Dali Foods Group Company Limited
達利食品集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3799)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The board (the "**Board**") of directors (the "**Directors**") of Dali Foods Group Company Limited (the "**Company**" or "**Dali**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the year ended December 31, 2020, together with the comparative figures for the year 2019.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2020	2019	
	RMB'000	*RMB'000*	*% change*
Revenue	**20,961,708**	21,375,248	-1.9%
Gross profit	**8,240,896**	8,491,463	-3.0%
Gross profit margin	**39.3%**	39.7%	-0.4 percentage point
EBITDA	**5,897,109**	5,889,609	0.1%
Net profit	**3,848,653**	3,840,571	0.2%
Net profit margin	**18.4%**	18.0%	0.4 percentage point
Earnings per share	**RMB0.28**	RMB0.28	0.2%

DIVIDEND

The Board has resolved to declare payment of a final dividend of HK$0.085 per ordinary share for the year ended December 31, 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

		For the year ended December 31,	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4(a)*	**20,961,708**	21,375,248
Cost of sales	*5(a)*	**(12,720,812)**	(12,883,785)
Gross profit		**8,240,896**	8,491,463
Other income and gains	*4(b)*	**1,036,617**	886,733
Selling and distribution expenses		**(3,555,237)**	(3,677,450)
Administrative expenses		**(606,092)**	(553,032)
Finance costs	*6*	**(9,574)**	(1,413)
PROFIT BEFORE TAX	*5*	**5,106,610**	5,146,301
Income tax expense	*7*	**(1,257,957)**	(1,305,730)
PROFIT FOR THE YEAR		**3,848,653**	3,840,571
Attributable to:			
Owners of the parent		**3,848,653**	3,840,571

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	For the year ended December 31, **2020** *RMB'000*	2019 *RMB'000*
PROFIT FOR THE YEAR		**3,848,653**	3,840,571
OTHER COMPREHENSIVE INCOME			
Exchange differences:			
Exchange differences on translation of foreign operations		**(20,367)**	5,889
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(20,367)**	5,889
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(20,367)**	5,889
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,828,286**	3,846,460
Attributable to:			
Owners of the parent		**3,848,653**	3,840,571
Total comprehensive income attributable to:			
Owners of the parent		**3,828,286**	3,846,460
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
— For profit for the year		**RMB0.28**	RMB0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Notes	**As at December 31, 2020** *RMB'000*	As at December 31, 2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,111,010**	5,141,506
Investment property		**225,664**	233,762
Right-of-use assets		**691,425**	608,746
Intangible assets		**1,171**	1,994
Prepayments		**87,184**	96,045
Deferred tax assets		**62,552**	64,218
Total non-current assets		**6,179,006**	6,146,271
CURRENT ASSETS			
Inventories		**1,074,604**	1,262,355
Trade and bills receivables	*10*	**899,559**	736,874
Prepayments and other receivables		**632,368**	709,703
Pledged deposits		**100,072**	141
Cash and bank balances		**13,825,147**	11,092,268
Total current assets		**16,531,750**	13,801,341
CURRENT LIABILITIES			
Trade and bills payables	*11*	**983,987**	1,347,768
Other payables and accruals		**1,596,871**	1,572,753
Interest-bearing bank borrowings		**1,917,681**	–
Lease liabilities		**17,844**	19,289
Tax payable		**270,252**	236,984
Total current liabilities		**4,786,635**	3,176,794
NET CURRENT ASSETS		**11,745,115**	10,624,547
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,924,121**	16,770,818
NON-CURRENT LIABILITIES			
Lease liabilities		**32,378**	474
Deferred income		**358,307**	370,925
Deferred tax liabilities		**68,000**	122,793
Total non-current liabilities		**458,685**	494,192
NET ASSETS		**17,465,436**	16,276,626
EQUITY			
Equity attributable to owners of the parent			
Share capital		**112,712**	112,712
Reserves		**17,352,724**	16,163,914
Total equity		**17,465,436**	16,276,626

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Dali Foods Group Company Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the manufacture and sale of food and beverage in Mainland China.

In the opinion of the Company's directors (the "**Directors**"), the holding company of the Company is Divine Foods Limited (the "**Parent**"), a company established in the British Virgin Islands ("**BVI**"). The controlling shareholders of the Company are Mr. Xu Shihui, Ms. Chen Liling, Ms. Xu Yangyang, Divine Foods Limited, Divine Foods-1 Limited, Divine Foods-2 Limited, Divine Foods-3 Limited, Hi-Tiger Limited and Xu's Family Trust (together known as the "**Controlling Shareholders**").

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments 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 for the year ended December 31, 2020. 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 of such control ceases.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of Preparation *(continued)*

Basis of consolidation (continued)

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

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

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

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2. **SUMMARY OF MATERIAL ACCOUNTING POLICIES** *(continued)*

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have significant impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have significant impact on the financial position and performance of the Group as the Group does not have significant interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on January 1, 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended December 31, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

[1] Effective for annual periods beginning on or after January 1, 2021

[2] Effective for annual periods beginning on or after January 1, 2022

[3] Effective for annual periods beginning on or after January 1, 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from January 1, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 HKFRS 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. The amendments are effective for annual periods beginning on or after January 1, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate as at December 31, 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

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

(a) Manufacture and sale of household consumption;

(b) Manufacture and sale of snack food;

(c) Manufacture and sale of ready-to-drink beverage; and

(d) Others.

The "Others" segment comprises the sale of packing materials in relation to the production of food and beverage, and rental income from the investment property's prime office space.

