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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, 2021

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, 2021, together with the comparative figures for the year 2020.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2021	2020	
	RMB'000	*RMB'000*	*% change*
Revenue	**22,294,000**	20,961,708	6.4%
Gross profit	**8,155,606**	8,240,896	-1.0%
Gross profit margin	**36.6%**	39.3%	-2.7 percentage points
EBITDA	**5,854,125**	5,897,109	-0.7%
Net profit	**3,725,225**	3,848,653	-3.2%
Net profit margin	**16.7%**	18.4%	-1.7 percentage points
Earnings per share	**RMB0.27**	RMB0.28	-3.2%

DIVIDEND

The Board has resolved to declare payment of a final dividend of HK$0.076 per ordinary share for the year ended December 31, 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

		For the year ended December 31,	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4(a)*	**22,294,000**	20,961,708
Cost of sales	*5(a)*	**(14,138,394)**	(12,720,812)
Gross profit		**8,155,606**	8,240,896
Other income and gains	*4(b)*	**1,428,745**	1,036,617
Selling and distribution expenses		**(3,884,073)**	(3,555,237)
Administrative expenses		**(628,358)**	(606,092)
Finance costs	*6*	**(86,241)**	(9,574)
PROFIT BEFORE TAX	*5*	**4,985,679**	5,106,610
Income tax expense	*7*	**(1,260,454)**	(1,257,957)
PROFIT FOR THE YEAR		**3,725,225**	3,848,653
Attributable to:			
Owners of the parent		**3,725,225**	3,848,653
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
— For profit for the year		**RMB0.27**	RMB0.28

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2021

		For the year ended December 31,	
		2021	2020
	Note	***RMB'000***	*RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**6,565**	(20,367)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**6,565**	(20,367)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**6,565**	(20,367)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,731,790**	3,828,286
Total comprehensive income attributable to:			
Owners of the parent		**3,731,790**	3,828,286

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Notes	As at December 31, 2021 RMB'000	As at December 31, 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,309,988**	5,111,010
Investment property		**216,504**	225,664
Right-of-use assets		**702,726**	691,425
Intangible assets		**1,152**	1,171
Prepayments		**365,228**	87,184
Deferred tax assets		**47,479**	62,552
Total non-current assets		**6,643,077**	6,179,006
CURRENT ASSETS			
Inventories		**1,194,257**	1,074,604
Trade and bills receivables	*10*	**1,371,487**	899,559
Prepayments and other receivables		**1,050,093**	632,368
Financial assets at fair value through profit or loss		**500,000**	–
Pledged deposits		**831**	100,072
Cash and bank balances		**16,645,709**	13,825,147
Total current assets		**20,762,377**	16,531,750
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,028,354**	983,987
Other payables and accruals		**1,190,383**	1,596,871
Interest-bearing bank borrowings		**5,272,601**	1,917,681
Lease liabilities		**18,501**	17,844
Tax payable		**205,450**	270,252
Total current liabilities		**7,715,289**	4,786,635
NET CURRENT ASSETS		**13,047,088**	11,745,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,690,165**	17,924,121
NON-CURRENT LIABILITIES			
Lease liabilities		**18,061**	32,378
Deferred revenue		**336,584**	358,307
Deferred tax liabilities		**99,496**	68,000
Total non-current liabilities		**454,141**	458,685
NET ASSETS		**19,236,024**	17,465,436
EQUITY			
Equity attributable to owners of the parent			
Share capital		**112,712**	112,712
Reserves		**19,123,312**	17,352,724
Total equity		**19,236,024**	17,465,436

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 SIGNIFICANT 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 financial assets at fair value through profit or loss 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, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

2.1 Basis of Preparation *(continued)*

Basis of consolidation (continued)

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.

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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond June 30, 2021* (early adopted)

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

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

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

(a) 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 risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of 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 Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") as at December 31, 2021. Since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

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

2. SUMMARY OF SIGNIFICANT 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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

2 Effective for annual periods beginning on or after January 1, 2023

3 No mandatory effective date yet determined but available for adoption

4 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

5 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* 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 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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, 2021	**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	**3,635,158**	**9,942,565**	**6,595,874**	**2,100,802**	**22,274,399**
Other revenue	**–**	**–**	**–**	**19,601**	**19,601**
					22,294,000
Segment gross profit	**1,563,263**	**3,398,934**	**3,150,399**	**43,010**	**8,155,606**
Reconciliation:					
Other income and gains					**1,428,745**
Selling and distribution expenses					**(3,884,073)**
Administrative expenses					**(628,358)**
Finance costs					**(86,241)**
Profit before tax					**4,985,679**
Other segment information					
Depreciation and amortization	**137,781**	**189,437**	**312,510**	**9,414**	**649,142**
Capital expenditure*					
Allocated	**559,659**	**379,118**	**307,224**	**253**	**1,246,254**
Unallocated					**92,807**
					1,339,061

3. OPERATING SEGMENT INFORMATION *(continued)*

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 amortization	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

* 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:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**22,274,399**	20,947,261
Revenue from other sources		
Gross rental income from investment property operating leases	**19,601**	14,447
	22,294,000	20,961,708

