet dates.

## MANAGEMENT DISCUSSION & ANALYSIS

### ANALYSIS ON ECONOMIC ENVIRONMENT

The gross domestic product (GDP) of the People's Republic of China ("China" or the "PRC") recorded a year-on-year increase of 2.3% in 2020, down 3.8 percentage points from last year. In the face of the severe impacts and complicated economic environment caused by the novel coronavirus COVID-19, the PRC government coordinated epidemic prevention and control and socio-economic development works, facilitated gradual resumption of work and production and reduced taxes and administrative fees to promote market recovery and people's daily consumption. As a result, the national economy continued to experience steady recovery in 2020, demonstrating the strong resilience and enormous potential of the PRC economy.

Under the influence of the epidemic, online consumption through e-commerce and live streaming contributed new growth momentum to sales channels and "Generation Z" (born after 1995 and 2000) became the new growth driver of consumption, leading to increasingly diverse and segmented consumption groups. The prices of raw materials related to food and beverage fluctuated in 2020. With a focus on operation and adhering to the value marketing strategy, the Group emphasized brand building and thought from the perspective of consumers with an aim to achieve higher consumer satisfaction.

### BUSINESS REVIEW

In 2020, the Group continued to focus on its operation by improving brand building and insisting on the value marketing strategy. Committed to "Healthy Practice (健康操作)", we strengthened freshness control over our products, maintained stable market prices, emphasized development of brand assets and optimized product mix to realise sound operation.

The Group recorded a revenue of RMB22,761.8 million in 2020, representing an increase of 3.4% as compared with that of last year. Information about the Group's core businesses is as follows:

#### **Food Business**

With an aim to satisfy the needs of consumers, the Group strived to diversify consumption scenarios by providing products to be enjoyed by consumers in different occasions and stayed laser-focused on brand value to enhance the brand loyalty. We also kept refining the process techniques and innovating new tastes to enhance product strengths and cater for the diverse needs of consumers. The Group recorded a revenue of RMB9,424.5 million in 2020 from the food business, representing an increase of 10.9% as compared with that of the corresponding period last year.

#### ***Instant Noodles Business***

Demand in the instant noodles industry surged in the first half of 2020 with a noticeable growth rate which subsequently returned to normal in the second half of the year. The Group recorded a revenue of RMB9,055.0 million in 2020 from the instant noodles business, representing an increase of 7.2% as compared with that of the corresponding period last year.

For “Uni-President Lao Tan Pickled Cabbage and Beef Noodles (統一老壇酸菜牛肉麵)”, the Group centred on improving the “stability, continuity and consistency (穩定性、連續性、一致性)” of the product to support its core value of “Authentic Sourness and Crunchiness (正宗酸爽)” in 2020. Based on the invention patents obtained, process techniques and production procedures were further refined, the formula was upgraded and a more eye-catching new package was adopted, which all together further improved the brand loyalty.

“Soup Daren (湯達人)”, which has registered a double-digit growth or above in revenue for 12 consecutive years, was highly recognised by the market and consumers. We continued to invite new generation actors who have the traits of “focus, sunshine and vitality (專注、陽光、有元氣)” to be our spokespersons to expand the consumer group of “Soup Daren (湯達人)” and promote the brand concept of “Soup Makes Good Noodles (好麵，湯決定)”. Through “Soup Daren Genki Music Festival (湯達人元氣音樂節)”, communications with new generation were enhanced to maintain the youthfulness of the brand. A year after its launch, the newly upgraded series of “Gourmet’s Selection (極味館)” under “Soup Daren (湯達人)” has become popular among mid- to high-end consumers as evidenced by the gradual increase in its sales volume, which further enhanced and improved the brand image of “Soup Daren (湯達人)” as noodles being served in nourishing soup.

“Teng Jiao (藤嬌)” centred on the development and innovation of the vine pepper taste and penetrated into the market by turning the product into a brand, guiding new generation consumers to indulge in the alluring electrifying taste of vine pepper. The product strength was being fortified in 2020. While continuously enhancing the “The Feeling of Electric Shock (觸電的感覺)”, we also exerted efforts in building close connections with the purchase and consumption scenarios through a mix of media including television, internet and outdoor environment to maintain a stable growth in the sales volume. The uniqueness of “Teng Jiao (藤嬌)” was widely recognised by consumers, laying a solid foundation for subsequent brand development.

For “Uni-President The King of Tomato (統一茄皇)”, as stimulated by live streaming on e-commerce channels, “Uni-President The King of Tomato – Tomato Egg Noodles (統一茄皇蕃茄雞蛋麵)” continued to hit a record high in sale volume. “Birth of The King of Tomato (茄皇的誕生)”, the first television advertisement of “Uni-President The King of Tomato (統一茄皇)”, was broadcast in the second half of 2020, which further revitalized the brand image and increased the brand awareness, making it more popular among the new generation.