Management monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Year ended December 31, 2020	**Household consumption** *RMB'000*	**Snack food** *RMB'000*	**Ready-to-drink beverage** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue ***(note 4)***					
Sales to external customers	**2,963,312**	**10,213,400**	**6,175,648**	**1,594,901**	**20,947,261**
Other revenue	**–**	**–**	**–**	**14,447**	**14,447**
					20,961,708
Segment gross profit	**1,391,215**	**3,852,449**	**2,955,755**	**41,477**	**8,240,896**
Reconciliation:					
Other income and gains					**1,036,617**
Selling and distribution expenses					**(3,555,237)**
Administrative expenses					**(606,092)**
Finance costs					**(9,574)**
Profit before tax					**5,106,610**
Other segment information					
Depreciation and amortisation	**146,052**	**163,587**	**344,710**	**9,468**	**663,817**
Capital expenditure*					
Allocated	**282,527**	**234,731**	**191,966**	**1,370**	**710,594**
Unallocated					**47,948**
					758,542

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

Year ended December 31, 2019	Household consumption *RMB'000*	Snack food *RMB'000*	Ready-to-drink beverage *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*					
Sales to external customers	2,656,546	10,153,891	7,141,644	1,412,118	21,364,199
Other revenue	–	–	–	11,049	11,049
					21,375,248
Segment gross profit	1,315,810	3,794,956	3,335,513	45,184	8,491,463
Reconciliation:					
Other income and gains					886,733
Selling and distribution expenses					(3,677,450)
Administrative expenses					(553,032)
Finance costs					(1,413)
Profit before tax					5,146,301
Other segment information					
Depreciation and amortisation	118,011	167,011	365,047	9,719	659,788
Capital expenditure*					
Allocated	588,257	172,793	231,620	2,688	995,358
Unallocated					45,695
					1,041,053

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, investment property and intangible assets.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of food and beverage in Mainland China and over 90% of the Group's non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about a major customer

Since no revenue from sales to a single customer of the Group amounted to 10% or more of the Group's total revenue, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

(a) Revenue:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**20,947,261**	21,364,199
Revenue from other sources		
Gross rental income from investment property operating leases	**14,447**	11,049
	20,961,708	21,375,248

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2020

Segments	**Household consumption**	**Snack food**	**Ready-to-drink beverage**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods					
Sale of goods	**2,963,312**	**10,213,400**	**6,175,648**	**1,594,901**	**20,947,261**
Timing of revenue recognition					
Goods transferred at a point in time	**2,963,312**	**10,213,400**	**6,175,648**	**1,594,901**	**20,947,261**

For the year ended December 31, 2019

Segments	Household consumption	Snack food	Ready-to-drink beverage	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods					
Sale of goods	2,656,546	10,153,891	7,141,644	1,412,118	21,364,199
Timing of revenue recognition					
Goods transferred at a point in time	2,656,546	10,153,891	7,141,644	1,412,118	21,364,199

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

(a) Revenue: *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon receipt of the food and beverage and payment is generally due within 30 to 90 days from receipt, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

(b) Other income and gains

	2020	2019
	RMB'000	*RMB'000*
Bank interest income *(note 5(c))*	**544,150**	457,750
Government grants*	**429,120**	342,604
Income from sales of scrap, net	**62,243**	69,055
Gain on disposal of items of property, plant and equipment	**605**	371
Foreign exchange differences, net	**–**	16,709
Others	**499**	244
	1,036,617	886,733

* Government grants include various subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion and efficiency enhancement. There are no unfulfilled conditions or contingencies related to these grants.

5. PROFIT BEFORE TAX

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

		2020 *RMB'000*	2019 *RMB'000*
(a)	**Cost of sales:**		
	Cost of inventories sold	**10,694,963**	10,905,556
(b)	**Employee benefit expenses (including directors' and chief executive's remuneration):**		
	Wages and salaries	**2,067,971**	1,997,316
	Pension scheme contributions, social welfare and other welfare	**235,880**	236,275
		2,303,851	2,233,591
(c)	**Other items:**		
	Depreciation of property, plant and equipment	**737,810**	699,786
	Depreciation of investment property	**9,468**	9,719
	Depreciation of right-of-use assets	**32,824**	31,244
	Amortisation of intangible assets	**823**	1,146
	Promotion and advertising expenses	**1,993,466**	2,122,478
	Auditor's remuneration	**4,500**	4,500
	Research and development costs	**65,352**	62,030
	Foreign exchange differences, net	**11,412**	(16,709)
	Bank interest income *(note 4(b))*	**(544,150)**	(457,750)
	Net loss on disposal of items of property, plant and equipment	**2,180**	2,449
	Government grants *(note 4(b))*	**(429,120)**	(342,604)
	Impairment of trade and bills receivables	**497**	1,434
	Impairment of inventories	**295**	1,268

The depreciation of property, plant and equipment, investment property and right-of-use assets, and amortisation of right-of-use assets and intangible assets are included in "administrative expenses", "selling and distribution expenses" and "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

Research and development costs are included in "administrative expenses" and "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**9,053**	–
Interest on lease liabilities	**521**	1,413
	9,574	1,413

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

Under the Income Tax Law of the People's Republic of China (the "**PRC**"), the Company's subsidiaries that are established in the PRC are subject to income tax at a base rate of 25%, except for some subsidiaries which are subject to income tax at a preferential rate of 15% in different periods between January 1, 2014 and December 31, 2030.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. In addition, under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. For the Group, the applicable rate is 5%. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since January 1, 2008.