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2021

	Household consumption	**Snack food**	**Ready-to-drink beverage**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or services					
Sale of goods	**3,635,158**	**9,942,565**	**6,595,874**	**2,100,802**	**22,274,399**
Timing of revenue recognition					
Goods transferred at a point in time	**3,635,158**	**9,942,565**	**6,595,874**	**2,100,802**	**22,274,399**

For the year ended December 31, 2020

	Household consumption	Snack food	Ready-to-drink beverage	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods or services					
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

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

(a) **Revenue:** *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**510,855**	538,787

(ii) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the food and beverage and payment is generally due within 30 to 90 days from delivery. 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**

	2021	2020
	RMB'000	*RMB'000*
Bank interest income *(note 5(c))*	**676,505**	544,150
Government grants*	**672,319**	429,120
Income from sales of scrap, net	**75,819**	62,243
Gain on disposal of items of property, plant and equipment	**863**	605
Foreign exchange differences, net	**2,961**	–
Others	**278**	499
	1,428,745	1,036,617

* 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):

		2021	2020
		RMB'000	*RMB'000*
(a)	**Cost of sales:**		
	Cost of inventories sold	**12,061,018**	10,694,963
(b)	**Employee benefit expenses (including directors' and chief executive's remuneration):**		
	Wages and salaries	**2,219,730**	2,067,971
	Pension scheme contributions, social welfare and other welfare	**318,409**	235,880
		2,538,139	2,303,851
(c)	**Other items:**		
	Depreciation of property, plant and equipment	**738,853**	737,810
	Depreciation of investment property	**9,413**	9,468
	Depreciation of right-of-use assets	**33,149**	32,824
	Amortisation of intangible assets	**790**	823
	Promotion and advertising expenses	**2,116,738**	1,993,466
	Research and development costs	**69,292**	65,352
	Foreign exchange differences, net	**(2,961)**	11,412
	Bank interest income *(note 4(b))*	**(676,505)**	(544,150)
	Net loss on disposal of items of property, plant and equipment	**419**	2,180
	Government grants *(note 4(b))*	**(672,319)**	(429,120)
	Impairment of trade and bills receivables	**4,351**	497
	Impairment of inventories	**1,780**	295

The depreciation of property, plant and equipment, investment property and right-of-use assets, and amortisation of 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:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**84,129**	9,053
Interest on lease liabilities	**2,112**	521
	86,241	9,574

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% (2020: 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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. 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.

7. INCOME TAX *(continued)*

The major components of income tax expense are as follows:

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
Income tax in PRC for the year	**1,213,885**	1,311,084
Deferred tax	**46,569**	(53,127)
Total tax charge for the year	**1,260,454**	1,257,957

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:

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**4,985,679**	5,106,610
Tax at the statutory tax rate (25%)	**1,246,420**	1,276,653
Effect of tax relief enjoyed by certain subsidiaries	**(69,004)**	(120,029)
Effect of tax concessions and exemption	**(7,308)**	(4,749)
Tax losses utilised from previous periods	**(2,073)**	(4,103)
Income not subject to tax*	**(12,730)**	(9,591)
Expenses not deductible for tax	**1,706**	1,282
Unrecognised tax losses	**3,212**	11,717
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**100,231**	106,777
Tax charge at the Group's effective rate	**1,260,454**	1,257,957

* 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 (2020: 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, 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,725,225**	3,848,653

	Number of shares	
	2021	2020
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)*	**0.27**	0.28

9. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Interim — HKD0.087 (2020: HKD0.075) per ordinary share	**992,498**	902,744
Proposed final — HKD0.076 (2020: HKD0.085) per ordinary share	**856,198**	986,228
	1,848,696	1,888,972

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

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables	**1,383,729**	904,950
Bills receivable	**–**	2,500
Impairment	**(12,242)**	(7,891)
	1,371,487	899,559

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:

	2021 *RMB'000*	2020 *RMB'000*
Within 90 days	**1,198,171**	841,332
91 to 180 days	**163,122**	48,399
181 to 365 days	**10,194**	9,828
	1,371,487	899,559

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

	2021 *RMB'000*	2020 *RMB'000*
At beginning of year	**7,891**	7,394
Impairment losses *(note 5(c))*	**4,351**	497
At end of year	**12,242**	7,891

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, 2021

	Within 90 days	**91 to 180 days**	**181 to 365 days**	**Total**
Expected credit loss rate	**0.44%**	**1.43%**	**31.24%**	**0.88%**
Gross carrying amount *(RMB'000)*	**1,203,418**	**165,486**	**14,825**	**1,383,729**
Expected credit losses *(RMB'000)*	**5,247**	**2,364**	**4,631**	**12,242**

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

11. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**1,028,354**	817,407
Bills payable	**–**	166,580
	1,028,354	983,987

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:

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**1,018,249**	827,297
91 to 365 days	**7,871**	148,664
1 to 2 years	**873**	4,457
Over 2 years	**1,361**	3,569
	1,028,354	983,987

Certain bills payable were secured by the pledge of the Group's short-term deposits of RMB100,000,000 at December 31, 2020. The Group's short-term deposits were due in the year ended December 31, 2021.