“Imperial Big Meal (滿漢大餐)”, a high-end brand of lifestyle noodles of the Group, regards inheriting Chinese noodles as its mission. Through constant improvement in cooking techniques and serving with a “large piece of genuine beef (真的有大塊肉)”, it provides each meat lover with a more enjoyable noodle eating experience. In the second half of 2020, in order to enter the noodle cooking market, “Imperial Big Meal (滿漢大餐)” introduced semi-dry noodles served with richer ingredients and a stronger flavour of Chinese noodles to satisfy the needs of consumers.

## **Other Food**

The high-end Chinese cuisine brand of “Kai Xiao Zao (開小灶)”, which adopted the concept of “Premium Meal, Special Treat (好好吃飯，開小灶)” for its brand promotion, continued to be well recognised by consumers and achieved a multi-fold increase in revenue in 2020. Mr. Xiao Zhan (肖戰), the brand spokesperson, helped increase the brand awareness of “Kai Xiao Zao (開小灶)” rapidly and attracted the attention of numerous consumers in 2020. Through utilizing the flagship store as a platform for interaction with consumers, a core consumer group was formed. In the second half of 2020, hotpot series products “Spicy Beef Hotpot (麻辣牛肉火鍋)” and “Double-flavor Hotpot (鴛鴦火鍋)” were launched under “Kai Xiao Zao (開小灶)” to meet the needs of different consumers and extend the consumption scenarios. Cross-industry cooperation was actively explored for “Kai Xiao Zao (開小灶)”. A series of limited co-branded products, such as the “Angelica Pork Belly Chicken (當歸豬肚雞)” launched in 2020 and “Beer Duck (啤酒鴨)” launched in 2021, received extensive positive feedbacks from consumers given the new sales tactics and new flavours.

“Q-Fresh (Q小鮮)” continued to target the market of frozen fresh noodles transported through cold chain logistics and mainly available in premium supermarkets and e-commerce platforms. With “fresher (更新鮮)” noodles and “richer (醇厚)” broth, it provided a new choice for new families pursuing fresh diets. As influenced by the epidemic in 2020, the demand of consumers for “freshness” and “health” further increased, which in turn boosted the sales of “Q-Fresh (Q小鮮)”.

Looking forward to 2021, challenges and opportunities will co-exist in the food industry. As consumers’ perception of convenience food has evolved, which brings new opportunities to the industry, the Group will capitalize on its innovation strengths, maintain quality and satisfy the diverse needs of consumers in strict accordance with its consumer-centric and market-oriented approach. There are markets for both of the mid- to high-end products and economical products meeting livelihood needs. Being guided by the value marketing strategy, the Group will cater for the different needs of consumers.

## **Beverages Business**

Consumer need is the core of the beverages business of the Group. By focusing on freshness management of products, adhering to value marketing, stabilizing prices across sales channels and working hard on brand building, we built up brand assets. The annual revenue of our beverages business amounted to RMB12,560.4 million in 2020, representing a year-on-year decline of 1.3%. The business performance of our major beverages is as follows:

## ***Tea Drinks***

Revenue from the tea drinks of the Group in 2020 amounted to RMB5,444.0 million. The revenue was influenced by the epidemic in the first quarter and steadily picked up after the second quarter and gradually returned to normal.

“Uni Ice Tea (統一冰紅茶)” continued to convey the brand spirit of “Stay Young for Ever or Fight for it (青春無極限，不服就去戰)”. We focused on the new generation consumer group of Generation Z in brand promotion. With an accurate understanding of the favourite games/two-dimensional culture of the new generation, we tapped into eSports by conducting cross-industry cooperation with KPL (King Pro League), an eSports game. Leveraging the benefits brought by the popularity of games under the “otaku economy (宅經濟)” and the multiple drinking scenarios of youngsters, we were able to accurately target Generation Z in the eSports circle through synergetic cooperation among multiple online and offline platforms. In 2020, we cooperated with the top ten eSports teams of KPL to organize the “Uni Ice Tea (統一冰紅茶)” “Battle Bottle DIY Competition (Battle瓶DIY大賽)”, in which fans of the eSports players turned internet traffic into sales volume. Marketing on fans was carried out through interactions with popular game characters by means of bottle packages, live streaming on the internet, cross-platform cooperation and peripheral products, in order to attract more new generation consumers and improve brand favourability.

In line with the health awareness of consumers, we adopted an annual marketing theme of “Being close to the nature, providing bonus to health (親近自然，為健康加酚)” for “Uni Green Tea (統一綠茶)” in 2020 and highlighted the healthy features of “low sugar” and “tea polyphenols” in promotion. Brand visibility was strengthened through media platforms which youngsters actively visited. We also carried out public welfare campaigns such as “Send coolness to people working in high temperature (高溫工作者送清涼)” and “Send coolness to delivery riders (外賣小哥清涼加酚)”, which demonstrated the support of the brand to public welfare activities. Together with the coverage by mainstream media, the image of “Uni Green Tea (統一綠茶)” as a national drink was reinforced as a result of better perception by the public. At the same time, the low-sugar and healthy attitude of the brand which supported public welfare was accentuated to help build up brand assets.