The major components of income tax expense are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
Income tax in PRC for the year	**1,311,084**	1,193,496
Deferred tax	**(53,127)**	112,234
Total tax charge for the year	**1,257,957**	1,305,730

7. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**5,106,610**	5,146,301
Tax at the statutory tax rate (25%)	**1,276,653**	1,286,575
Effect of tax relief enjoyed by certain subsidiaries	**(120,029)**	(125,540)
Effect of tax concessions and exemption	**(4,749)**	–
Tax losses utilised from previous periods	**(4,103)**	–
Income not subject to tax*	**(9,591)**	(16,023)
Expenses not deductible for tax	**1,282**	1,666
Unrecognised tax losses	**11,717**	12,028
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**106,777**	147,024
Tax charge at the Group's effective rate	**1,257,957**	1,305,730

* Income not subject to tax mainly includes the profit from the primary agricultural product processing, which is exempted from income tax in accordance with the PRC tax law.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 13,694,117,500 (2019: 13,694,117,500) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2020 and 2019.

The calculation of basic and diluted earnings per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,848,653**	3,840,571

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**13,694,117,500**	13,694,117,500
Earnings per share		
Basic and diluted *(RMB)*	**0.28**	0.28

9. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Interim — HKD0.075 (2019: HKD0.168) per ordinary share	**902,744**	2,076,233
Proposed final — HKD0.085 (2019: HKD0.140) per ordinary share	**986,228**	1,736,732
	1,888,972	3,812,965

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**904,950**	740,189
Bills receivable	**2,500**	4,079
Impairment	**(7,891)**	(7,394)
	899,559	736,874

The credit periods range from 30 to 90 days. The ageing analysis of 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:

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**841,332**	670,371
91 to 180 days	**48,399**	47,196
181 to 365 days	**9,828**	19,307
	899,559	736,874

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**7,394**	5,960
Impairment losses *(note 5(c))*	**497**	1,434
At end of year	**7,891**	7,394

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighed outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Bills receivable are bank acceptance bills that are unconditionally accepted by banks within the maturity period, and there is no loss allowance for impairment of bills receivable.

10. TRADE AND BILLS RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2020

	Within 90 days	**91 to 180 days**	**181 to 365 days**	**Total**
Expected credit loss rate	**0.59%**	**1.05%**	**19.57%**	**0.87%**
Gross carrying amount *(RMB'000)*	**846,347**	**46,384**	**12,219**	**904,950**
Expected credit losses *(RMB'000)*	**5,015**	**485**	**2,391**	**7,891**

As at December 31, 2019

	Within 90 days	91 to 180 days	181 to 365 days	Total
Expected credit loss rate	0.93%	2.31%	0.22%	1.00%
Gross carrying amount *(RMB'000)*	672,528	48,311	19,350	740,189
Expected credit losses *(RMB'000)*	6,236	1,115	43	7,394

11. TRADE AND BILLS PAYABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade payables	**817,407**	938,368
Bills payable	**166,580**	409,400
	983,987	1,347,768

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the transaction date, is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Within 90 days	**827,297**	937,946
91 to 365 days	**148,664**	402,461
1 to 2 years	**4,457**	2,346
Over 2 years	**3,569**	5,015
	983,987	1,347,768

Certain bills payable were secured by the pledge of the Group's short-term deposits of RMB100,000,000 at December 31, 2020 (December 31, 2019: Nil).

The trade payables are non-interest-bearing and are normally settled within 30 days. The bills payable are non-interest-bearing and are normally settled within 365 days.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, China's economy demonstrated resilience despite the widespread impact of the COVID-19 pandemic on the global economy. In 2020, China's GDP grew by 2.3%, exceeding RMB100 trillion for the first time. Despite a decline of 3.9% for the year, total retail sales of consumer goods resumed positive growth for consecutive months since the third quarter owing to the rapid rebound of China's economy. Although the pandemic has considerably impacted the lifestyle of people and the food industry, consumers' pursuit of food quality, health and nutrition has also been stimulated. This has accelerated industry upgrading and increased industry concentration, thus highlighting the value of the leading brands. As the domestic and foreign political and economic environment stabilizes, domestic demand will further recover, while the consumption pattern during the pandemic will transform into new development momentum, promoting the iterated evolution of consumer goods industry, and the trend of market concentration with strong players getting stronger will be more prominent.

In 2020, the COVID-19 pandemic has profoundly changed the way people live and consume. On one hand, with the prolonged time at home during the pandemic, enormous demands for main meal food were released, bringing huge development opportunities to the short shelf-life bread market, and the market growth prospect has become clearer. Since its launch in 2018, Meibeichen has achieved a nationwide layout of production bases, sales networks and logistics networks. In 2020 Meibeichen built on its existing foundation to comprehensively boost its network coverage and supply chain development, further strengthened its core competitiveness and rapidly increased its market share. On the other hand, the pandemic has enhanced consumers' health consciousness, cementing the pursuit of healthy, green and nutritious food as a long-term trend in the market. Characterized by natural health benefits and suitability for household consumption, plant-based protein products enjoy clear growth drivers and huge market potential in China. Against this market backdrop, the Group is confident in establishing plant-based protein as a new leading segment of the Group. As a leading brand of packaged soy milk, Doubendou continued to promote full channel penetration, multi-scenarios layout and stratified pricing in 2020, laying a solid foundation for further industrialization. As the key players in the household consumption industry, Meibeichen and Doubendou recorded overall sales of RMB2.963 billion, accounting for 14.1% of the total sales of the Group, thereby consolidating their leading position in the industry in 2020.