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 2021, the Chinese economy led the global economic recovery, but the overall macro-environment remained challenging due to the resurgence of the epidemic and uncertainties in policy expectations and market liquidity. Gross domestic product and total retail sales of consumer goods for the year grew by 8.1% and 12.5% respectively, with slower growth in the second half of the year compared to the 12.7% and 23.0% growth rates in the first half. On the other hand, the supply side also put pressure on the overall profitability of the downstream sectors in the second half of the year as raw material prices experienced a relatively large increase. Under pressure from both demand and supply, the Group demonstrated strong risk resistance, achieving steady growth in overall revenue, continued strong development of its strategic brands, and maintained a stable and industry-leading profit level. In terms of operations, the Group relied on its strong supply chain and logistics management capabilities to ensure stable production and product supply; continued to consolidate its channel network and explore its potential to achieve simultaneous increase in operational efficiency and market share; and continued to expand its consumer base and maintain brand vitality and influence with its excellent product innovation and marketing innovation capabilities. In the long run, the growth and positive trend of the consumer market will remain unchanged, and the Group's comprehensive advantages and forward-looking planning will lead to healthy and stable growth.

In terms of industry development, the Group continued to promote industrial upgrading, boosting its overall brand power and market share, and consolidating its leading position as a leading enterprise. Doubendou continued to lead the industry benchmark and engaged in deep communications with consumers through innovative marketing methods; and promoted brand and category education, driving industry development and expanding industry capacity. The product matrix was further enriched by the launch of ambient plant-based yogurt and organic whole soy milk, thus covering both household and leisure consumption scenarios through the two product lines, namely, ambient soy milk and plant-based yogurt, which resulted in a more diversified product portfolio and expanded consumption scenario and coverage of consumer groups. For Meibeichen, operating quality was boosted, with rapid improvement in profitability of the retail network and further expansion of market share; it also strengthened the system construction, optimized distributor and sales team capabilities, and enhanced distributor efficiency and profitability. The Company further rolled out its nationwide expansion, and launched its medium shelf life products in the fourth quarter, while leveraging its flexible distribution timelines and scale capabilities to fuel a new round of national retail outlet expansion. Hi-Tiger carried out comprehensive upgrades to its channel profit distribution system and team management structure, resulting in faster growth of market penetration. It also accelerated expansion across the nation by rapidly growing the distributor team and strengthening channel execution, to boost up the number of its outlets and its regional influence. Innovations were made in the snack food and ready-to-drink beverage segments. With the team's market insight and strong research and development ("**R&D**") capability, we continued to launch premium new products targeted at the young consumer group, such as wafers, upgraded cookies, sugar-free herbal tea and bubble herbal tea, to meet the new consumer demand under the trend of consumption upgrade and healthy lifestyle.

With continuous development of the Internet and social networking, consumers' behaviors and habits in relation to information acquisition and consumption decision-making are ever-changing, which placed higher demands on product design, media communication and consumer interaction by businesses. The Group values brand building and marketing model upgrade, and grasped the core elements of consumer communication in brand building. We formulated precise marketing strategies corresponding to product features, brand tone and market competitive landscape; and improved transaction conversion rate and realized efficient marketing through multi-dimensional and quantifiable assessment models. First of all, we developed highly accurate marketing strategies and differentiated marketing approaches based on industry characteristics and development stages. For example, with the goal of driving industry upgrades and building up a brand image of healthy and organic products, Doubendou has continuously enriched its plant-based product line by introducing new plant-based yogurt and organic whole soy milk, integrating multi-faceted and innovative marketing measures to further enhance its high-quality brand image. As an energy drink brand highly popular among consumers, Hi-Tiger has incorporated promotion by generally-recognized online media with sponsorship by professional offline sports events, to obtain precise scenario-based marketing and continuously cultivate professional brand value, thus conveying differentiated brand image value to consumers. Heqizheng seeks to meet the needs of young consumers, and express its innovative brand value through constantly creating trending topics over its bubble herbal tea on social media. Secondly, relying on years of experience and insight in the consumer field, the Group deepened its research on consumer groups and explored in-depth the characteristics, demands and spending habits of consumers so as to refine the portrait of consumer groups in various industries, and expand the young consumer group. For example, the Group used big data and algorithms to facilitate analysis, and adjusted marketing methods as appropriate according to the corresponding consumer characteristics, realizing accurate consumer access and thorough communication. Thirdly, the Group has refined its teamwork and assessment model, and has been working closely with its brand, sales and R&D teams to innovate new channels and new marketing methods to deeply integrate the sales and marketing processes and improve the conversion rate of transactions and cost efficiency, hence achieving the combined effects of brand value realization and sales conversion. By enhancing the marketing mindset, embracing consumers in all aspects and refining the marketing and evaluation model, the Group continuously improved its core competitiveness in marketing and strengthened brand images under various segments of the Group.