“Classmate Xiaoming (小茗同學)” offered youngsters with “Mixed Tea (混搭茶)” which was given brand new packages and character images in 2020. We promoted such products based on the brand spirit of “optimistic, humorous, lively and courageous (樂觀幽默、活潑勇敢)” and by centring on Mr. Wu Lei (吳磊), the well-matched brand spokesperson, in order to achieve maximized benefits of the fan economy through focusing on marketing to fans. The new goal of the brand “Classmate Xiaoming (小茗同學)” was achieved through three ways, namely enhancing product strength, realizing promotion strength and redeveloping business strength.

“Chai Li Won (茶裏王)” continued to convey the product appeal and brand proposition of “no additives and a sweet taste came after (不添加自然回甘)”. In 2020, we leveraged celebrity influence to build up brand recognition and create the “top” brand image. We communicated with consumers through videos by centring on the workplace hot topics that consumers were interested in. We also continued to nurture sugar-free tea consumers in key cities. By expanding sales channels to convenience stores and supermarkets and cooperating with e-commerce platforms, we enlarged our communication channels with consumers.

The refrigerated tea “Refreshing Tea (茶·瞬鮮)” adopts the freeze-extraction technique to bring the freshest, original and real tasting experience to consumers. The concept of 21 days of freshness continued to be enhanced in 2020. Through “21-Day Brand Day (21天品牌日)” and the “One Cup One Code (一杯一碼)” red packet QR code activity, we established the brand recognition of freshness and rapport with consumers, which further enhanced the brand awareness.

In 2021, we will strive to develop a brand positioning of “good tea has a sweet taste came after (回甘好茶)” for “Chai Li Won (茶裏王)”. Through developing drinking scenarios for the product, the brand awareness and consumption frequency will be improved. Capitalising on the low-sugar and healthy lifestyle, “Uni Green Tea (統一綠茶)” will expand its area of brand strength, explore sales channels in lower-tier markets and carry out promotion among new youngsters and new blue-collar population to reinforce its image as a national drink by means favoured by consumers. “Uni Ice Tea (統一冰紅茶)” will leverage spokesperson cooperation to earn the recognition of Generation Z by taking advantage of the eSports culture and will continue to convey the brand attitude of “Stay Young for Ever (青春無極限)” favoured and recognised by youngsters.

In 2021, for our tea business, we will actively embrace the opportunities brought by the new consumption environment, explore product sales opportunities in multiple scenarios, meet different consumption needs through customized product specifications, and capitalize on the rapid development trend of internet and household consumption in order to create new growth engines in the post-epidemic era.

## *Juice*

In 2020, in response to the trend of consumption upgrade, the Group stepped up investment in internet resources for its juice business to convey the benefits of healthy juice to consumers. A total revenue of RMB1,578.2 million was recorded during the year.

In 2020, we continued to convey the benefits of “Uni Orangeate (統一鮮橙多)”, which are rich in vitamin C and contain dietary fibre equivalent to 3.5 oranges. We published a public welfare video starring Mr. Wang Yuan (王源), the brand spokesperson, to call on people to take precautionary measures and remind people to consume Vitamin C, which demonstrated our concern on health issues. We promoted the image of hotpot + “Uni Orangeate (統一鮮橙多)” as partners on the dining table and introduced new packages for Wang Yuan (王源) week bottles in the second half of the year to highlight the idea of satisfying daily health needs with a bottle of “Uni Orangeate (統一鮮橙多)”. By doing so, we continued to enhance the brand value of “Uni Orangeate (統一鮮橙多)” to new generation consumers, which is “More Vitamin C, More Fiber, More Beauty (多C多纖多漂亮)”.

In 2021, for the juice business, the Group will be well-positioned to ride the trend. While continuously promoting the benefits of healthy juice products, we will capitalize on the changes in consumption demand and market trend to enhance the image of juice and delicacy as partners on the dining table and tap into the market of 100% juice, as our proactive efforts in expanding the market. The Group will stay attached to the business strategy of value marketing and focus on developing and optimizing product strength, in order to provide consumers with healthy and tasty juice of different concentrations and temperatures to satisfy their diverse needs.



## ***Milk Tea***

In 2020, the revenue of “Uni Assam Milk Tea (統一阿薩姆奶茶)” increased by 7.3% as compared with that of the corresponding period last year. We expressed the warm care of the brand and accentuated the distinctive “therapeutic (治癒系)” effect of milk tea products through the theme of “I Heal You as Spring Breeze Heals the Earth (春風治癒大地，我治癒你)”. We created multiple drinking scenarios featuring “A Special Blend of Milk Tea For Good Mood (特調好心情)” and published educational videos in order to increase the number of drinking occasions and consumption volume of Assam Milk Tea. Adhering to the communication theme of “Say goodbye to the setbacks at present (告別不順，就現在)”, we cooperated with popular TV dramas in the year to enhance consumers’ recognition of the brand. The 1.5L large sized bottle was continuously promoted by creating drinking scenarios suitable for large bottles in a youthful style.

“Assam Small Milk Tea (阿薩姆小奶茶)” attracted the attention of consumers through a differentiated marketing model to build up a brand image associated with warm winter by continuously focusing on key cities and the hot drinks market.