In response to the growing trend of divergent consumer habits, the Group has accelerated the research and development of new products and enriched its product portfolio, striving to become a leader in the trend of consumption upgrade. In terms of the snack food industry, the Group established a refined business segment in 2020, and upgraded its products to meet the diversified needs of the target groups of high spending power and younger generations with more diverse tastes and flavors and more sophisticated packaging designs. In terms of the household consumption industry, the Group has developed a variety of new products, including short shelf-life bread, soy milk and yogurt to meet the needs of different consumption scenarios through various flavors and packaging. Among them, "Flogurt" is the first domestic room temperature plant-based yogurt which caters for the current demand of consumption upgrade with its outstanding craftsmanship, delicious flavors and healthy ingredients.

In line with market trends, the Group implemented an all-encompassing expansion to consolidate its advantages in traditional channels, increase penetration of modern channels, significantly increase e-commerce sales, establish groundworks for community group purchases and further improve channel efficiency. In particular, the e-commerce segment covered all top e-commerce platforms and accelerated the development on emerging content e-commerce platforms in terms of the channel expansion, and precisely matched products and marketing resources to rapidly increase sales, recording a sales growth of 45.2% in the e-commerce segment, accounting for 6.8% of the Group's overall sales of food and beverage. In the future, the Group will continue optimize its customer resources, enhance its professional team and actively seek for emerging channels development opportunities to inject new momentum into its business development.

Looking ahead, the application of new consumption scenarios and new models will continue to create tremendous business opportunities, and the Group will also create new growth drivers through continuous improvement. The Group will firmly grasp the huge business opportunities brought by the household consumption industry and promote plant-based protein as the Group's new leading segment. It will consolidate its position in the snack food and ready-to-drink beverage industries, so that the three major segments of snack food, ready-to-drink beverage and household consumption can advance together. The Group will utilize differentiated products and star products under its seven major brands to cultivate channels, strengthen brand building and continuously increase market coverage. The Group will also expand the business team dedicated to emerging channels to continuously explore their market potential. The Group believes that the industry strategy and management system will be clearer after the pandemic, which will lay the foundation for healthy growth of the overall results in the future.

In 2020, the Group's revenue reached RMB20.962 billion, representing a year-on-year decrease of 1.9%. Meanwhile, revenue grew significantly in the second half of the year, representing a year-on-year increase of 5.4%. The revenue of household consumption segment increased year-on-year by 11.5% to RMB2.963 billion, while the revenue of snack food segment increased year-on-year by 0.6% to RMB10.213 billion and the revenue of ready-to-drink beverage segment decreased year-on-year by 13.5% to RMB6.176 billion. The gross profit amounted to RMB8.241 billion, representing a year-on-year decrease of 3.0%. The gross profit of household consumption, snack food and ready-to-drink beverage segments were RMB1.391 billion, RMB3.852 billion and RMB2.956 billion, respectively, representing year-on-year increase of 5.7%, increase of 1.5% and decrease of 11.4%, respectively. The Group's overall gross profit margin was 39.3%, representing a decrease of 0.4 percentage point as compared with last year; profit before tax was RMB5.107 billion, representing a year-on-year decrease of 0.8%; and net profit increased by 0.2% year-on-year to RMB3.849 billion, with a net profit margin of 18.4%, representing an increase of 0.4 percentage point. Cash flow remained strong, with cash increasing by RMB1.433 billion for the year and net cash reaching RMB12.375 billion, representing an increase of 12.9% as compared with the end of 2019.

HOUSEHOLD CONSUMPTION INDUSTRY

In the first half of the year, sales growth in the household consumption industry was sluggish due to the shutdown of factories and logistic systems under the impact of the COVID-19 pandemic in the first quarter, but saw a strong growth momentum in the second half of the year. Overall sales revenue increased by 11.5% to RMB2.963 billion in 2020 from RMB2.657 billion in 2019. In particular, after a year of team building, the sales team, distributor team and key establishments of the household consumption industry have been further strengthened and equipped with strong execution and quick response capabilities, laying the foundation for the next phase of market development.

- **Short Shelf-life Bread**

  Intensified urbanization and quicker pace of life have boosted the demand for convenient breakfast, driving the sustained rapid growth of the short shelf-life bread market. After two years of market development, Meibeichen has become a leading national brand in the short shelf-life bread market.

  As of 2020, the Group has established over 130,000 retail terminals by setting up 18 factories to cover markets of all provincial capitals and key prefecture-level cities and a logistic system with countrywide coverage. In 2020, we utilized our capabilities of multiple category operation and cross-region development to focus on increasing our scale, thus achieving rapid market expansion, quality enhancement of terminal outlets and steady improvement in profitability. Five specific measures were implemented: (i) On top of continuous expansion of the size of distributors, we strengthened team building to develop a mature distributor team; (ii) we expanded network coverage, strengthened network penetration rate and improved the quality of network sales; (iii) we optimized delivery network and improved distribution efficiency in order to meet the requirements of distribution frequency and continuously improve return rate; (iv) we optimized product selection and built a diverse product portfolio; and (v) we optimized costs and expenses and steadily improved profitability.

  Looking forward, we will build on the solid foundation to continue to strengthen our nationwide layout, expand the scale of our infrastructure and achieve rapid and large-scale development, with a view to becoming the most influential short shelf-life food brand in China.

- **Soy Milk**

  With natural health benefits and suitability for household consumption, plant-based protein products have once again garnered industry-wide attention this year as consumers' health awareness increased after the pandemic. According to Euromonitor, the market size of plant-based protein beverage in China was RMB53.7 billion in 2019, with soy milk being the fastest growing segment. The market size of packaged soy milk was RMB12.4 billion in 2019, representing a compounded growth of 12% over the past five years. Online sales were particularly encouraging as relevant data showed that sales of plant-based protein beverage on Alibaba's e-commerce platform registered a nearly 10 times growth in 2020, far outperforming other beverage categories.