As a leader in the food and beverage industry in China, the Group attaches great importance to fulfilling its social responsibility by leading and promoting the concept of green, environmental protection and healthy living through technological upgrades, green production and win-win industrial chains. It continuously refined the talent management mechanism in order to enhance corporate governance. The Group considers the enhancement of its R&D innovation capability as a strategic priority, and has been making breakthroughs in product technology, design, composition and formulation by setting up a high-level research platform, building a highly specialized R&D team and using "digitization" to empower R&D work. In 2021, Doubendou soymilk won the "Special Prize in the Science and Technology Award of the China National Food Industry Association (中國食品工業協會科學技術獎特等獎)" for its patented technology of "natural without additives". Heqizheng herbal tea won the "First Prize in the Science and Technology Award of the China National Food Industry Association (中國

食品工業協會科學技術獎一等獎)" for its patented technology of "freshly brewed extraction technology". Doubendou's innovative technology for room temperature plant-based ambient yogurt products won the "Second Prize in the Science and Technology Award of the China National Food Industry Association (中國食品工業協會科學技術獎二等獎)". Through technological innovation, the Group continues to provide consumers with healthier and tastier products, leading the industry to upgrade its quality and promote the trend of green and healthy eating. In promoting the sustainable development of the industry chain, the Group has selected organic farms to promote professional bean cultivation and breeding techniques, and to build a circular upstream farm ecosystem to enhance its contribution to the environment. In terms of green production, the Group encourages innovation and reform in production departments to continuously optimise production equipment and processes, reduce carbon emissions and strictly control the composition of emissions. At the same time, the Group has improved its management of the three types of wastes, and through internal process optimisation and external cooperation, it has realised the recycling and utilization of various solid wastes, wastewater and waste gas. In terms of corporate governance, the Group adhered to its "people-oriented" philosophy and implemented a multi-level and refined employee incentive and welfare policy. In 2021, the Group increased the salary level and performance incentive for frontline sales staff to enhance their subjective motivation. As for core staff, the Group provided medium to long-term incentive through a share incentive scheme to align the interests of employees with those of the Company and shareholders and promote sustainable corporate development.

In terms of channel development, the Group adapted to market trends to broaden the breadth and coverage of its channel, enhance the quality of its channels, improve the overall efficiency of its channel operations and continue to strengthen its channel advantages. In 2021, we continued to build our channel management system. In terms of traditional channels, the Group steadily promoted the nationwide layout of its channel network and the development of new market regions. The channel management system was built to improve the efficiency of the implementation of the entire channel chain. In addition, through the refinement of distributor support and profit enhancement policies, the distributor team was strengthened, the contribution of core distributors was increased, and the control of the retail outlets were further strengthened. In terms of modern channels, the focus was on strengthening penetration rates and driving up the quality of modern channel sales through differentiated products and high-end new products. At the same time, the Group has seized the opportunity of the fast-growing convenience channel to expand the coverage of the convenience system through in-depth channel cooperation and retail outlet services, driving up the profitability of modern channels. Highly regarded by the Group, the e-commerce channel has established close partnerships with major platforms to achieve mutual assistance and build a win-win situation in facilitating the ecosystem of e-commerce business. In response to the market opportunities arising from diversifying the channels, the e-commerce segment has been developing a full channel and has achieved significant results in the expansion of emerging platforms. In particular, the social e-commerce segment adopted a group live-streaming approach to precipitate a fan base and achieve rapid sales volume. Community group purchase leveraged the Group's natural advantage in the lower-tier market channel to expand channel sales by leveraging the high repeat purchase rate of household consumption products and the perfect match between the preferences of target consumer groups, helping platforms to jointly develop regional markets and capture wider market opportunities, so as to realise rational utilisation of the channels.

In 2021, the Group's revenue reached RMB22,294 million, representing a year-on-year increase of 6.4%, of which, revenue from the household consumption segment increased to RMB3,635 million with a year-on-year increase of 22.7%; revenue from the snack food segment decrease to RMB9,943 million with a year-on-year decrease of 2.7%; and revenue from the ready-to-drink beverage segment increased to RMB6,596 million with a year-on-year increase of 6.8%. Gross profit amounted to RMB8,156 million, representing a year-on-year decrease of 1.0%. Gross profit of the household consumption, snack food and ready-to- drink beverage segments were RMB1,563 million, RMB3,399 million and RMB3,150 million, respectively, representing an increase of 12.4%, a decrease of 11.8%, and an increase of 6.6%, respectively, compared to the same period of last year. Overall gross profit margin of the Group was 36.6%, showing a decrease of 2.7 percentage points as compared to last year. Profit before tax was RMB4,986 million, representing a year- on-year decrease of 2.4%; net profit decreased by 3.2% year-on-year to RMB3,725 million, with a net profit margin of 16.7%, representing a year- on-year decrease of 1.7 percentage point. Cash flow remained strong, with an increase in cash by RMB4,214 million, and net cash amounting to RMB16,596 million, an increase of 34.1% compared to the end of 2020.

Looking back to 2021, the Company actively procured industry upgrade where it achieved remarkable results in the area of household consumption and energy drinks and established a solid foundation for channel reinforcement and team enhancement, while highlighting its performance in product research and development, corporate governance, and innovative marketing. Looking ahead to 2022, the Group will continue to improve its efficient innovation mechanism and actively expand the size of its new channels and platforms as well as business teams, with an aim to further consolidate its leading position in the snack food industry, continuously increase its market share in the ready-to-drink beverage segment and establish the plant-based protein as a new leading industry, as well as expand the national scale advantage of the short shelf-life bread sector. With the implementation of its equity incentive scheme, a series of effective and consistent management strategies and the precise and efficient execution of the team, the Group will be well-positioned to achieve long-term and sustainable results growth in the future, thereby creating larger returns for its shareholders.