“Uni Milk Tea (統一奶茶)” placed emphasis on the household drinking scenario by mainly offering bundled products to nurture the habit of drinking milk tea at home and encourage milk tea beginners to develop a drinking habit. For promotion, by developing the theme of “Mouthful of Malt (夠麥味)”, we closely communicated with consumers to maintain brand vitality.

In 2021, we will continue to promote the youthfulness of the “Uni Assam Milk Tea (統一阿薩姆奶茶)” brand by centring on “Smooth and Good Mood (順滑好心情)”. On our development path towards stability, freshness and quickness, we will expand consumption in the catering and household scenarios and in occasions suitable for hot drinks. While expanding the scope of our sales channels, we will stringently manage freshness.



## ***Coffee***

In respect of “A-Ha (雅哈)” Coffee, the Group continued to focus on “A-Ha Iced Coffee (雅哈冰咖啡)” in 2020 to express the brand appeal of “Enjoy the Endless Vitality (暢享無限活力)”. For promotion, enhancing brand awareness was the main emphasis. For sales channels, due to the normalization of epidemic prevention and control, we proactively developed the delivery business from e-commerce store to home in order to satisfy the household drinking needs of consumers.

In light of the demand of the target consumer group who aspired for new experiences, we first introduced “Gingerbread Flavor Latte (薑餅味拿鐵咖啡)”, a winter-only limited edition product, under “La Rive Gauche de la Seine (左岸咖啡館)” in November 2020, which was available for sale on specific sales channels. As the product received positive feedbacks from consumers, the brand awareness was effectively enhanced.

In 2021, the Group will continue to regard “A-Ha Iced Coffee (雅哈冰咖啡)” as the focus of its coffee business, carry out major tasks in its base area and develop sales channels in key cities to seek breakthroughs. With a focus on East China, “La Rive Gauche de la Seine (左岸咖啡館)” will proactively tap into the chilled coffee market by introducing seasonal limited edition flavour where appropriate to meet the needs of consumers for seasonal products.

## ***Bottled Water***

The Group continued to focus on the operation of “ALKAQUA (愛誇)”, a mid- to high-end natural mineral water brand. In 2020, as influenced by the epidemic, consumers became more health conscious and “ALKAQUA (愛誇)” engaged in rational communications with consumers by ensuring that its “content of  $H_2SiO_3$  is twice over the national standard level (偏矽酸含量2倍於國家標準)”. Through endorsement by medical experts, the 21-day rejuvenation challenge, and promotion methods such as placing outdoor advertisements in key cities, we strengthened promotion of the efficacy of “ $H_2SiO_3$ ” in “ALKAQUA (愛誇)” to nurture the “new generation” and “new middle class” consumer groups. Also, by leveraging internet-based media and utilizing delicacy as the entry point, we enhanced the household consumption scenario for 1.5L bottles to cope with the trend of online household consumption.

In 2021, for “ALKAQUA (愛誇)”, the Group will continue to improve the brand value by internally developing core differentiations and externally consolidating brand assets with attractive appearance. The “middle class and new middle class” that are particular about quality of life and healthy drinking water will be the target groups of our promotion. With regard to “mineral water” itself, we will promote the understanding of “ALKAQUA = Good Mineral Water (愛誇 = 好礦泉)”.

## ***Bottle Can Drinks***

Following the rising trend of consumption upgrade, the Group continued to develop high-end bottle can drinks. We adopted a differentiated product strategy for the first flavour “Mango & Pomelo Sweet Soup (楊枝甘露)” under “Keep Sweet (恬蜜光年)” to develop a premium ready-to-drink dessert brand and utilized online promotion on the internet to effectively improve interaction with consumers and product repurchase rate. For “Chuan Qi (傳沏)” pure tea, based on the product strategy of exploring historical Chinese tea for enjoyment by consumers anywhere, we continued to improve our technology and techniques and managed to establish a production line for freshly brewed tea by leveraging the power of technology, for which we obtained a national patent. We adopted a communication axis of “Stay Warm this Winter (溫暖這個冬季)” for our rose-scented “allègre” milk tea, which was our key hot drink product in the winter and available for sales in major premium supermarkets and hypermarkets across the country. Together with the self-heating mug developed by ourselves, we made hot drink readily available and got off to a good start in the implementation of our hot drink strategy.

## **RESEARCH AND DEVELOPMENT**

In the face of the unexpected epidemic in 2020, the Group’s Research and Development (“R&D”) Centre capitalized on the changes in consumption perception and lifestyle brought by the epidemic, gained insights into the emerging new opportunities, took advantage of the trend and made improvements in order to produce products that consumers will “be comfortable and happy to eat (吃得安心, 吃得開心)”.