After about four years of brand building, Doubendou continues to enrich its product portfolio, develop star products, improve its channel network, and provide guidance and education so that consumers know more about the liquid packaged soy milk, which is of high quality, highly nutritious with no additives and can be kept at room temperature. According to Euromonitor, the market share of Doubendou in China's soy milk sector in 2019 was 15%, making it a leading brand in the industry.

In terms of product portfolio, Doubendou has substantially completed the construction of its product structure to fully cover every price band, different consumer groups and consumption scenarios. The four product series, namely organic soy milk, pure soy milk, original soy milk and Weizhen soy milk, have formed a differentiated price band covering the high-end, mid-range and mass markets to meet the needs of specific consumer groups and consumption scenarios. In particular, Weizhen soy milk has been well received by many consumers for its desirable price/performance ratio and has achieved remarkable results in traditional channels, modern channels and e-commerce channels in 2020. In terms of new product promotion, the Group recognized consumers' demand for plant-based protein beverages in various scenarios and launched Flogurt, the first plant-based yogurt kept at room temperature in China, in early 2021. Through the nationwide rollout and large-scale sales of Weizhen soy milk and Flogurt plant-based yogurt, Doubendou continued to expand its consumer base and strengthen brand education, laying the foundation for other product lines to further open up the market.

In terms of team and channel building, with four years of experience under its belt, Doubendou's independent sales team has obtained strong execution and quick response capabilities. In 2020, the sales team implemented differentiated channel management for each product line to improve channel control and achieve full channel expansion in line with market trends. In addition, it further developed model markets and key markets in the national market and continuously optimized regional sales quality in order to lay a solid foundation for industrial development.

Looking forward, Doubendou will continue to develop star products and enrich product flavors, packaging and specifications to capture the ever-changing market needs and opportunities, while putting extensive channel resources into suitable products to achieve effective market penetration. In addition, it will continue to expand its consumer base, making quick strides towards the goal of "RMB10 billion revenue" for the brand and building the leading plant-based protein industry in China.

SNACK FOOD INDUSTRY

As a leading enterprise in the snack food sector in China, the Group has a leading market share with its rich product portfolio and extensive channel network. There are three categories of snack food products under the Group: bakery, potato puffed food and biscuits. Through a wide range of SKUs (stock keeping units) and continuous product innovation, the Group is capable of catering to product preferences of various local consumer markets and fully satisfying the consumption demands from different groups and various scenarios. In terms of channel network, with the depth and breadth of the Group's channel network, the distribution of its products across the nation extends to town and village level, thereby establishing a strong channel barrier.

With the continuous development of the consumer market, consumer groups are increasingly sophisticated in pursuit of customization and differentiation, showing different consumption patterns and channel preferences. The Group is mindful of this trend and has been refining its channel management and new product launch to further increase its operational efficiency, thereby driving revenue and gross profit growth. Despite the impacts of the pandemic in the first half of the year, the snack food segment saw a significant growth in the second half of the year, with sales revenue from the snack food industry increasing by 0.6% from RMB10.154 billion in 2019 to RMB10.213 billion in 2020. Sales and profit will continue to trend upward as the value of the refined snack food industry becomes more prominent and the channel reform bears greater fruits.

- **Bakery**

  Bakery is the largest category in the snack food industry in China. According to the statistics of Euromonitor, the market capacity of bakery exceeded RMB230 billion in 2019, and Daliyuan was the leading brand in the bakery sector in China with the largest market share in the industry. In terms of products, Daliyuan offers a wide range of products, including bread, cakes, swiss rolls, pies, traditional pastries and novelty pastries. In 2020, the Group carried out product expansion surrounding its core and best-selling products. For instance, a series of additional products, such as pies and cakes, was launched in the fourth quarter. Through unique positioning and packaging of products, the Group was able to satisfy consumers' demand for healthy products, thereby increasing their repeat purchase rate. In terms of channel, the Group further strengthened the advantages of its traditional channels with existing products and achieved excellent sales results through differentiated products and precise positioning in modern channels and e-commerce channels.

  At present, the domestic bakery market is still relatively fragmented and there is ample room for consolidation. As more and more consumers value brand trustworthiness after the COVID-19 pandemic, top brands are set to expand market share at a faster pace. Due to the dual tailwinds of market environment, Daliyuan will continue to consolidate its existing advantages, promote new products as replacement for old ones and improve channel efficiency in order to continuously boost the revenue scale and gross profit level.

- **Potato Puffed Food**

  As the leading domestic potato chips brand in China, Copico has built strong brand advantages through packaging upgrade and efficient use of various marketing efforts, enjoying a good reputation among young consumers. In 2020, the Group increased its investment in innovative marketing to continuously raise the influence of Copico among young consumers. First, as a supplement to new products, packages featuring Dunhuang elements, which are in line with the current market trend of vintage fashion, have been launched in order to deliver a fun and fashionable brand image. Second, we used a variety of innovative channels to achieve full online and offline coverage, for example, by interacting with young consumers through rap music documentaries that resonate with the brand tone of Copico, hot topics on TikTok and customized songs, thus further playing out the brand value.

  Looking forward, Copico will continue to invest in brand marketing to stay vibrant and fresh and adopt differentiated packaging that fits the sales of multiple channels, thereby continuously increasing Copico's market share.