HOUSEHOLD CONSUMPTION INDUSTRY

In 2021, the household consumption industry saw a strong growth momentum with an increase in sales revenue by 22.7% to RMB3,635 million in 2021 from RMB2,963 million in 2020, accounting for 16.3% of the overall sales of the Group. Gross profit margin saw a decrease of 3.9 percentage points to 43.0%, mainly due to the faster growth rate of Meibeichen and the increase in raw material costs. Our sales team and distributor team in the household consumption industry have been equipped with strong capabilities in execution and responsiveness. Since 2021, the Group has been continuously optimising its sales system and channel network for concrete development of quality products and enhancement of operational efficiency, laying a solid foundation for the next round of large-scale expansion. Meanwhile, we have strengthened our capability in product innovation and marketing innovation, enriched product efficacy and taste options, strengthened the brand's influence in the household consumption market by integrating marketing and sales communication to target groups.

- **Short Shelf-life Bread**

  With the level of urbanization in China continues to improve, people's demand for convenient breakfast is increasingly prominent, short shelf-life bread market has strong growth potential.

  As a leading national brand in the short shelf-life bread market, Meibeichen has been improving its operating efficiency throughout 2021. Leveraging on its strong cross-regional operating capability and channel establishment ability, it recorded a rapid increase in market share with sales revenue reached RMB1,390 million, representing a year-on-year increase of 33.5%. Entering the second half of the year, Meibeichen will enhance distributor scale and profitability through various measures, with a focus on optimizing the distributor ecology. Firstly, it improved cooperation mechanism. Benefitting from the sales quality enhancement for almost a year, it has laid a foundation in several regional markets. In order to further expand its regional penetration, Meibeichen launched a differentiated distributor cooperation model in core regions, with an attempt to enhance its market presence. Secondly, it will improve operating efficiency through channel integration management, justifying the expansion of operating size of distributors. Lastly, it launched medium-shelf life products to optimize the industrial structure of distributors, and assist brand penetration in regional markets and low-tier markets with longer cultivation period, enabling distributors to grow stronger and expand sales size and profitability through enlarged operation license and diversified product offerings. Besides, Meibeichen preemptively captured group purchase opportunities in the community by utilizing its channel advantages in household consumption scenarios and low-tier markets to expedite market expansion and continuously increase its reach in the region.

  Highly regarded by the Group, Meibeichen has established a product matrix with a wide range of products, an increasingly established sales team and a well-developed distribution ecosystem. Looking ahead to 2022, Meibeichen will enhance and develop its product quality, further scale up its sales and strengthen its moat against threats to the brand, with a view to becoming the most influential short shelf-life bread brand in China.

- **Soy Milk**

  Given the increasing health awareness and concern over sustainable development by consumers, the growing consumer recognition of the nutritional value of plant-based protein is creating a large and healthy growth market.

As a leading brand in the soy milk industry, Doubendou has been committed to consumer education and market capacity expansion in recent years to lead the industrialization development of the industry. In 2021, Doubendou adopted innovative marketing approaches to conduct in-depth communication with consumers and continued to promote brand and category education. We have maintained comprehensive presence in popular variety shows and television dramas in China, combined with emerging social platforms to deepen consumers' awareness of the brand and its products, to achieve extensive and continuous exposure of the brand and facilitate the mutual synergy and enhancement of marketing and sales. The product matrix was further enriched with the establishment of two major product matrixes — room temperature soy milk and plant-based yogurt. The ambient plant-based yogurt and organic whole soy milk enriched product choices in terms of efficacy and taste, expanding consumption scenarios and consumer coverage as well as leading the industry developing into maturity. The channel network was further improved, representing by the retail outlet segment focusing on market infrastructure to boost the product repurchase rate, and the distributor segment strengthening the allocation of dedicated staff and vehicles for the distribution system construction with distributors to form a closed channel loop. Benefited from the revealing outcome of category education, the further enrichment of the product ecology and the continuous improvement of the channel network, the same-store growth of Doubendou experienced a sharp increase, leading to further expansion of sales scale and continuous growth in market share. By the end of the year, Doubendou has become the national brand occupying the largest market share in the soy milk industry, with sales scale amounting to RMB2,245 million, representing a year-on-year increase of 16.8%.

Looking ahead to 2022, Doubendou will further optimize its pricing system and improve the efficiency of expenditure allocation to facilitate the rapid and healthy development of the brand in terms of its industrial system, investment and team management. The Group believes that capitalizing on its capabilities of brand building, genre operation and market expansion, Doubendou will eventually lead the plant-based protein industry to achieve greater success.

SNACK FOOD BUSINESS

In 2021, the Group leveraged the strengths as a leading enterprise through its extensive product portfolio and wide network of channels to achieve stable overall sales in a generally weak mass market. With the long-term trend of consumption quality upgrade and healthy diet becoming increasingly apparent, the snack food segment firmly implements its new product strategy and promotes the improvement of productivity by continuing to launch products that tasted fresher and more delicious with finer packaging. As for our channel, we are actively supporting the new product strategy by expanding the coverage of new products in the channel, increasing the penetration rate of modern channels and deepening sales quality through high quality products.