As for food, as the convenient lifestyle where people may enjoy delicacy at home has become very common among consumers these days, there has been a rapid growth of self-heating food. After the launch of the self-heating rice dishes of “Kai Xiao Zao (開小灶)”, the Group noticed the rise of self-heating hotpot and therefore introduced “Spicy Beef Hotpot (麻辣牛肉火鍋)” and “Double-flavor Hotpot (鴛鴦火鍋)” to expand the consumption scenarios of “Kai Xiao Zao (開小灶)”. “Spicy Beef Hotpot (麻辣牛肉火鍋)” is based on the authentic Chongqing cow oil hotpot and made of stir-fried ingredients accompanied by a strong pepper aroma and a spicy taste. “Double-flavor Hotpot (鴛鴦火鍋)” features both of the authentic Chongqing cow oil hotpot and mushroom chicken soup to provide the two savours of spiciness and umami. These two hotpot flavours were immediately recognised by and became popular among consumers upon their launch.

“Uni-President That Street That Lane (統一那街那巷)” aims to provide consumers with the street delicacy of local flavour. Upon our tremendous efforts in optimizing the sterilization, preservation, seasoning and packaging technologies, we introduced two local delicacies under “That Street That Lane (那街那巷)” in 2020, namely “Guilin Rice Noodles (桂林米粉)” (fresh rice noodles) and “Lanzhou Beef Noodles (蘭州牛肉麵)” (semi-dry noodles). “Guilin Rice Noodles (桂林米粉)” was researched and developed under the guidance of Ms. Zhou Yiqiong, the fourth-generation disciple of Guilin carrying-pole rice noodles, and made by traditional techniques, allowing people to enjoy the taste of street-side rice noodle restaurants within one minute; “Lanzhou Beef Noodles (蘭州牛肉麵)” was researched and developed under the guidance of Mr. Ma Ting, the third-generation successor of the cooperative partner Mazilu (馬子祿), a China time-honoured brand, allowing people to enjoy the flavour that can be found in the Mazilu physical store in Lanzhou.

As for drink, in May 2020, “Classmate Xiaoming (小茗同學)” introduced the classic barley black tea in vogue in Taiwan. The combination of roasted barley, mellow black tea and special sugar brings a sweet and rich taste and makes it a distinctive and differentiated flavour since being launched. We optimized the recipe of “Uni Kumquat Lemon Beverage (統一金桔檸檬)” in June 2020. By using Vietnamese Kaman orange juice and concentrated spice processed at a low temperature in a vacuum environment, we are able to offer a refreshing, sour, sweet and juicy product, turning the classic street-side lemon-flavoured beverage into a crafted drink.

Under the impacts of the epidemic, consumers had a significantly greater willingness to make health-related consumptions. Beverage products that are healthy, natural and savoury are increasingly favoured by consumers. Taking this as the entry point, the Group selectively imported unprocessed orange juice for production of the 100% orange juice “Vitality Awakening (元氣覺醒)” in order to offer “tasty” 100% juice.

Developing core technologies to ensure competitive advantages is one of the key targets of the Group. In 2020, through innovation supported by internal and external synergies as well as independent self-driven innovation, we continued to take forward over ten core technology projects. For instance, the self-heating package technology was successfully applied to “Kai Xiao Zao (開小灶)” self-heating rice, and the enzymatic hydrolysis technology for tea was successfully applied to “Chai Li Won (茶裏王)” Japanese green tea. As of December 2020, our R&D Centre had 106 authorized patents and 51 patents were in application. We will continue to create barriers for our superior technologies.

In 2021, in order to ensure that consumers will “be comfortable and happy to eat (吃得安心, 吃得開心)”, the Group will dedicate its R&D efforts to continuous innovation, product optimization and upgrade and development of core technologies.

## FOOD SAFETY

We uphold the philosophy of “Three Goods and One Fairness: Good Quality, Good Credit, Good Service and Fair Price (三好一公道：品質好、信用好、服務好、價格公道)” and offer safe, healthy and delicious food to consumers. To enhance the level of food safety management system, we have set up Food Safety Committee and Food Safety Centre to cultivate food safety culture and implement food safety assurance system, formulate food safety policy, improve assessment, alert and monitoring of food safety risks for guaranteeing food safety, undertake quality assurance system management of the Group, formulate and implement policy of product quality for guaranteeing product quality.

With the mission of “be comfortable and happy to eat (吃得安心、吃得開心)”, a consensus is reached that food safety is the Group’s commitment to customers and the brands as well as the foundation of the Company’s sustainable development. We will continue to promote the development of a food safety culture and a working environment that encourages food safety practices and food safety culture where all employees could participate in prevention and improvement works in respect of food safety so that our products could meet the requirements of laws and regulations and earn the recognition of consumers.

We continue to improve regulatory mechanism of supply chain of raw materials and focus on strengthening food safety management of the source of supply chain and monitoring of food products safety. We have implemented assessment of food safety qualifications of suppliers and field inspection of food safety of suppliers, established monitoring mechanism of food safety projects of raw materials to ensure the implementation of monitoring of food quality and safety starting from the source of supply chain and established mechanism of qualification review of production plants and field assessment. Apart from conducting strict inspection on food products according to the relevant laws and regulations prior to their delivery, all-rounded food safety monitoring will also be carried out to ensure safety and taste of our products.