- **Biscuit**

  As a household name in China's market, Haochidian has great brand awareness, with a comprehensive product portfolio covering a variety of consumption scenarios and consumption groups. In 2020, Haochidian launched a number of upgraded and original products for young consumers, including but not limited to two-color cookie, an upgrade from Zhenhao cookie, and the newly launched Suda series. The upgraded products and original products met the diversified needs of the target consumer groups in terms of appearance, texture and flavor and were well received by the market. The Group has established a sound collection of sub-brands, including children's snack market, mass consumption group and high-end sub-markets. Through exploration of sub-markets, Haochidian has further improved its product positioning, expanded its consumer base, and provided consumers with more consumption choices.

  Looking forward, Haochidian will work on product positioning, channel and team to strengthen its core competitiveness, promote brand upgrade, increase mid-to-high-end market penetration and bring higher profit margins to the Group.

READY-TO-DRINK BEVERAGE INDUSTRY

Ready-to-drink beverage industry mainly consists of Hi-Tiger energy drinks, Heqizheng herbal tea and other beverage businesses. In 2020, the COVID-19 pandemic shut down travel and outdoor consumption scenarios and posed certain challenges to the ready-to-drink beverage market. In the face of the pandemic, the Group reacted swiftly and strictly managed the inventory level and controlled the price system. In particular, as the pandemic subsided in the second half of the year, the Group actively explored new channel growth opportunities and innovative marketing tools, resulting in stable sales for the overall segment. The sales revenue of the Group's ready-to-drink beverage industry dropped by 13.5% from RMB7.142 billion in 2019 to RMB6.176 billion in 2020.

In terms of new product launches, the Group launched a new generation of milk tea products — soy milk tea in November to meet the demand for consumption upgrades in view of the huge market potential for milk tea, especially the strong demand for new milk tea from young consumers. Soy milk tea is an innovative tea drink available nationwide and is highly appreciated by consumers. Looking forward, the Group believes that there is still a gap in the per capita consumption of the ready-to-drink beverage industry between China and developed countries. As such, there is still room for improvement in the market in the future. The Group will continue to capture the industry trend of high-end and health-oriented development and push for new innovations to drive sales growth.

- **Energy Drinks**

  In 2020, although the decline in outdoor activities has brought certain impacts on energy drinks, the Group managed to achieve stable sales in the segment in the second half of the year by strengthening its terminal control and channel efficiency, as well as formulating effective marketing strategies. In terms of channel management, the Group has set up its own team, putting meticulous effort into its terminal sales outlets with a focus on the six major consumption scenarios, i.e., schools, stations, sports venues, entertainment venues, offices and emerging venues. On the other hand, the Group has cemented its market position in high-tier cities through target development in key cities. Riding on the brand effect to facilitate the top-down approach for its channels, the Group has increased its market penetration rate. On account of the professional brand image of Hi-Tiger, the team has participated in developing a thorough sales plan for its terminal network outlets, devised marketing activities and designed product displays to enhance channel efficiency.

  According to data from third parties, the per capita spending on and consumption of energy drinks in China is only one-tenth of that in the United States. With the expansion of consumer base and the top-down approach for its channels, the segment presents great potential for future development. The Group will proactively seize development opportunities and fully exploit the advantages of its channels, together with targeted brand marketing and offline scenario marketing, to continuously drive the growth of sales scale of Hi-Tiger.

- **Herbal Tea**

  In 2020, the traditional channel and catering channel of the herbal tea segment were significantly affected by the decline of traffic flow and the number of people dining out after the pandemic.

  In response to this challenge, the Group has made proactive adjustments to the herbal tea segment in terms of packaging. The Group recognizes that with the rise of national brands, the vintage fashion is prevalent in the consumer market. In this sense, herbal tea, as a traditional Chinese beverage, is naturally fit for this popular element. Riding on this popular trend, Heqizheng has introduced packagings in vintage style to maintain the novelty of the brand. On the other hand, the Group has strengthened its product promotion by targeting various consumption scenarios such as gifts, single serving and shared use. Underpinned by various marketing efforts, Heqizheng's sales trend improved significantly in the second half of the year as compared with that in the first half of the year.

  In the future, Heqizheng will continue to optimize its resource input and explore opportunities in high-growth specialty channels in a bid to achieve healthy sales growth.

OTHER FINANCIAL INFORMATION

- **Selling and Distribution Expenses**

  Selling and distribution expenses of the Group decreased by 3.3% from RMB3.677 billion in 2019 to RMB3.555 billion in 2020. Such expenses as a percentage of revenue slightly decreased as compared with 2019 to 17.0%, which was mainly attributable to the decrease of advertisement and promotion fee.

- **Administrative Expenses**

  Administrative expenses of the Group increased by 9.6% from RMB553 million in 2019 to RMB606 million in 2020. Such expenses as a percentage of revenue increased from 2.6% in 2019 to 2.9% in 2020. This was mainly attributable to the increase in administrative expenses related to the pandemic outbreak in 2020, including donations for prevention and control of the pandemic, as well as the increase in labor costs due to higher average salaries.

- **Cash and Borrowings**

  The Group meets its liquidity needs mainly through cash flow generated from operation. The total value of the Group's pledged deposits, cash and bank deposits increased from RMB11.092 billion as at December 31, 2019 to RMB13.925 billion as at December 31, 2020. The increase was mainly due to the Group's net operating cash inflow of RMB4.224 billion in 2020, and cash outflow from capital expenditure on acquisition of fixed assets and land of RMB0.759 billion.