Faced with the pressure of rising raw material prices, the snack food segment adjusted the price for some low-margin products and leveraged its strong productivity and strength to achieve good distributor and end-user feedback. Sales of snack food declined slightly in the second half of the year due to the short term impact of the response time to the price increases on turnover. In 2021, our sales revenue for the year decreased by 2.7% to RMB9,943 million from RMB10,213 million in 2020. Our gross profit margin decreased by 3.5 percentage points to 34.2%, mainly due to the impact of higher raw material costs. With the optimization of our product mix, new product sales growth and marketing innovations, sales will improve year-on-year and the benefit of growth will be further released, and the long-term positive trend will remain unchanged.

- **Bakery**

  Bakery is the largest category among snack food in China and has maintained rapid growth in recent years, with strong market momentum and huge potential for industry opportunities. As a household name in the bakery industry, Daliyuan has the largest market share in the industry and has established strong product development capacity and market responsiveness over the past 30 years of operation.

  In 2021, Daliyuan continued to promote product quality upgrades and high-end market penetration. In response to consumers' increasing demand for better taste and texture, the quality of the major categories of egg pie, chocolate pie and small bread was comprehensively upgraded to expand our consumer base and increase the repeat purchase rate. Daliyuan formulated targeted marketing strategies to expand the shelf share and sales contribution of high-end products in the channels and deepen the penetration into the high-end consumer market, taking into account the consumer base of its new products and their consumption habits.

  Compared with developed countries, China's bakery market is still relatively less concentrated, in which companies with strong innovation capabilities will be able to further expand their sales scale and increase their market share. In the future, Daliyuan will continue to consolidate its existing advantages, strengthen its innovation capabilities, promote new products and improve the efficiency of its channels to continue to drive up its revenue scale and market share.

- **Potato Puffed Food**

  As a leading domestic potato chips brand in China, Copico has a good reputation among young consumers and a well-established product matrix. Copico has a strong position in the mass market with its compound series, and meets the demand for upgraded consumption with its pure cut series.

In 2021, Copico continued to innovate its products, introducing stylish and interesting products. For example, in response to the trend of healthy eating, Copico launched the "Freshly Cut Flowers (花顏純切)" series, which added real flowers to fruit flavours for a refreshing, nutritious and healthy taste, and was well received by young consumers after launch. On the other hand, Copico has launched precision marketing and innovative marketing, encompassing popular dramas and variety shows that young consumers love, and actively developing new live channels and social media channels to generate buzz on social media through continuous brand exposure, topic creation and KOC (Key Opinion Consumer) recommendation, thus continuously expanding the brand's influence among young consumers.

Looking forward, Copico will continue to capture the consumption trend of young consumers, promote product innovation and brand marketing and actively promote omni-channel sales through building a fan base through innovative specialty products, thereby continuously increasing Copico's market share.

- **Biscuit**

After years of development, the biscuit market has become more mature. Product upgrading will become an important driver for market development, and companies with high-end advantages will reap more market share. As a household name in China's market, Haochidian has great brand awareness, with a comprehensive product portfolio covering a variety of consumption groups.

In 2021, Haochidian has kept abreast of market trend by launching "Veekin", a healthy wafer biscuit snack with trendy packaging to meet the needs of young consumers, and at the same time extended and upgraded the product range of its cookies to include smaller packs of refined biscuits. On the other hand, Haochidian has capitalised on the high-growth children's snack market, and through intellectual property co-branding and collaboration with popular variety shows, it has conveyed its brand image of children's biscuits as cute, fun and healthy, which has received good feedback from the household consumption market. In terms of channels, we expanded our omni-channel penetration, making use of emerging channel opportunities and developed fast-growing convenience channels, while optimising the product mix of our channels through new products to enhance the quality of our channel sales on all fronts.

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 expand the brand impact.

READY-TO-DRINK BEVERAGE INDUSTRY

The demands for beverage with efficacy and fashion sense is rapidly increasing as a result of the changing consumer habits following the pandemic and the constant deepening of consumer upgrading trend. In 2021, the Group launched a number of innovative products in response to market trends and continued to expand sales by upgrading and extending existing products through accurate insights into market trends. In terms of channels, we underwent the team structure optimization of ready-to-drink beverage, with emphasis on strengthening the operational capability of the team and distributors. Through setting up an efficient assessment mechanism, we have selected and nurtured a team of sales and distributors with a high level of concentration and execution to help the channel achieve efficient penetration. Benefited from improvement in product portfolio and channel management, the sales revenue of the Group's ready-to-drink beverage sector increased by 6.8% from RMB6,176 million for 2020 to RMB6,596 million in 2021, and the gross profit margin decreased slightly by 0.1 percentage point to 47.8%, which was mainly due to the impact of higher raw material prices was basically offset by the expansion of sales scale and the optimization of product portfolio.