We actively promote source management of suppliers. In addition to provision of training to our suppliers, we have introduced third party professional agencies to evaluate our suppliers, and assist them to establish their own scientific and effective food safety and quality management system. We have fully introduced Food Safety Protection Program covering the production and sale process starting from product design to ensure consumers are rest assured.

We pay close attention to various food safety incidents of other food manufacturers, timely carry out risks assessment, inspect raw materials and food products similar to the ones used in those incidents, improve food safety management system to guarantee food safety, actively participate in the formulation and revision of relevant national standards, compile and promulgate food regulations and domestic and foreign food safety information to enhance food safety awareness of the Group, promote full implementation of food regulations and safety standards to safeguard consumers’ interests.

Our Food Safety Centre passed the annual China National Accreditation Service for Conformity Assessment (CNAS accreditation) since 2005 and 172 projects of the Group had been approved thus far. Meanwhile, with the co-operation of laboratories of each of our subsidiaries and external detection and testing institutions, the needs for detection and testing key food safety items are met, providing us with professional and authoritative detection and testing service and technical support to guarantee food safety. With our innovation in laboratory detection and testing system, seven technical achievements were awarded with national patents.

As of 2020, 28 subsidiaries of the Group have passed the ISO9001 International Standard Quality Management System Certification, and 26 subsidiaries have been accredited with the ISO22000 International standard Food Safety Management System Certification. These certifications and awards recognised our ongoing improvement of food safety and quality assurance system and our capability of safeguarding food safety as well as our dedication to providing consumers with delicious, healthy and safe food.

## **PRODUCTION STRATEGIES**

The Group spared no effort in our operation, research and development, innovation, brand building and sales expansion, aiming to meet customer needs, develop and strengthen the corporation constantly and maximise the revenue. In order to focus the use of resources, maximize the benefits, the Group did not solely rely on its own production resources. It also outsourced its production to other professional beverages manufacturers (including external independent third parties and related party companies). A strategic alliance was formed under such long-term co-operation with the external manufacturers, enabling the Group to outsource production mode to adjust production capacity in addition to the basic production capacity, providing the Group with production flexibility. Thus, the Group was able to fully utilise its resources on core operation and optimise its efficiency.

## **FINANCIAL RESULTS**

For the year ended 31 December 2020 (the “Year”), the Group recorded a revenue of RMB22,761.8 million, representing an increase of 3.4% from RMB22,019.7 million for 2019. Revenue from the food business increased by 10.9%, and revenue from the beverages business decreased by 1.3%, standing at RMB9,424.5 million and RMB12,560.4 million respectively, accounting for 41.4% and 55.2% respectively of the Group’s total revenue. During the Year, gross profit of the Group increased by 1.9% from RMB7,918.3 million for the corresponding period last year to RMB8,065.9 million, while the gross profit margin decreased by 0.6 percentage points from 36.0% for the corresponding period last year to 35.4%, which was mainly due to the structure changes in the contribution of food and beverage of the Group and other impacts.

During the Year, the selling and marketing expenses decreased by approximately RMB17.2 million to RMB5,350.4 million (2019: RMB5,367.6 million). During the Year, administrative expenses amounted to RMB957.9 million (2019: RMB1,007.2 million). The decrease in selling and marketing expenses was mainly due to the reduction in taxes and administrative fees by the PRC government as well as a decrease in travelling expenses, despite an increase in expenses for sales channels as a result of products stretching to lower-tier markets. The decrease in administrative expenses was due to reduction in the rate of and exemption of social insurance fees by the PRC government.

Operating profit was RMB2,108.3 million for the Year, increasing by 16.7% from the operating profit of RMB1,806.3 million for 2019. The share of profits of investments accounted for using the equity method amounted to RMB45.8 million (2019: RMB13.0 million) during the Year, mainly due to the stable and excellent performance of the joint ventures in investment and operation. Profit attributable to equity holders of the Company for the Year was RMB1,625.7 million, representing an increase of 19.0% as compared with RMB1,366.2 million of 2019. Earnings per share during the Year were RMB37.64 cents (2019: RMB31.63 cents).

## **FINANCIAL ANALYSIS**

### **Cash and Borrowings**

As at 31 December 2020, the Group had cash at bank and on hand of RMB6,068.4 million (31 December 2019: RMB6,483.5 million), among which 99.93% was denominated in Renminbi and 0.04% was denominated in United States dollar. The Group mainly financed its operation and capital expenditures with internally generated cash flow. As at 31 December 2020, the Group's total financial liabilities decreased by 55.9% to RMB532.4 million (31 December 2019: RMB1,207.1 million), which was attributable to the repayment of certain bank borrowings as short-term working capital was relatively sufficient. 100% of the Group's total financial liabilities was denominated in Renminbi. As at 31 December 2020, all of the Group's financial liabilities bore floating interest rates. As at 31 December 2020, the Group did not have any secured bank borrowing (31 December 2019: Nil).