  As at December 31, 2020, the balance of short-term loans of the Group amounted to RMB1.918 billion, of which 78.2% was denominated in RMB (December 31, 2019: Nil). Benefiting from various domestic macroeconomic policies and the supporting policies for the post-pandemic real economy from various financial institutions, the Group obtained corporate phased preferential policies loan to replenish working capital and reserve low-cost cash for potential merger and acquisition opportunities.

  As at December 31, 2020, the Group's gearing ratio was 23.1%. The gearing ratio is the total liabilities divided by equity plus total liabilities. The increase in gearing ratio from 18.4% as at December 31, 2019 was mainly due to the addition of short-term loans of the Group in 2020.

- **Inventories**

  The Group's inventories decreased by 14.9% from RMB1.262 billion as at December 31, 2019 to RMB1.075 billion as at December 31, 2020. It was mainly because the Group effectively controlled material inventories in response to market sales conditions. The inventory turnover days were 33.1 days in 2020, essentially the same as 33.5 days in 2019.

- **Trade and Bills Receivables**

  The Group's trade and bills receivables increased by 22.1% from RMB0.737 billion as at December 31, 2019 to RMB0.900 billion as at December 31, 2020. The increase in receivables was mainly as a result of the impact of the pandemic, the Group eased the credit terms for certain modern channel distributors in order to support distributors. The trade and bills receivables turnover days increased from 12.2 days in 2019 to 14.1 days in 2020.

- **Trade and Bills Payables**

  The Group's trade and bills payables decreased by 27.0% from RMB1.348 billion as at December 31, 2019 to RMB0.984 billion as at December 31, 2020, mainly attributable to the fact that the Group strengthened the control on inventory purchase in response to market sales conditions and the trend of raw material prices, and some of the bank acceptance bills were due for settlement at the end of the year. The trade and bills payables turnover days increased from 32.0 days in 2019 to 33.0 days in 2020.

- **Foreign Currency Risk**

  The Group's businesses are located in Mainland China and as such nearly all transactions are conducted in RMB. As nearly all of the assets and liabilities of the subsidiaries of the Company in Mainland China were denominated in RMB, the subsidiaries of the Company in Mainland China were not subject to significant foreign currency risk. As at December 31, 2020, the Group's assets and liabilities denominated in HKD were mainly held by the Company and certain subsidiaries incorporated outside Mainland China and had currencies other than RMB as their functional currencies.

  The Company and these subsidiaries incorporated outside Mainland China also held bank balances denominated in RMB, from which foreign currency exposures arise. The Group has not undertaken any significant hedging activities.

- **Contingent Liabilities**

  As at December 31, 2020, the Group did not have any significant contingent liabilities.

- **Asset Pledge**

  As at December 31, 2020, the Group's short-term deposits amounting to RMB100 million (December 31, 2019: RMB0.14 million) have been pledged to secure its bills payable and letters of credit.

- **Use of Proceeds from the Listing**

  The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on November 20, 2015 with net proceeds from the global offering of approximately HKD8,665 million (after deduction of underwriting fees and commissions and estimated expenses payable in connection with the global offering). According to the intended use as set out in "Future Plans and Use of Proceeds" in the prospectus published on November 10, 2015 (the "**Prospectus**"), the amount utilized and the expected timetable of the use of the unutilized net proceeds as at December 31, 2020 were as follows:

Use of Proceeds from the Listing

Unit: HKD million

No.	Items	Percentage	Available	Utilised during the year ended December 31, 2020	Utilised as at December 31, 2020	Unutilised as at December 31, 2020	Expected timetable of the use of the unutilised net proceeds[(1)]
1	Development, introduction and promotion of new products	20%	1,733	306	1,501	232	It is expected to be fully utilised on or before December 31, 2021
2	Expansion and upgrade of production facility and manufacturing network	20%	1,733	–	1,733	–	N/A
3	Enhancing presence in sales channels and promoting brands	20%	1,733	–	1,733	–	N/A
4	Potential acquisitions and business cooperation	30%	2,600	–	–	2,600	It is expected to be fully utilised on or before December 31, 2024 [(2)]
5	Working capital and other general corporate purposes	10%	866	–	866	–	N/A
	Total	100%	8,665	306	5,833	2,832	

(1) The expected timetable of the use of the unutilised net proceeds is subject to the unprecedented uncertainty caused by the prevailing and future market conditions, business developments and supply and demand, owing to the global macro conditions and the COVID-19 pandemic. In light of the significant impact on the economy and business environment, we will continue updating and revisiting our plans.

(2) In terms of seeking potential acquisitions and business collaborations, since the listing of the Company in November 2015, the Company has been prudently evaluating potential target acquisitions to strengthen our position in the food and beverage industry by leveraging our national sales and distribution network in accordance with the intended use of the net proceeds as stated in the prospectus. The Group adheres to prudent financial management policies to maintain adequate cash flow and a healthy financial position. While strengthening internal growth, the Group will continue to focus on mergers and acquisitions and business collaboration opportunities in a bid to realise such opportunities and fully utilise the net proceeds allocated for such purposes on or before December 31, 2024. As at the date of this announcement, we have not entered into any legally binding definitive agreements concerning any of these opportunities. The Company will make further announcements in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as and when appropriate.

The Group will prudently use the balance of the proceeds. Should the Directors decide to substantially revise the intended use of the proceeds and reallocate the proceeds to other business plans and/or new projects of the Group, the Company will make further announcements in accordance with the Listing Rules in due course.

- **Capital Expenditures and Capital Commitments**

  The Group had capital expenditures of RMB0.759 billion in 2020, primarily used for (i) the construction of new plant and workshop and land acquisition; (ii) the acquisition of new product's production lines; and (iii) the equipment upgrades and renovation work in every production plant.