- **Energy Drinks**

  The energy beverage market has maintained rapid growth in recent years, the consumer groups core demand of which is product efficacy. Featured by product consumption characteristics such as strong brand royalty and repurchase rate, leading brands are more capable to increase their market share. Through differentiated specification positioning and brand marketing, Hi-Tiger has built up a loyal consumer base in the industry, highlighting its branding advantage. The sales revenue for 2021 amounted to RMB3,222 million, representing a year-on-year increase of 16.3%.

  In the first half of 2021, through channel profit allocation and team structure optimization, Hi-Tiger has enhanced the profitability of distributors and retail outlets to industry-leading levels, improved the focus of the sales team and distributor team, released organic channel dynamics, strengthened retail outlet control and achieved an increasing penetration of existing markets. Since the start of second half of the year, Hi-Tiger entered a new phase of market expansion, with the brand focusing on expanding its national network coverage and rapidly increasing the number of new regional outlets, leading to a rapid increase in sales. In terms of brand marketing, Hi-Tiger continued to reinforce its positioning as a professional energy beverage by actively sponsoring the broadcast platforms of premium sports events such as the Union of European Football Associations Euros and World Cup, as well as collaborating with adventure reality shows to convey the brand's values of positive optimism, exploration and inclusive openness. By online and offline means of sponsorship and participation in national and regional sporting events, the brand has been able to interact and communicate with consumers, effectively reinforcing its differentiated brand image.

In the future, Hi-Tiger will continue to strengthen its professional brand positioning and optimize the quality of its team and distributors. It will deepen its channel penetration by refining its regional market approach, targeting at first and second tier markets and strengthening its retail outlet control and network image. With the help of such measures, we will proactively capture incremental market growth and expand our market share at the same time.

- **Herbal Tea**

  In 2021, the herbal tea industry recorded a slight year-on-year decline of 2.3% to RMB1,668 million amid the weak market condition. Heqizheng seized the structural growth opportunities presented by the young consumer groups, and focused on technological innovation, product innovation and marketing innovation to enhance its brand vitality and achieve stable sales. In terms of technology upgrade, Heqizheng has been continuously upgrading its extraction process to improve product quality. Its patented "freshly brewed extraction technology" has been awarded as the first-class prize in Science Technology Award of the China National Food Industry Association. In terms of products, based on its market position of traditional herbal beverage, it introduced sugar-free herbal tea and carbonated herbal tea with healthy ingredients and upgraded texture. We have won consumers heart with our innovative and unique taste. In terms of marketing, we built topics and interacted with consumers in the form of music creation on TikTok and Bilibili with the adoption of innovative marketing approach targeting the young consumer groups, and achieved good consumer feedback.

  Looking into the future, Heqizheng will continue to capture demands from young consumer groups, launch innovative products to cater for market trends and enhance the brand perception and vitality, so as to achieve stable sales growth.

OTHER FINANCIAL INFORMATION

- **Selling and distribution expenses**

  Selling and distribution expenses of the Group increased by 9.3% from RMB3,555 million in 2020 to RMB3,884 million in 2021. Such expenses as a percentage of revenue increased compared with 2020, which was mainly attributable to higher advertising expenses as the Group continued to enhance the promotion efforts for new products and higher labor costs as a result of the increase in sales personnel in the home consumption segment.

- **Administrative Expenses**

  The Group's administrative expenses increased by 3.6% from RMB606 million in 2020 to RMB628 million in 2021. Such expenses as a percentage of revenue remained essentially flat as compared to 2020, mainly due to the increase in personnel cost as a result of increase in average remuneration of management personnel.

- **Cash**

  The Group meets its liquidity needs mainly through cash flow generated from operation and proceeds from the listing. The total value of the Group's pledged deposits, cash and bank deposits increased from RMB13,925 million as at December 31, 2020 to RMB16,647 million as at December 31, 2021. The increase was mainly due to the Group's net operating cash inflow of RMB3,206 million in 2021, and cash outflow from capital expenditure on acquisition of machinery and equipment, newly built plants and land of RMB1,339 million, as well as the change in cash flow generate from bank borrowings and used in purchase of financial products.

- **Inventories**

  The Group's inventories increased by 11.1% from RMB1,075 million as at December 31, 2020 to RMB1,194 million as at December 31, 2021. It was mainly because the Group increased inventory storages in response to price fluctuations of certain raw material markets. The inventory turnover days decreased from 33.1 days in 2020 to 28.9 days in 2021.

- **Trade and Bills Receivables**

  The Group's trade and bills receivables increased by 52.3% from RMB900 million as at December 31, 2020 to RMB1,371 million as at December 31, 2021. It was mainly because the Group eased the credit terms for certain high-quality distributors in order to promote sales in the household consumption segment and the increase in trade receivables due to fast development in e-commerce, new retail and other business with longer payment periods. The trade and bills receivables turnover days increased from 14.1 days in 2020 to 18.3 days in 2021.

- **Trade and Bills Payables**

  The Group's trade and bills payables increased by 4.5% from RMB984 million as at December 31, 2020 to RMB1,028 million as at December 31, 2021, mainly attributable to the fact that the Group increased inventory storages of certain raw materials at the end of the year, resulting in increase in the balance of payables. The trade and bills payables turnover days decreased from 33.0 days in 2020 to 25.6 days in 2021.