## Financing

The Group aims to maintain an appropriate capital structure. Taiwan Ratings Corporation, a credit rating agency, issued a credit rating report on 30 June 2020, and maintained the Group's long term credit rating at "twAA", with its rating outlook standing at "Stable (穩定)". Subsequently, Taiwan Ratings Corporation withdrew the rating on 30 June 2020 at the request of the Group. The rating outlook of the Group at the time of the withdrawal was "Stable (穩定)". The gearing ratios of the Group as at 31 December 2020 and 31 December 2019 were as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total borrowings (including lease liabilities)	532,388	1,207,108
Less: cash at bank and on hand	<u>(6,068,431)</u>	<u>(6,483,500)</u>
Net cash	(5,536,043)	(5,276,392)
Total equity	<u>13,886,533</u>	<u>13,632,930</u>
Total capital	<u><u>8,350,490</u></u>	<u><u>8,356,538</u></u>
Gearing ratio ( <i>Note</i> )	<u><u>(66.30%)</u></u>	<u><u>(63.14%)</u></u>

*Note 1:* As at 31 December 2020, the decrease in cash at bank and on hand was mainly due to the Group's purchase of financial products issued by commercial banks. As at 31 December 2020, the Group had financial assets at fair value through profit or loss of RMB1,621.6 million (31 December 2019: Nil)

*Note 2:* The gearing ratio is computed as the net cash divided by the sum of total equity and net cash.

The Group reviewed its gearing ratio on a regular basis. According to the capital plan for the future, the Group tried to maximize revenue for its shareholders with capital risk awareness in mind. Capital structure was constantly adjusted according to changes in the operational environment.

## Cash Flow and Capital Expenditure

As at 31 December 2020, the Group recorded a year-on-year net decrease in cash and cash equivalents of RMB569.5 million, comprising net cash inflow from operating activities of RMB3,215.2 million, net cash outflow from investing activities of RMB1,700.8 million and net cash outflow from financing activities of RMB2,084.0 million. The Group's capital expenditure for the Year was RMB385.1 million (31 December 2019: RMB409.0 million).

## Analysis of Operating Efficiency

The Group stringently controls and manages the levels of trade receivables, trade payables and inventories. Sales to most customers are made on a delivery on payment basis. Trade receivables are generated from credit sales to credit customers from modern channels and e-commerce business (including but not limited to food and groceries stores, stalls and department stores) with credit terms normally ranging from 60 to 90 days. During the Year, attributable to the growth in percentage of sales through e-commerce channels and modern channels, net trade receivables increased by RMB11.4 million to RMB580.5 million (31 December 2019: RMB569.1 million).

The Group's inventories mainly comprised raw materials, packaging materials, finished goods and low-value consumables. The inventories turnover days increased by four days as compared with 2019, which was attributable to the early preparation of products for the Chinese New Year. As at 31 December 2020, the inventories balance increased by RMB204.5 million to RMB1,943.5 million (31 December 2019: RMB1,739.0 million) as compared to the beginning of the year. The Group's trade payables mainly arise from credit purchases of raw materials. During the Year, trade payables increased by RMB156.3 million to RMB1,879.7 million (31 December 2019: RMB1,723.4 million), which was attributable to the increase in goods and raw materials required in the early preparation for increased production and sales during the Chinese New Year. The following table sets out the major turnover days during the two years ended 31 December 2020.

	Year ended 31 December	
	2020	2019
Trade receivables turnover days	9	9
Inventory turnover days	45	41
Trade payables turnover days	<u>44</u>	<u>42</u>

Trade receivables turnover days were calculated based on the average of trade receivables balances as at the beginning and the end of the year divided by revenue multiplied by days in the year.

Inventory turnover days were calculated based on the average of inventory balances as at the beginning and the end of the year divided by cost of sales multiplied by days in the year.

Trade payables turnover days were calculated based on the average of trade payable balances as at the beginning and the end of the year divided by cost of sales multiplied by days in the year.

The Group reckoned that inventory turnover days, trade receivables turnover days and trade payable turnover days in the distribution channel helped the Group in understanding the efficiency of inventory liquidity and the sales and cash conversion cycle. Through reviewing and improving the turnover days, the Group could improve its revenue, profit and the ability of on-going growth for the sake of enhancing operational efficiency.



## **Financial Management**

The Group adheres to the principle of financial prudence. It seeks to control risk variables and moves forward prudently by moderately adjusting its selling and marketing expenses according to market conditions, and making appropriate capital expenditures to optimise and expanding the infrastructure and marketing assets for sales channels. The Group's finance department has formulated financial risk management policies based on the policies and procedures approved by the Board and guided by the executive Directors. These policies are reviewed by the Group's internal audit department and internal control department regularly. The Group's financial policy aims at reducing impacts of interest rate and exchange rate fluctuations on the Group's overall financial position, as well as minimising the Group's financial risk exposure.

The Group's finance department provides centralised financial risk (including interest rate and foreign exchange risk) and cash flow management, and cost-effective funding for the Group and its members. During the Year, the Group has maintained an automated reconciliation system, which significantly improved capital efficiency and accounting treatment effectiveness.