  As at December 31, 2020, the Group's capital commitments relating to property, plant and equipment were RMB0.297 billion, which were primarily used for (i) the construction of plant and workshop for new factories; and (ii) the equipment upgrades in every production plant.

- **Human Resources and Staff Remuneration**

  The Group always believes that talent is the core competitiveness of enterprises and regards employees as important strategic resources for corporate development. It has made active efforts in establishing a sound talent selection and training mechanism to improve employees' overall competitiveness and their sense of belonging to the Group. In 2020, the Group continued to introduce a large number of professional high-end talents, and actively identified talents from the existing employees and jointly established a training mechanism with key universities and colleges in China on a long-term basis. The Group established a tutor management system and a training management system, and a learning and development model such as visiting external model enterprises, formed a talent selection and promotion mechanism for competition for posts and performance appraisal, maintained the core competitiveness of corporate talents, and cultivated an experienced, stable and reliable management team. Meanwhile, the Group continued to optimise and upgrade our management structure, promote fine management, upgrade information management and strengthen the headquarters' control of the market, laying a solid foundation for the Group's sustainable development.

As at December 31, 2020, the Group had a total of 39,216 employees (as at December 31, 2019: 37,975 employees). The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. In addition to basic salaries, the Company provides various staff benefits to its employees. For the year ended December 31, 2020, the total employee benefits expenses (including Directors' remuneration) were RMB2.304 billion (for the year ended December 31, 2019: RMB2.234 billion), which was primarily attributable to the development of short shelf-life bread industry which resulted in the increase of relevant sales and production staff with the corresponding increase in remuneration.

PROSPECTS

Although the COVID-19 pandemic posed a short-term impact on consumer products industry, the long-term trend of a positive consumer market remains unchanged. The epidemic has caused the loss of certain consumption scenarios and a decline in consumer demands, but it has fostered new consumption demands and development opportunities. With deep insight into the changes identified in market trends and consumer demands, the Group will focus on consumers' quests for food quality, health and nutrition to seize the opportunities of innovative development in household consumptions and leisure consumptions for higher market shares.

As the economy becomes more stable in 2021, the Group continues to seize the opportunity for development and stimulate the growth momentum in every segment. In household consumption segment, the Group will speed up the large-scale layout process of Meibeichen, improve the quality of sales and increase market penetration. Also, we will strengthen the brand promotion of Doubendou so that consumers' preferences can be cultivated and conversed; star products will be made to facilitate the process of industrialisation of plant-based protein. As for the snack food segment, refined business segment development will be carried out comprehensively so that the prominence of our products and brands in the mid-to-high-end consumption market will be extended, which will further consolidate our leading position in the industry. As for the ready-to-drink beverage segment, the Group will make every effort on its terminal sales outlets and tighten its control on such terminal outlets to improve its brand image. In terms of widening our channels, we strongly support the strategic development of the e-commerce channels and actively expand emerging channels to realise high growth.

The Group will adhere to prudent financial management policies, maintain ample cash flow and a healthy financial position. While strengthening our own growth, the Group will continue to explore opportunities for mergers and acquisitions and external cooperation.

Looking forward, the Group will continue to produce quality products under a pragmatic yet proactive corporate culture. We will keep our faith to offer more delicious and healthy products for our customers. We will continue to strive for enormous returns for our shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Board considered that for the year ended December 31, 2020, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company has appointed Mr. Xu Shihui as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended December 31, 2020.

No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company during the year ended December 31, 2020.

AUDIT COMMITTEE

The annual results and the consolidated financial statements of the Group for the year ended December 31, 2020 have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in this preliminary announcement have been agreed by the Company's auditors, Ernst & Young, certified public accountants, to the amounts set out in the Group's 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 this preliminary announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Tuesday, May 18, 2021 and a notice convening the AGM will be published and despatched to the shareholders in due course.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.085 (equivalent to approximately RMB0.072) per ordinary share for the year ended December 31, 2020 (the "**2020 Final Dividend**"), representing a total payment of approximately HK$1,164,000,000 (equivalent to approximately RMB986,228,000). The payment of the 2020 Final Dividend is subject to the approval of the shareholders at the AGM.

Upon shareholders' approval to be obtained at the AGM, the 2020 Final Dividend is expected to be paid on Thursday, July 15, 2021 to the shareholders whose names appear on the register of members of the Company on Friday, May 28, 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, May 13, 2021 to Tuesday, May 18, 2021, both dates inclusive, during which period no transfer of shares of the Company will be registered, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the AGM. In order to qualify as shareholders to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, not later than 4:30 p.m. on Wednesday, May 12, 2021.

In addition, in order to determine the entitlement of the shareholders to receive the 2020 Final Dividend, the register of members of the Company will be closed from Tuesday, May 25, 2021 to Friday, May 28, 2021, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to receive the 2020 Final Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, not later than 4:30 p.m. on Monday, May 24, 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.dali-group.com). The annual report of the Company for the year ended December 31, 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders and made available on the above websites in due course.

On behalf of the Board of
Dali Foods Group Company Limited
Xu Shihui
Chairman

Hong Kong, March 29, 2021

As at the date of this announcement, the Board comprises Mr. XU Shihui, Mr. ZHUANG Weiqiang, Ms. XU Yangyang and Ms. HUANG Jiaying as executive Directors; Ms. XU Biying and Ms. HU Xiaoling as non-executive Directors; Mr. CHENG Hanchuan, Mr. LIU Xiaobin and Dr. LIN Zhijun as independent non-executive Directors.