- **Borrowings**

  As of December 31, 2021, the balance of short-term loans of the Group was RMB5,273 million, of which 93.8% was denominated in RMB (31 December 2020: RMB1,918 million). Such short-term loans of the Group are unsecured bank borrowings with interest rates ranging from 1% to 3% per annum. Benefiting from various domestic macroeconomic policies and the supporting policies for the real economy from various financial institutions, the Group obtained borrowings in relation to the supporting policies stated above.

  As at December 31, 2021, the Group's gearing ratio was 29.8%. The gearing ratio is the total liabilities divided by equity plus total liabilities. The increase in gearing ratio from 23.1% as at December 31, 2020 was mainly due to the addition of unsecured bank short-term loans of the Group in 2021. The Group owns sufficient cash to repay the above borrowings.

- **Foreign currency risk**

  The Group's businesses are located in Mainland China and 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, 2021, the Group's assets and liabilities denominated in HKD were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had currencies other than RMB as their functional currencies.

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

- **CONTINGENT LIABILITIES**

  As at December 31, 2021, the Group did not have any significant contingent liabilities.

- **PLEDGE OF ASSETS**

  As at December 31, 2021, the Group's balance of pledge amounted to RMB0.831 million (December 31, 2020: RMB100 million) have been 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 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 as at December 31, 2021 were as follows:

Use of Proceeds from the Listing(as of 31 December 2021)

Unit: HKD million

No.	Items	Percentage	Available	Utilised during the year ended December 31, 2021	Utilised as at December 31, 2021	Unutilised as at December 31, 2021	Expected timetable of the use of the unutilised net proceeds[1]
1	Development, introduction and promotion of new products	20%	1,733	232	1,733	–	N/A
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	232	5,833	2,600	

The Company does not intent to utilize the proceeds for purposes different as described in the Prospectus.

(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.

- **Capital Expenditures and Capital Commitments**

The Group had capital expenditures of RMB1,339 million in 2021, primarily used for (i) the construction of new product's production lines and equipment upgrades; (ii) the construction of new plant; and (iii) the construction of newly acquired land and plants of certain factories.

As at December 31, 2021, the Group's capital commitments relating to property, plant and equipment were RMB450 million, which were primarily used for (i) the construction of plant for new and expanded factories; (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 the first half of 2021, 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, 2021, the Group had a total of 40,745 employees (as at December 31, 2020: 39,216 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 Group provides various staff benefits to its employees. For the year ended December 31, 2021, the total employee benefits expenses (including Directors' remuneration) were RMB2,538 million (for the year ended December 31, 2020: RMB2,304 million), which was primarily attributable to the increase in sales and management personnel of the Group's household consumption segment and the increase in average remuneration.

PROSPECTS

Looking ahead to 2022, the Group will continue to seize the opportunity of development to lead the trend of household consumption and healthy consumption, and expand its market share and capture the incremental market. For the household consumption segment, we will lead the advancement in the industry and enhance our advantages as a leading player. For the snack food segment, we will invest in high-end products to expand our leading position. For the ready-to-drink beverage segment, we will reshape the market landscape to get all our brands back on the track of high growth. We will continue to invest in operational excellence, promote all-encompassing efficiency enhancement in our channels, build our core competitiveness in innovative marketing, and accelerate digitalization to improve management efficiency.

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

Looking forward, the Group will adhere to the principle of creating quality with commitment with a pragmatic yet proactive corporate culture, as well as promote high-quality growth through well-defined strategic planning and efficient strategy execution. We will keep our faith to offer more delicious and healthy products for our customers and 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, 2021, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision C.2.1.

Under the code provision C.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, 2021.

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, 2021.

AUDIT COMMITTEE

The annual results and the consolidated financial statements of the Group for the year ended December 31, 2021 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, 2021 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

During the year ended December 31, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Since the adoption of the Share Award Scheme up to the date of this announcement, the trustee of the Share Award Scheme purchased an aggregate of 145,614,000 Shares with a total consideration of approximately HK$705,488,909.67 for the purpose of the Share Award Scheme.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Wednesday, May 18, 2022 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$0.076 (equivalent to approximately RMB0.0625) per ordinary share for the year ended December 31, 2021 (the "**2021 Final Dividend**"), representing a total payment of approximately HK$1,040,753,000 (equivalent to approximately RMB856,198,000). The payment of the 2021 Final Dividend is subject to the approval of the shareholders at the AGM.

Upon shareholders' approval to be obtained at the AGM, the 2021 Final Dividend is expected to be paid on or around Friday, July 8, 2022 to the shareholders whose names appear on the register of members of the Company on Friday, May 27, 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, May 13, 2022 to Wednesday, May 18, 2022, 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 Thursday, May 12, 2022.

In addition, in order to determine the entitlement of the shareholders to receive the 2021 Final Dividend, the register of members of the Company will be closed from Tuesday, May 24, 2022 to Friday, May 27, 2022, 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 2021 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 23, 2022.

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, 2021 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 28, 2022

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. NG Kong Hing, Mr. LIU Xiaobin and Dr. LIN Zhijun as independent non-executive Directors.