### **Treasury Policy**

It was the Group's treasury management policy not to engage in any highly risky investment or speculative derivative product and not to invest the working capital in financial products with significant underlying leverage or risks, including hedge funds or similar financial products. The Group continued to adopt a conservative approach to financial risk management with no significant bank borrowing during the Year. Most of the Group's receipts and payments were denominated in Renminbi since a majority of its revenue was derived from operations in the PRC. The Group may use foreign exchange forward contracts, when appropriate, for risk aversion when it is exposed to foreign exchange risk arising from assets or liabilities, such as cash and cash equivalents and borrowings, which may be denominated in other currencies.

## **SIGNIFICANT INVESTMENT**

As at 31 December 2020, the Group did not hold any significant investments with a value of 5% or more of the Group's total assets.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 December 2020.

## **CHARGES ON GROUP ASSETS**

The Group did not have any charge on group assets as at 31 December 2020.

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Directors confirmed that as at the date of this annual report, there was no plan to acquire any material investment or capital assets other than those in the Group's ordinary business of manufacturing and sale of beverages and instant noodles.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2020, the total number of employees of the Group was 30,430. The Group adhered to the policies of focused and streamlined operation, and organisational structure and staff structure were improved on a continuous basis to build a stronger and efficient enterprise. In terms of recruitment, the Group was streamlining its administration and progressing towards meritocracy. The Group insisted on building a stable and robust team through mechanisms including comprehensive training and humane care. Internal training, regular position transfer, external exchange and part-time study and other measures enhanced our overall performance and provided talents for key positions of the Group steadily. Meanwhile, priorities were given to internal promotion over external recruitment, and performance appraisal and other measures were implemented to keep the current management team ambitious and strong. To achieve the Group's annual goals, the Group had performance bonuses and incentive schemes in place to commend and encourage employees at all levels to make outstanding contributions to the Group's business. Performance bonuses were distributed on the basis of the realised earnings and profits objectives of individual business units and the Group as a whole, as well as the performance appraisal.

The Group's remuneration policy rewarded our employees and directors with reference to their performance, qualifications, demonstrated capabilities, market comparable information and the performance of the Group. As part of the Group's remuneration policy, the Group entered into individual employment contracts with each of its employees, which covered wages, social security benefits, workplace safety and hygiene environment, confidentiality obligations on trade secrets and termination conditions.

During the Year, total staff costs (including directors' remuneration) were RMB3,371.8 million (2019: RMB3,416.1 million).

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the external auditors of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

## **AUDIT COMMITTEE**

The audit committee of the Board reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the Year and has recommended their adoption by the Board.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of RMB37.64 cents per share for the Year.

The final dividend will be paid in Hong Kong dollars based on the average exchange rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China for five days prior to the date of the forthcoming annual general meeting of the Company. The final dividend is subject to the approval of shareholders of the Company ("Shareholders") at the forthcoming annual general meeting of the Company, which will be paid on or around Wednesday, 9 June 2021 to Shareholders whose names appear on the register of members of the Company on Monday, 31 May 2021.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company has complied with all code provisions of the corporate governance code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the Year.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Year.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting period of the Group.

## **RE-ELECTION OF DIRECTORS**

In accordance with Article 130 of the articles of association of the Company (the “Articles of Association”), each of Mr. Chen Kuo-Hui, Mr. Chen Sun-Te, Mr. Chen Johnny will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Chen Kuo-Hui, Mr. Chen Sun-Te, Mr. Chen Johnny being eligible, will offer himself for re-election. There is no service contract entered into between each of Mr. Chen Kuo-Hui, Mr. Chen Sun-Te, Mr. Chen Johnny, and the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 14 May 2021 to Friday, 21 May 2021 (both days inclusive) in order to determine the entitlement of the shareholders of the Company to attend the forthcoming annual general meeting of the Company to be held on Friday, 21 May 2021, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 13 May 2021.

The register of members of the Company will be closed from Thursday, 27 May 2021 to Monday, 31 May 2021 (both days inclusive) in order to determine the entitlement of shareholders of the Company to receive the final dividend, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 26 May 2021.

Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 21 May 2021, the final dividend will be paid on or around Wednesday, 9 June 2021.

## **PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY**

The consolidated financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2019 or 2020 but is derived from those financial statements. The 2020 annual report of the Company will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at <http://www.uni-president.com.cn> in due course.

### **ACKNOWLEDGEMENT**

Our Group's steady growth is credited to every party's support and dedication. On behalf of the Board, I would like to express our sincere gratitude to customers, suppliers, business partners, financial institutions and shareholders for their support, especially for all our colleagues' efforts and contributions in the past year.

On behalf of the Board  
**Uni-President China Holdings Ltd.**  
**Lo Chih-Hsien**  
*Chairman*

19 March 2021

*As at the date of this announcement, the Board comprised Mr. Lo Chih-Hsien and Mr. Liu Xinhua as executive Directors; Mr. Chen Kuo-Hui and Mr. Su Tsung-Ming as non-executive Directors; and Mr. Chen Sun-Te, Mr. Chen Johnny, Mr. Fan Ren-Da, Anthony and Mr. Lo Peter as independent non-executive Directors.*